

**Annual General Meeting on
Thursday, the 27th July 2006
at Pleasant Days (Resort),
at 11.30 A.M.**

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Board of Directors

P.E. Subramaniam
Chairman & Managing Director

P.S. Jagdish
Executive Director

P.S. Shekar
Director – Operations

A.P. Muthuswami

K. Kannan

P. Velayudhan Pillai

Company Secretary

V. Balasubramanian

Auditors

G. Balu Associates

Registered Office

DP : 36, SIDCO Industrial Estate
Thirumazhisai
Chennai 602 107

Works

- 1) DP : 14-19, SIDCO Industrial Estate
Thirumazhisai
Chennai 602 107
- 2) 31, VGP Salai
Saidapet, Chennai 600 015
- 3) VII/222, Koyyamarakkad
Kanjikode, Palakkad – 678 621

Registrars

Intime Spectrum Registry Limited
C-13 Pannalal Silk Mills Compound
LBS Marg, Bhandup (West)
Mumbai 400 078.
Telephone : 022-2596 3838 / 2596 0320
Fax : 022-2594 6969 / 2594 0329
E-mail : isrl@intimespectrum.com
Website : www.intimespectrum.com

Bankers

State Bank of India

Bank of Baroda

Standard Chartered Bank

Citibank N.A.

Indian Bank

DIRECTORS' REPORT

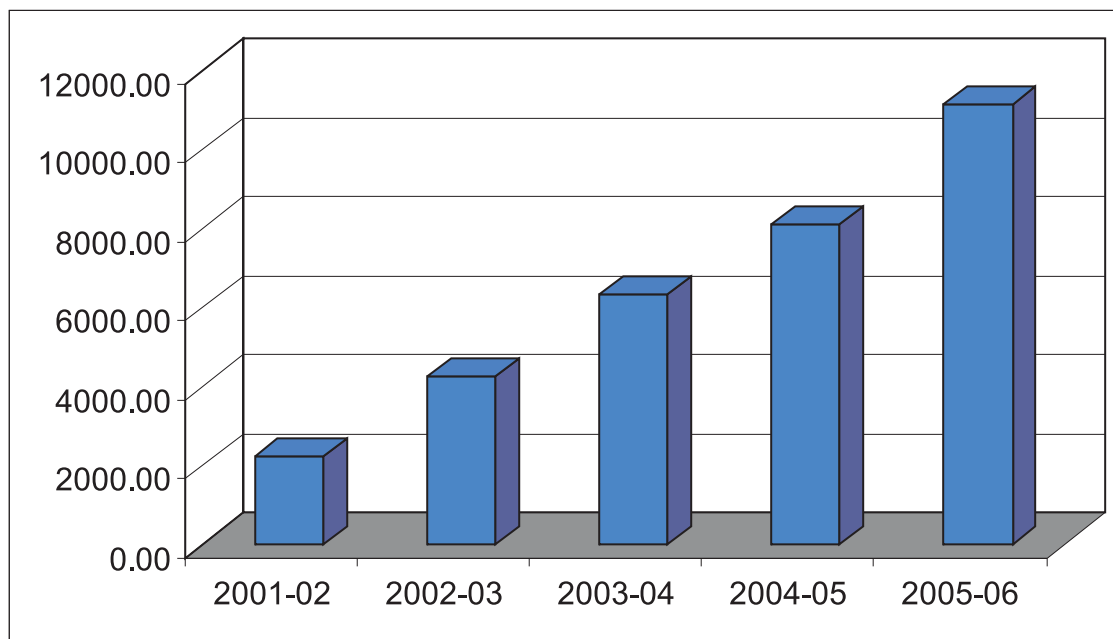
Your Directors are pleased to present their 14th Annual Report on the business and operations of your Company together with the Audited Statement of Accounts and the Auditor's Report for the financial year ended 31st March, 2006. The Financial highlights for the year under review are given below:

