



*The ultimate in clean power*

# **Tenth Annual Report**

Oct 2003 - Mar 2005 (18 Months)



# **NUMERIC POWER SYSTEMS LIMITED**



## NUMERIC POWER SYSTEMS LIMITED

CHAIRMAN	:	Mr. R. VEERAMANI
DIRECTORS	:	Mr. R. CHELLAPPAN, <i>Managing Director</i> Mr. V.M. SIVASUBRAMANIAM, <i>Director</i> Mr. DONALD GENE FAIR, <i>Director</i> Mr. K.P. SIVANANDAM, <i>Director</i> Mr. JOHN J. DHYANCHAND, <i>Director</i> Mr. A. BALAN, <i>Director</i> , Mr. K.V. NACHIAPPAN, <i>Director</i> Mr. SIVA C PARAMASIVAM, ( <i>Director upto 27.10.2004</i> ) Mr. G. RAMASUBRAMANIAN, ( <i>Director upto 05.02.2005</i> ) Mr. M.K. BALASUBRAMANIAN, ( <i>Director upto 05.02.2005</i> )
COMPANY SECRETARY	:	Mr. S. KRISHNAMURTHY
AUDITORS	:	M/s. S.R. BATLIBOI & ASSOCIATES <i>Chartered Accountants</i> TPL House, Second Floor 3, Cenotaph Road, Teynampet Chennai – 600 018
BANKERS	:	STATE BANK OF MYSORE Santhome and Industrial Finance Branch Chennai  BNP PARIBAS Prince Towers, 3 <sup>rd</sup> Floor 25/26, College Road, Chennai – 600 006  STATE BANK OF INDIA Industrial Finance Branch 103, Anna Salai, Chennai – 600 002  HDFC BANK Ltd., Mariam Centre Branch 751-B Anna Salai, Chennai – 600 002  HSBC Ltd., 30, Rajaji Salai, Chennai – 600 001
REGISTERED OFFICE	:	'NUMERIC HOUSE' 5, Sir P.S. Sivasamy Salai Mylapore, Chennai – 600 004
FACTORY	:	UNIT I : Plot No.B-69, Door No.47, PIPDIC Industrial Estate Sedarapet, Pondicherry – 605 111  UNIT II : 33/1, PIPDIC Industrial Estate, Sedarapet, Pondicherry – 605 111  UNIT III : R.S. No.33/5, 100 Feet Road, Gayathri Nagar Mudhaliarpuram, Pondicherry - 605 004  UNIT IV : R.S. No.218/6, ECR Bypass Road, Lawspet Pondicherry - 605 008  EHTP DIV : No.80, Kamarajar Salai, Ground Floor Raja Annamalaipuram, Chennai - 600 028  Fabrication and Stabiliser Division: 122/1, Old Mahabalipuram Road Semmancherry, Chennai – 600 119

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**NUMERIC POWER SYSTEMS LIMITED****DIRECTORS' REPORT**

We all at NUMERIC have our great pleasure to thank all the Investors who have been with the company all these years and we are very glad to welcome all the new investors for their good support for being the shareowners of NUMERIC POWER SYSTEMS LTD.

**EXTENDED FINANCIAL YEAR**

As all of you were informed earlier that we had extended our Financial year to March from September and this has been approved by the ROC (Registrar of Companies, Tamil Nadu), and notified to the Stock exchanges and to all our valuable NUMERIC investors. In this respect we conducted our EGM on 31.08.2004 wherein the investor forum and the 3card have approved this change to match the time lines of reporting our accounts in synchronization with the time lines of Income Tax / Service tax and reduce the additional work by the Auditors.