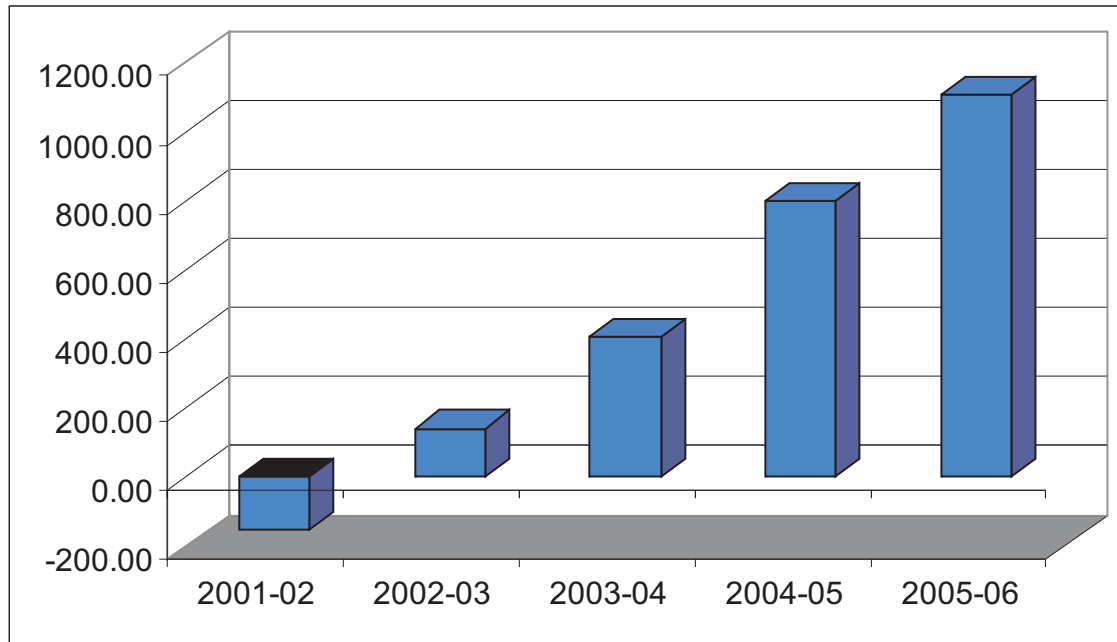
FINANCIAL RESULTS

(Rupees in Lakhs)

	Financial Year ended March 31, 2006	Financial Year ended March 31, 2005
INCOME		
Gross Sales & Other Income	11232.55	8174.73
Gross Profit before depreciation & tax	1735.80	1164.80
Depreciation	85.48	86.04
Profit before tax	1650.32	1078.76
Provision for tax inc. deferred tax and FBT	544.15	281.86
Profit after tax	1106.16	796.91
Balance of profit of earlier years	1063.74	431.07
Balance available for appropriation	2169.90	1227.98
APPROPRIATIONS		
General Reserve	110.00	100.00
Dividend	212.40	56.34
Tax on Dividend	29.79	7.90
Balance carried to Balance Sheet	1817.71	1063.74

SALES FOR THE LAST FIVE YEARS (Rs. in Lakhs)



PROFIT AFTER TAX FOR THE LAST FIVE YEARS (Rs. in Lakhs)**PERFORMANCE**

Your Company has performed beyond expectations once again. Growth has been maintained in the local markets while the Company is exploring possibilities in the overseas markets. Our investments in manpower resources, technology and seeking new business areas continue to be the growth engines. The 2005-06 annual results demonstrate your Company's ability to identify, nurture and accelerate growth opportunities resulting in a strong platform for future growth.

Your Company's total revenues for the year 2005-06 was Rs.11232.55 lakhs representing a growth of 37.41%. (Rs.8174.73 lakhs for the previous year ended March 31, 2005). The Net Profit after provision for taxation for the year ended March 31, 2006 was Rs.1106.16 lakhs (Rs.796.91 lakhs for the previous year ended March 31, 2005) signifying a healthy growth of 38.81%.

The earning per share and cash earning per share for the year under review was Rs.14.34 and Rs.15.45 respectively.

Your Company's net worth continues to be strong and stood at Rs.7136.77 lakhs as on March 31, 2006 (Rs. 2392.70 lakhs in March 31, 2005), reflecting the intrinsic strength of the Company. The book value per share is Rs.67.20 signifying consistent enhancement in shareholders value.

BUSINESS OPERATIONS OVERVIEW AND OUTLOOK

The year 2006-07 looks optimistic as far as business from State Electricity Boards, Power Projects, Public Utilities, Industrial Customers and Exports are concerned. The importance given by the Government for infrastructure projects and huge investments coming up in the Power Sector is expected to generate huge demand for the products of your Company.

The Power Ministry intends to implement various projects including the mega power projects and these will result in larger requirement of your Company's products.

Your Company continues to get regular orders from State Electricity Boards, other Public Utilities, leading Turnkey Electrical Contractors as well as a range of Industrial Customers. The above will result in extending the Customer base of the Company and will enable the Company to achieve its projected growth in the years to come.