**GROWTH OF THE COMPANY**

As in the past our company NUMERIC has achieved a respectable growth of 39% in Revenue and this performance has also been translated into an EPS growth of over 43% during the Financial Year 2003 - 04 - 05 (for the 18 months) concluded at 31<sup>st</sup> March 2005, despite incurring expenses on various non-traditional items during 5<sup>th</sup> quarter (October to December 2004)

**MANUFACTURING FACILITIES & OFFICE DETAILS IN INDIA**

For the benefit of all the new and existing shareowners we are very pleased to list below the facilities and activities of our company NUMERIC:

**UNIT - I (MAGNETICS PLANT AT PONDICHERRY):** Design & Manufacture of Transformers and wound components / coils for our own captive consumption. This plant was purchased during early part of 1995 located in the PIPDIC Industrial Area, Sedarapet, Pondicherry.

**UNIT - II (UPS PLANT AT PONDICHERRY):** Design, Manufacture, Sales & Service of NUMERIC brand UPS systems. This plant is equipped with modern assembly systems and conveyor line. NUMERIC purchased the land, built the facility and inaugurated during July 1995. This plant is located at Sedarapet - PIPDIC Estate, Pondicherry.

**UNIT - III (UPS PLANT AT PONDICHERRY - CUDDALORE ROAD):** This leased facility produces and supplies the recently launched NUMERIC Digital HP range of UPS systems to the IT / Distribution and the fast growing banking markets in good volumes. The products are 1Ph / 1Ph NUMERIC Digital HP series.

**UNIT - IV (UPS PLANT AT PONDICHERRY - ECR):** This is our new plant that supplies the recently launched NUMERIC Digital HPE range of UPS systems to the IT / Distribution and the Corporate segment. The products from this new unit are 3Ph / 1 Ph type NUMERIC Digital HPE series.

**CNC FABRICATION PLANT (CHENNAI – OLD MAHABALIPURAM ROAD):** This is a modern sheet metal process and powder coating facility equipped with Murata – Japan CNC (Computer Numerical Control) punching system, DARLEY – Holland CNC forming & press brake and GEMA – Switzerland made Powder Coating work station. We established this plant during December 1995.

## NUMERIC POWER SYSTEMS LIMITED

**STABILISER MANUFACTURING PLANT (CHENNAI – OLD MAHABALIPURAM ROAD):** The stabilisers and Power Conditioning accessories are manufactured in this plant and this unit supports NUMERIC as a total Power conditioning Systems company in India. From this plant we are also exporting Stabilisers and Isolation Transformers in addition to our own captive consumption and sales with UPS systems.

The above two plants were built in our own land and established in the year 1995 and 2001 respectively with additional space / land available for future expansion.

**NUMERIC EHTP:** We have established another new manufacturing facility in Chennai, a 100% EOU under the STPI / EHTP (ELECTRONIC HARWARE TECHNOLOGY PARKS) scheme promoted towards support of exports. This facility has achieved a major milestone of winning orders from MNC group for the design, manufacture and supply UL approved power products. These products are exported to Canada, UK and China from this EHTP facility and also we export our NUMERIC brand UPS systems to South America, Singapore, Mauritius and Africa.

**NUMERIC HOUSE:** We have made our dream come true - built our own corporate office at a very prime location in Chennai city and inaugurated this modern office building during January 2003. Mr. Claude GRAFF – CEO of MGE UPS SYSTEMS, France with US and FRENCH Consulate Generals were the chief guests with other Executives from leading Industries. NUMERIC House serves as our corporate office and also houses all major H.O functions.

**SALES & SERVICE LOCATIONS:** In order to increase the market reach and efficient services to all our customers we have established our presence in India at 122 locations and most of these are performing as Sales & Service offices. We have added 15 centers during the later part of the year 2004 with a move to remain close to our customers.

**NUMERIC UPS DISTRIBUTION:** Our team has been very successful in developing partnership with two major IT sales & distribution companies that are highly professional in conducting business. With the support of efficient Product Management Portfolio, we are able to distribute our Off-Line and On-Line products to their all India sales network.