Your Company has embarked on an Expansion Plan and three Projects are being implemented concurrently, namely:

1. Relocation and Modernization of Saidapet plant into a new Distribution Transformer Plant of 750 MVA / annum at Thirumazhisai.
2. Setting up of Dry Type Transformer Plant at Thirumazhisai.
3. Setting up a new Power Transformer Plant with a Capacity of 2400 MVA/ Annum including 220 KV class of transformers at Illuppapattu Village, Kancheepuram.

The first and second Projects is expected to commence operations during the 2nd Quarter of the year 2006-07. The large Power Transformer Plant is expected to commence operations during the 1st Quarter of the year 2007-08.

The present order book of the Company stands at Rs.9600 Lakhs.

Your Company has started receiving export enquiries and is confident of meeting the requirement of various range of its transformers for its export customers in the near future.

INITIAL PUBLIC OFFER AND LISTING

Your Company came out with its Initial Public Offer (IPO) in February 2006 which received an overwhelming response and was oversubscribed 39.21 times. The Equity Shares of your Company were listed with the National Stock Exchange of India Limited and Bombay Stock Exchange Limited on 16th March 2006 and trading commenced on the same date. The Shares continue to be actively traded on both the Stock Exchanges.

DIVIDEND

After considering the Company's profitability, cash flow, future expansion needs and the need to conserve resources, your Directors are pleased to recommend a dividend of 20% on the Paid-up Equity Share Capital of Rs.1062.00 lakhs. The total quantum of dividend, if approved by the Members, will be Rs.212.40 lakhs, while Rs.27.08 lakhs will be paid by the Company towards dividend tax, surcharge and education cess. Dividend in the hands of the shareholders will be tax-free.

AMALGAMATION

Indo Tech Electric Company Limited (ITECL) was amalgamated with your Company pursuant to the Order of the Hon'ble Madras High Court dated 30th September 2005.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. P. S. Shekar and Mr. K. Kannan, Directors retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217 (2AA) of the Companies Act 1956 your Directors confirm that;

- 1) that in the preparation of the annual accounts for the financial year ended 31st March, 2006 the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 2) that 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 and fair view of the state of affairs of the Company at the end of the financial year 2005-06 and of the Profit & Loss Account of the Company for the year under review;
- 3) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and preventing and detecting fraud and other irregularities;
- 4) that the Directors had prepared the accounts for the financial year ended 31st March 2006 on a 'going concern basis'.

CORPORATE GOVERNANCE

Your Company continues to be committed to good corporate governance aligned with the best corporate practices. It has complied with the standards set out by SEBI and Clause 49 of the Listing Agreements of the Stock Exchanges.

A separate Report on Corporate Governance along with Auditor's Certificate on Compliance with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges is provided as a part of this Annual Report, besides the Management Discussion and Analysis.

HUMAN RESOURCES

Human capital is an extremely important and strategic resource of your Company. This resource has immensely contributed to your Company's growth over the years. Your Company honours the dignity of each employee, irrespective of position. The Board of Directors wish to express its sincere appreciation for the outstanding contribution of its employees to the operations of your Company.

None of the Employees were in receipt of remuneration prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

AUDITORS

The Auditors of your Company, M/s. G. Balu Associates, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if re-appointed. The Company has received a letter from them to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956. Your Directors recommend their appointment for your approval.

PUBLIC DEPOSITS

Your Company has not accepted any deposits and, as such, no amount of principal or interest was outstanding on the date of the Balance Sheet

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

The information as prescribed 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, 1988, is given in a separate annexure, which forms a part of this Report.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation of co-operation and support received from banks, customers, suppliers and shareholders for the continued growth and prosperity of your Company. Your Directors also wish to record their appreciation for the excellent services rendered by the Lead Manager and the Registrar in the recently concluded IPO. Your Directors look forward to the continued support of these partners in progress.

For and on behalf of the Board of Directors

INDO TECH TRANSFORMERS LIMITED

Chennai, June 2, 2006

P. E. SUBRAMANIAM
Chairman & Managing Director

ANNEXURE I TO DIRECTORS' REPORT

Information as required under Section 217(1)(e) of the Companies Act, 1956.

A. CONSERVATION OF ENERGY

Energy conservation :

Your Company is not a power intensive industry and hence the scope for conservation of energy is not much. However the following energy saving measures has been carried out.