### EXTERNAL GROWTH

**NUMERIC LANKA TECHNOLOGIES PVT LTD (NLTP) COLOMBO – SRI LANKA:**

Our long-term mission on external growth has become a reality through NUMERIC LANKA (a wholly owned subsidiary of NUMERIC POWER SYSTEMS LTD – approved by RBI under ODA) in Colombo - Sri Lanka. We signed an agreement with the BOI (Board of Investment of Sri Lanka) and established our new manufacturing plant in a record time of sixty days for the export of UPS systems and utilise the benefits of ISFTA (Indo Sri Lanka Free Trade Agreement). NLTP was incorporated as a Private limited company in Colombo on 21<sup>st</sup> January 2003 and exports from Sri Lanka commenced from April 2003.

**NUMERIC POWER SYSTEMS PTE LTD - SINGAPORE:**

NUMERIC incorporated another 100% owned subsidiary company in Singapore in the path of external growth and this entity has just completed its first year of operation. Inaugurated by our Chairman on 9<sup>th</sup> April 2004, NUMERIC POWER SYSTEMS PTE LTD is engaged in Export of UPS systems to countries like USA, Africa, Mauritius, Sri Lanka and to India Customers directly.



## **RANGE OF NUMERIC PRODUCTS, MGE & OTHER PRODUCTS**

### **NUMERIC BRAND:**

0 - 2.2 KVA OFF - LINE & LINE INTERACTIVE UPS SYSTEMS  
 0 - 6 KVA DIGITAL HP RANGE OF ON - LINE UPS SYSTEMS  
 10 - 60 KVA DIGITAL HPE SERIES ON - LINE UPS SYSTEMS  
 0 - 80 KVA NUMERIC HPL RANGE OF UPS SYSTEMS  
 POWER CONDITIONER ACCESSORIES & SERVO STABILISERS  
 ELECTRICAL POWER QUALITY AUDITS & SYSTEM DESIGN

### **MGE BRAND:**

20 – 4800 KVA MERLIN GERIN RANGE OF UPS SYSTEMS

### **PANASONIC:**

RANGE OF SEALED LEAD ACID BATTERIES FROM PANASONIC

## **MAJOR PROJECTS BEING HANDLED**

**POWER SECTOR** – NUMERIC had successfully executed the Auxiliary Power Systems project for POWER GRID which is a turn-key project involving design, supply, installation and commissioning of total power conditioning systems (both AC and DC) for their SCADA EMS project in the entire North Eastern states of India. Currently NUMERIC is executing a similar project for POWER GRID in the entire western India region.

**IT / COMMUNICATION SECTOR** – NUMERIC had the success run going strong with major projects coming from MICROSOFT, INTEL, EMC, INFOSYS, WIPRO, CTS, VERITAS, ST MICRO, ST GOBAIN, RBI, ICICI, STOCK EXCHANGE, HDFC, NCR and other major MNC groups with a good market share for executing projects with MGE UPS SYSTEMS of High – End Power conditioning solutions.

**BANKING AND FINANCIAL SECTOR** – NUMERIC has the privilege of winning many prestigious high value orders from all major banks across India. Currently we are working with most of the Bank projects including Nationalised, Private Sector and MNC Banks. Majority of the ATM sites are supported by NUMERIC UPS systems.

**HEALTHCARE** – NUMERIC enjoys a good market share with all major health care and Medical instrumentation areas and has the relationship going strong with SIEMENS and PHILIPS medical systems besides several direct hospital projects.

**EDUCATION & RESEARCH SECTOR** – NUMERIC had won many orders from various IIT (Indian Institute of Technology) and states funded schools and major Technology centers / Engineering college projects.

## **NUMERIC – INDIA'S NO.1 ON - LINE UPS & POWER ELECTRONICS MANUFACTURER**

It is our great pleasure to share with all our Investors that our company – NUMERIC, has been ranked as No.1 UPS Manufacturer & Power Electronics Manufacturer for the last 11 years, all in a row. The journals from the Association of Computer professional in India – SOFTDISK made a qualitative research on all India basis and publish the data every year.