- i. The Company has been regularly striving to conserve use of electrical energy by implementation of energy audit and energy conservation measures. Process procedures have been optimized to reduce energy consumption per unit/rupee of production.
- ii. The fluorescent lights at the Plant has been fitted with electronic ballast for higher efficiency and conservation of energy.
- iii. Lighting survey was carried out and some lighting points reduced.
- iv. Energy expert had been invited to the Company to study in detail the present consumption and also the expected consumption of energy after the installation of new Plant and Machinery. After obtaining the detailed report from him, further conservation of Energy shall be attempted, wherever practicable.

B. TECHNOLOGY ABSORPTION

Research & Development :

1. Specific areas in which R&D is carried out by the Company
 - a. The Company has progressed substantially in developing rectangular cored transformers and a prototype transformer has been manufactured. Once testing is complete the product will be taken up for commercial manufacturing thereby saving on material to a great extent.
 - b. The Company has developed the Package Substation and Unitized Substation suitable for Industrial Clients. The Company expects sizable business for these package substations in the years ahead.
 - c. Detailed studies had been carried out in connection with the manufacture of 100MVA 230KV class Transformers, especially the insulation co-ordination, better utilisation of active materials etc.
2. Benefits derived as a result of the above R&D :

The development and introduction of various components have contributed to reduction in production cost and improvement in quality. As a result, the Company has good scope in new market entry, cost reduction, better product performance and increased competitive ability and broader product profile.
3. Future plan of action :

All the above stated activities will be further accelerated and amplified to ensure conformance and further developments.

Open Ventilated Dry Type Transformer is being planned to be manufactured at Thirumazhisai. A state of the art plant to manufacture these dry type transformers is in the process of being established. Major equipments required for this manufacture have been ordered.
4. Technology Absorption, Adaptation and Innovation :

Please refer para B(1)

C. IMPORTED TECHNOLOGY

The Company's technical collaboration agreement with M/s. Moblesource Industries Inc., Canada, has expired. However, the Company continues to get orders for these Mobile Transformers from Moblesource Industries Inc., as a Supplier-Customer relationship.

D. FOREIGN EXCHANGE EARNINGS AND OUTGO

The foreign exchange earnings of the Company during the year under review was Rs. nil and outgo was Rs.53.05 lakhs.

CORPORATE GOVERNANCE REPORT

Company's Philosophy on Corporate Governance:

The Company's philosophy is to aim at the highest levels of quality management through transparency and commitment to all the stakeholders viz. its shareholders, employees, Government, lenders and the promoters.

Board of Directors:

The Board of Directors provide the strategic direction and thrust to the operations of the Company. The Board has an Executive Chairman and five other Directors. Out of these, three members are Independent Directors. Hence, the Company complies with the listing agreement norms for Independent Directors.

Board procedures:

The Company Secretary prepares the agenda in consultation with the Chairman of the Board of Directors and the Chairman of the various committees. The agenda for the meetings of the Board and its Committees, together with the appropriate supporting documents, are circulated well in advance of the meetings. The meetings are normally held in Chennai.

Attendance at meeting:

During the year under review, the Board of Directors met 10 times on 27th April 2005, 27th June 2005, 28th July 2005, 9th August 2005, 3rd October 2005, 7th October 2005, 10th October 2005, 22nd October 2005, 23rd December 2005 and 9th March 2006.

The attendance record of the Directors at each Board meeting, and the last Annual General Meeting held on July 28, 2005 is given below:

Name of Director	Type of Director	Board Meetings Attended	AGM Attended	No. of Committee Memberships held (excl. private Cos.)	No. of outside Directorships held (excl. private Cos.)
P.E. Subramaniam Chairman & Managing Director	Promoter Director	10	Yes	Nil	1
P.S. Jagdish Executive Director	Promoter Director	10	Yes	3	1
P.S. Shekar Director – Operations	Promoter Director	10	Yes	1	1
K. Kannan	Independent Director	7	No	8	6
A.P. Muthuswami	Independent Director	9	Yes	3	Nil
P. Velayudhan Pillai	Independent Director	7	Yes	2	Nil

Audit Committee:

The Audit Committee consists of two Independent Directors and one Executive Director viz.,

Sl. No.	Name	Category of Membership
1	Mr. K. Kannan	Chairman
2	Mr. A. P. Muthuswami	Member
3	Mr. P. S. Jagdish	Member

Mr. K. Kannan is ex-Chairman & Managing Director of Bank of Baroda and has sound knowledge in the areas of Banking, Finance, Taxation and Accounts. Mr. A.P. Muthuswami is the former Chief Secretary of the Government of Tamil Nadu. Mr. P.S. Jagdish is a Wholetime Director with responsibility for Finance and Legal functions. Mr. V. Balasubramanian, Company Secretary, is the Secretary of the Audit Committee.

During the year ended 31st March 2006, only one meeting was held on 23rd December 2005. The terms of reference of the Audit Committee are as per the guidelines set out in the Listing Agreement with the stock exchanges.

The Attendance of Directors at the Audit Committee Meetings held during the year ended 31st March 2006 is given below:

Sl. No.	Members	Meetings Held	Meetings Attended
1	Mr. K. Kannan	1	1
2	Mr. A. P. Muthuswami	1	1
3	Mr. P. S. Jagdish	1	1

Shareholders/Investors Grievance and Share Transfer Committee:

The Shareholders/Investors Grievance and Share Transfer Committee consists of two Independent Directors and one Executive Director viz.,

Sl. No.	Name	Category of Membership
1	Mr. A. P. Muthuswami	Chairman
2	Mr. P. Velayudhan Pillai	Member
3	Mr. P.S. Jagdish	Member

The Committee oversees the performance of share transfer and recommends measures to improve the shareholders/investors service. No meeting of the Shareholders Grievance and Share Transfer Committee was held during the year ended 31st March 2006. Mr. V. Balasubramanian, Company Secretary, is the Compliance officer.

During the Financial Year ended 31st March 2006, a total of 161 complaints were received from the shareholders out of which 156 were resolved within the financial year. The total number of complaints pending as on date of this report is 174.

Remuneration Committee:

The Remuneration Committee comprises of three Directors viz:

Sl. No.	Name	Category of Membership
1	Mr. K. Kannan	Chairman
2	Mr. A. P. Muthuswami	Member
3	Mr. P. Velayudhan Pillai	Member

The terms of reference of the Remuneration Committee are as per the guidelines set out in the in the Listing Agreement with the stock exchanges that include determination of the Company's policy on specific remuneration packages for Directors.

The Non-executive Directors are not paid commission over and above the sitting fees. They are paid Sitting Fees of Rs.20,000/- for attending a meeting of the Board or Committee thereof. No meeting of the Remuneration Committee was held during the year ended 31st March 2006.

Details of remuneration paid to Wholetime Directors during the financial year 2005-06:

Sl. No.	Name	Designation	Salary & Allowances (Rs.)	Taxable value of perquisites (Rs.)	Commission (Rs.)
1	P.E. Subramaniam	Chairman & Managing Director	7,20,000	3,99,933	17,22,904
2	P.S. Jagdish	Executive Director	4,50,000	2,05,373	17,22,903
3	P.S. Shekar	Director-Operations	4,50,000	2,86,799	17,22,903

Details of Sitting fees paid to Non-executive Directors during the financial year 2005-06:

Sl. No.	Name	Designation	Board Meeting Fees (Rs.)	Audit Committee Fees (Rs.)	Shareholders' Grievance Committee Fees (Rs.)	Remuneration Committee Fees (Rs.)
1	K.Kannan	Independent Director	29,000/-	5,000/-	-	-
2	A.P. Muthuswami	Independent Director	36,000/-	5,000/-	-	-
3	P. Velayudhan Pillai	Independent Director	26,000/-	-	-	-

General Body Meetings:

The particulars of Annual General Meetings held during the last three years are as under:

Year	Date and Time	Venue
2005	28 th July 2005 at 9.30 A.M	DP-36, SIDCO Industrial Estate, Thirumazhisai, Chennai 602 107
2004	27 th September 2004 at 9.30 A.M.	DP-36, SIDCO Industrial Estate, Thirumazhisai, Chennai 602 107
2003	8 th September 2003 at 9.30 A.M.	DP-36, SIDCO Industrial Estate, Thirumazhisai, Chennai 602 107

The particulars of Extra-Ordinary General Meetings held during the last three years are as under:

Year	Date and Time	Venue
2006	2 nd January 2006 at 11.00 A.M.	DP-36, SIDCO Industrial Estate, Thirumazhisai, Chennai 602 107
2005	10 th October 2005 at 11.00 A.M.	DP-36, SIDCO Industrial Estate, Thirumazhisai, Chennai 602 107
2004	16 th April 2004 at 1.00 P.M.	DP-36, SIDCO Industrial Estate, Thirumazhisai, Chennai 602 107

No special resolutions were passed by the Company necessitating postal ballot at any of the above meetings.