## NUMERIC POWER SYSTEMS LIMITED

### PRODUCT DEVELOPMENT

Technology changes have made UPS as a High-Tech product that requires further advancement in the systems. We have adapted these Digital Controls in the newly launched NUMERIC DIGITAL HP series up-to 6 KVA models and the advancement to the mid range systems up to 60 KVA - DIGITAL HPE series - has been launched successfully. These new versions are capable of facilitating Remote Management of UPS equipment at customer locations and drive cost effective solutions through intelligent monitoring and Internet links.

### MARKET CHANGES IN IMPORTANT RAW MATERIALS

As you all are aware, UPS Systems comprise of Power Electronics, Advanced Control Electronics, Transformers, Sheet Metal Enclosures and Batteries. Due to LME price increase in the following metal based inputs, cost have shot up tremendously.

LEAD	80%	[Major component of Batteries]
COPPER	100%	Windings & Coils
CORE/LAMINATION	80%	Transformer
STEEL	30%	Enclosures

In spite of the above, our Company is maintaining its strong position.

### COST CONTROL MEASURES PRACTISED

Market competition is getting tougher every day and the Global Business changes make our overall earnings drop so fast in the recent years, due to market competition, it became the top priority for us to focus more into the cost saving areas. Cost control practices focus more in the backward integration of certain important process areas, improved sourcing methods, bank interest and cost of financing overseas L/Cs etc. This is a continual process.

### AWARDS WON

#### 1. FROST & SULLIVAN – 2004 INDIA UPS INDUSTRY AWARDS

- ❖ CUSTOMER SERVICE LEADERSHIP – MANUFACTURING SEGMENT
- ❖ PRODUCT LINE LEADERSHIP – BANKING, INSURANCE AND N.B.F.C SEGMENT

#### 2. SOFT DISK – SD AWARDS 2004 (11<sup>TH</sup> CONSECUTIVE YEAR)

- ❖ INDIA'S NO.1 ONLINE UPS MANUFACTURER
- ❖ NO.1 POWER ELECTRONIC COMPANY OF THE YEAR

#### 3. INTERNATIONAL FACILITY MANAGEMENT ASSOCIATION AWARD FOR EXCELLENCE 2004

- ❖ BEST SERVICE PROVIDER, Category: M & E Suppliers

### FUTURE VISION ON PERFORMANCE

In the coming years the cost control approach would be very continual and we have put practices at all divisions to focus more and more on the process improvements on certain raw materials, improvised manufacturing techniques, more technical support activities managed through computer networks, reduced communication cost and making NUMERIC gradually a near debt-free company.



## FINANCIAL RESULTS

During this financial period 1.10.2003 to 31.03.2005 (18 months), the Company has achieved a growth rate of 39% over the previous year, and the profit after tax for the 18 months period is Rs.2159.10 Lakhs. The EPS for FY 2003 – 2005 (18 months' period) is Rs.43.18 compared to the previous year (12 months) EPS at Rs.20.11.

Abridged financial results are as under :-

Particulars	for the period ended 31/3/2005 (18 months) Amount (Rs. in Lakhs)	for the year ended 30/9/2003 (12 months) Amount (Rs. in Lakhs)
GROSS SALES AND OTHER RECEIPTS	32156.58	15434.50
LESS: DIRECT SALES BY PRINCIPALS	4758.50	1585.67
SALES AND OTHER RECEIPTS	27398.08	13848.83
PBDIT	3155.79	1425.10
DEPRECIATION	131.30	66.07
PBIT	3024.49	1359.03
INTEREST	281.84	218.32
PBT	2742.65	1140.71
TAX (Net)	583.55	135.00
PAT	2159.10	1005.71
EQUITY CAPITAL	500.00	500.00
RESERVES AND SURPLUS	6636.79	4760.36
EPS	43.18	20.11

## 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 have prepared the annual accounts on a going concern basis.

## EXPLANATORY NOTE ON QUALIFICATION UNDER SECTION 217A(3) OF THE COMPANIES ACT, 1956

The observations made by the Auditors in their report are self explanatory. The relevant notes to accounts also clarify the points referred to by the Auditors. There are therefore no further comments necessary under Section 217A(3) of the Companies Act, 1956. In respect of the qualification in paragraph 4 d (ii) of the Auditors' Report, the directors believe that the provision for tax based on technical positions is adequate.