Disclosures:

- Related Party Transactions: Disclosure on transaction(s) with related party as required under Accounting Standard 18 has been incorporated in the Notes to the Accounts.

- b. There are no instances of non-compliance with Stock Exchange or SEBI regulations, nor any cases of penalties or strictures imposed by any Stock Exchange or SEBI or any statutory authority for any violation related to Capital Markets during the last three years.
- c. The Company has complied with the requirements of the Listing Agreement with the Stock Exchanges as well as with the Regulations of the Securities and Exchange Board of India.

Means of Communication:

The Quarterly Financial Results are published in English and vernacular newspapers. These results are generally published in the All India editions of Economic Times and one Tamil newspaper. The results are also posted on SEBI's website www.sebiedifar.nic.in and on the Company's website www.indo-tech.com

Management Discussion and Analysis Report:

The Management Discussion and Analysis (MDA) giving an overview of the Company's business and its financial etc. is provided separately as part of this Annual Report.

Code of Conduct:

The code of Conduct for all the members of the Board and senior management of the Company has been posted on the website of the Company: www.indo-tech.com

Shareholders' Information:

1. **Annual General Meeting**

Date : 27.07.2006

Time : 11.30 A.M.

Venue : Pleasant Days Resort
Chennai-Bangalore Trunk Road
Palanjur, Sembarambakkam
Chennai – 602 103.
2. **Book Closure Date** July 15 to July 27, 2006
3. **Financial Calendar**

Results for the quarter ending June 30, 2006	Last week of July 2006 (tentative)
Results for the quarter ending September 30, 2006	Last week of October 2006 (tentative)
Results for the quarter ending December 31, 2006	Last week of January 2007 (tentative)
Results for the quarter ending 31 st March, 2007	Last week of April 2007 (tentative)
Annual General Meeting	4th week of July 2007 (tentative)

4. Dividend Payment Date

By third week of August 2006

5. Listing of Shares on Stock Exchanges

The Equity Shares of the Company are listed on the National Stock Exchange of India Limited and Bombay Stock Exchange Limited.

Stock Code :
BSE SCRIP CODE : 532717
NSE SYMBOL : INDOTECH

The ISIN No. is INE332H01014.

6. Stock Price Data

NSE			BSE		
Month	High	Low	Month	High	Low
March 2006	251.80	135.00	March 2006	252.00	165.00
April 2006	254.00	187.95	April 2006	252.00	190.00
May 2006	242.00	166.00	May 2006	243.00	165.80

7. Registrar and Share Transfer Agents**Intime Spectrum Regisry Limited**

C-13 Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (West), Mumbai 400 078
Phones : 91-22-25960320-28
Fax : 91-22-25946969/25960329
e-mail : isrl@intimespectrum.com

8. Shareholding Pattern as on 31.03.2006

Category	No. of Shares	Percentage
Promoters and Persons acting in concert	6397995	60.28
Mutual Funds & UTI	988187	9.30
Banks	13209	0.12
Foreign Institutional Investors	337332	3.17
Private Corporate Bodies	1146680	10.79
Public	1444400	13.60
NRI's	55947	0.52
Clearing Members	236250	2.22
Total	10620000	100.00

9. Share Transfer System

The authority to approve share transfers has been delegated by the Board of Directors to the Share Transfer Committee. Requests received for transfer of shares are processed within 30 days of receipt.

10. Distribution Schedule as on March 31, 2006

No. of Equity Shares held	No. of Shareholders	% to Shareholders	No. of Shares	% of Shareholding
1 to 500	19341	97.7660	1200322	11.3020
501 to 1000	177	0.8950	141633	1.3340
1001 to 2000	92	0.4650	138429	1.3030
2001 to 3000	53	0.2680	131436	1.2380
3001 to 4000	22	0.1110	75381	0.7100
4001 to 5000	23	0.1160	107269	1.0100
5001 to 10000	29	0.1470	218838	2.0610
Greater than 10000	46	0.2330	8606692	81.0420
TOTAL	19783	100.0000	10620000	100.0000

For and On Behalf of the Board

Place : Chennai
Date : 2nd June, 2006

P. E. Subramaniam
Chairman & Managing Director

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE & DEVELOPMENTS

Power is a thrust area and constitutes a critical infrastructure for the economic development of any nation and for improving the standard and quality of life of its inhabitants. Projected growth of Indian economy hinges heavily on the performance and growth of the power sector and in order to support a growth rate of around 7% p.a., the rate of growth of power needs to be over 10% annually. This argument supports the growing necessity and importance of transformers in India.

Historically, state and state entities have played dominant roles in the development of the Indian power and transformer industry. However, capacity growth has not been able to keep pace with demand and therefore in recent years government has taken significant legislative and policy initiatives to restructure the power industry, which will have a direct or indirect impact on the transformer industry also.

OPPORTUNITIES, THREATS AND RISKS

Indo Tech Transformers Limited is one of the key private sector transformer manufacturing Company in the State of Tamil Nadu. Going ahead with the basic objective of our incorporation, which was to carry on the business of manufacturing transformers, we have expanded our manufacturing capacity from 450 MVA to 2450 MVA to cater to the growing demand of transformers in the southern states of India. With the commissioning of the Expansion Project and relocation & modernization of Saidapet plant, we will have an installed capacity of 5150 MVA.

We currently manufacture the transformers out of three facilities. Of these, two facilities are located in Chennai, Tamil Nadu and one in Palakkad, Kerala. The three plants are capable of manufacturing upto 500 transformers of assorted sizes every month. Our medium power transformer facility at Thirumazhisai was commissioned about eight years back in 1997 and is a modernized facility capable of manufacturing transformers up to 100 MVA/230 KV class. The annual capacity of this plant is 1800 MVA. This plant is ISO 9001- 2000 certified.

We manufacture special transformers, which are customer & industry specific. Various technologies have been imported as well as developed by us to keep abreast with the ever-changing international scenario. We have had several technical collaborations in the past with companies such as Honeywell Inc., (formerly Allied Signals, USA), Moblesource Inc. etc to manufacture various types of distribution and power transformers.

Our results of operations could potentially be affected by the following factors:

- Our ability to successfully commission the Expansion Project at the scheduled time;
- Our ability to manufacture the transformers as per the requirement of our clients;
- Our ability to continuously operate and maintain our manufacturing facilities optimally;
- Our ability to continue to source raw material at competitive rates for our existing and new transformer manufacturing plants;
- Our ability to manufacture transformers using the latest technologies in terms of modern materials, components and processes

PRODUCT PERFORMANCE

1. Revenues

Our revenues comprise of

1. Sale of Transformers, and
2. Other income.

The following table shows our revenue for last three fiscals ended March 31, 2006 :

(Rs. in lakhs)

Sources of Revenue	FY2006	FY 2005	FY 2004
Sale of Transformers	11152.75	8116.60	6332.56
Other Income	79.80	58.13	29.88
Total Revenue	11232.55	8174.73	6362.44

We derive our revenues primarily from sale of transformers manufactured to:

- 1) State Electricity Boards
- 2) EPC Contractors
- 3) Corporates
- 4) Exports

The revenue break-up from these segments for last three fiscals ended March 31, 2006 :

(Rs. in lakhs)

	FY 2006	% of total sales	FY 2005	% of total sales	FY 2004	% of total Sales
SEBs	7912.95	70.95	5118.60	63.06%	4550.20	71.85%
EPC Contractors	1135.13	10.18	1404.10	17.30%	722.20	11.40%
Corporates	2104.67	18.87	1503.90	18.54%	1008.00	15.92%
Exports	-	-	90.00	1.10%	52.20	0.82%
Total	11152.75		8116.60		6332.60	

3. Expenditure

The following table shows our expenditure for last three fiscals ended March 31, 2006 :

(Rs. in lakhs)

Expenditure	FY 2006	FY 2005	FY 2004
Manufacturing Expenses	6576.02	4777.61	3887.04
Employees Remuneration	251.92	237.81	231.93
Administration and other expenses	714.11	558.31	433.99
Preliminary expenses written off	-	-	-
Interest and finance charges	74.00	64.79	113.99
Depreciation	85.48	86.04	72.98
Total	7701.53	5724.56	4739.93

BUSINESS OVERVIEW AND OUTLOOK

The year 2006-07 looks optimistic as far as business from State Electricity Boards, Power Projects, Public Utilities, Industrial Customers and Exports are concerned. The importance given by the Government for infrastructure projects and huge investments coming up in the power sector is expected to generate huge demand for the products of your Company.

The Power Ministry intends to implement various projects including the mega power projects and these will result in larger requirement of your Company's products.