**NUMERIC POWER SYSTEMS LIMITED****DIVIDEND**

As you all know, the Directors declared an interim dividend @20% on the equity shares of the Company and was paid in November 2004. The Directors have pleasure in now recommending Final Dividend of 30% on the equity shares of the Company, free of tax in the hands of the shareholders, subject to approval of the shareholders, thus making a total of 50% dividend for the 18 month period of financial year 1.10.2003 to 31.03.2005.

**DIRECTORS****Extension of the period of appointment of Managing Director Mr. R. Chellappan, for a period of 5 years from 1.5.2005:**

At the meeting held on 22.04.2005 the Board of Directors of the Company recommended the reappointment of Mr. R. Chellappan for the period of 5 years from 1.5.2005 subject to approval of the shareholders at the ensuing AGM to be held on 28.05.2005.

Particulars of Mr. R. Chellappan is given below:

Mr. R. Chellappan, aged 52 years, is a qualified engineer in Electrical and Electronics - B.E., I.E.E.E. He has experience of over 33 years.

**Reappointment of Directors:**

Mr. A. Balan and Mr. K.V. Nachiappan, retire by rotation at the ensuing Annual General Meeting under Section 255 of the Companies Act, 1956, and are eligible for reappointment. A resolution for their reappointment is placed before the AGM to be held on 28.05.2005. Their particulars are given below:

Mr. A. Balan, aged 52 years, is a qualified engineer in Electrical and Electronics [B.E.(Elec)]. He has experience of over 17 years in various assignments.

Mr. K.V. Nachiappan, aged 39 years, is a qualified engineer in Electronics and Electrical [B.E. (Elec & Electl)]. He has been associated with the Company in developing new designs and in the R&D efforts of the Company.

**Resignation:**

The Board accepted the resignation of Mr. Siva C Paramasivam from the Board of Directors of the Company, at the meeting held on 27.10.2004 and taken on record its appreciation of the services rendered by him during his tenure as director.

The Board accepted the resignation of Mr. M.K. Balasubramanian from the Board of Directors of the Company, at the meeting held on 05.02.2005 and taken on record its appreciation of the services rendered by him during his tenure as director.

The Board accepted the resignation of Mr. G. Ramasubramanian from the Board of Directors of the Company, at the meeting held on 05.02.2005 and taken on record its appreciation of the services rendered by him during his tenure as director and member of Audit Committee and Share Transfer Committee.



### 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 :

Sl. No.	Name/Qualification Designation	Age (Yrs)	Date of Commencement	Experience	Total Remuneration (Rs.)	Last Employment
1.	R. CHELLAPPAN B.E., I.E.E.E. Managing Director	52	1.5.1995	33 yrs.	42.50 lakhs	Business

### 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.

### SUBSIDIARY COMPANIES

Information relating to the subsidiary companies namely Numeric Lanka Technologies Pvt. Limited, Sri Lanka, for the financial year ended March 31, 2005 and for the period from January 21, 2003 (date of incorporation) to March 31, 2004 as well as the accounts of Numeric Power Systems Pte. Limited, Singapore for the period from March 4, 2004 (date of incorporation) to March 31, 2005 are attached to this Report.

### CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements read with Accounting Standard AS-23 on Accounting for investments in Associates in Consolidated Financial Statements and Accounting Standard 27 on Financial Reporting of interests in Joint Ventures, we have attached the Consolidated Financial Statements which form part of the Annual Report and Accounts.

### AUDITORS

M/s. Gopal and Murthi, Chartered Accountants, Chennai, and M/s. S.K. Ram Associates, Chartered Accountants, Chennai, resigned as Auditors of the Company and, M/s. S.R. Batliboi & Associates, Chartered Accountants, Chennai, were appointed as Auditors of the Company at the Extraordinary General Meeting held on 31<sup>st</sup> August, 2004.

M/s. S.R. Batliboi & 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  
22.4.2005