Your Company continues to get regular orders from State Electricity Boards, other Public Utilities, leading Turnkey Electrical Contractors as well as a range of Industrial Customers. The above will result in extending the customer base of your Company and will enable the Company to achieve its projected growth in the years to come.

Your Company has embarked on an Expansion Plan and three Projects are being implemented concurrently, namely:

1. Relocation and Modernization of Saidapet plant into a new Distribution Transformer Plant of 750 MVA / annum at Thirumazhisai
2. Setting up of Dry Type Transformer Plant at Thirumazhisai.
3. Setting up a new Power Transformer Plant with a Capacity of 2400 MVA/ Annum Including 220 KV class of transformers at Illuppapattu Village, Kancheepuram.

The first and second Projects will commence operations during the 2nd Quarter of the year 2006-07. The large Power Transformer Plant will commence operations during the 1st Quarter of the year 2007-08.

The present order book of the Company stands at Rs.9600 Lakhs.

Your Company has started receiving export enquiries and is confident of meeting the requirement of various range of its transformers for its export customers in the near future.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company has an independent Internal Auditor for periodically carrying out audit of the transactions of the Company in order to ensure that recording and reporting are adequate and proper. The Internal Auditors independently evaluate the adequacy of internal controls to ensure that internal controls, checks and balances in the system are adequate, proper and up-to-date. Safeguarding of assets and protection against unauthorized use are also part of these exercises.

FINANCIAL AND OPERATIONS PERFORMANCE

The financial and operational performance of the Company has improved significantly. Higher productivity, cost curtailment together with the ongoing move towards becoming a complete value added player continues to be the area of focus for the Company.

Financial Results

(Rs. in lakhs)

Particulars	Year ended 31.03.2006	Year ended 31.03.2005
Total Revenue	11232.55	8174.73
Operating Profit (EBIDT)	1809.80	1229.59
Profit Before Tax (PBT)	1650.32	1078.76
Profit After Tax (PAT)	1106.16	796.91

Your Company's revenues have increased by 37.40% and PAT has increased by 38.81% over the previous year. The operating margins (EBIDT) have improved from Rs.1229.59 lakhs in 2005 to Rs.1809.80 lakhs in 2006.

HUMAN RESOURCES

The Company has been continuously upgrading the quantity and quality of its human resources to support its growth plans. The Company possesses a team of able and experienced professionals.

CAUTIONARY STATEMENT

Any statements made in this analysis relating to Company's objectives, expectations, estimates, projections, etc. may be considered as "forward looking statements" within the meaning of applicable securities, laws and regulations. Actual results may differ from such estimates, projections, etc. whether expressed or implied. Factors which could make a significant difference to the Company's operations include climatic conditions, market price in the domestic and overseas markets, changes in Government regulations and tax laws, economic conditions affecting demand/supply and other environmental factors over which the Company does not have any control.

CERTIFICATION BY CHIEF EXECUTIVE OFFICER

We hereby certify that for the financial year ending 31.03.2006, on the basis of the review of the financial statements and the cash flow statement and to the best of our knowledge and belief that:

1. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
2. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
3. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year ending 31.03.2006, which are fraudulent, illegal or violative of the Company's code of conduct.
4. We accept responsibility for establishing and maintaining internal controls. We have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee those deficiencies, of which we are aware, in the design or operation of the internal control systems and have taken the required steps to rectify these deficiencies.
5. We further certify that:-
 - (a) There has been no significant changes in internal control during this year.
 - (b) There have been no significant changes in accounting policies during this year.
 - (c) There have been no instances of significant fraud of which we have become aware and the involvement therein of the management or an employee having a significant role in the Company's internal control system.

P. E. Subramaniam
Chairman & Managing Director

Place : Chennai
Date : 2nd June, 2006

Auditor's Certificate on Corporate Governance

To the Members of Indo Tech Transformers Limited

We have examined the compliance of conditions of Corporate Governance by Indo Tech Transformers Limited for the year ended on 31st March 2006, as stipulated in Clause 49 of the Listing Agreements of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We state that in respect of Investor Grievances received during the year ended March 31, 2006 no Investor Grievances are pending for a period exceeding one month against the Company as per the records produced to us.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **G. BALU ASSOCIATES**
Chartered Accountants

S. KUMAR
Partner
Membership No. : 29343

Chennai
2nd June, 2006

AUDITOR'S REPORT

To the Members of INDO TECH TRANSFORMERS LIMITED CHENNAI 600 004.

We have audited the attached Balance Sheet of M/s. INDO TECH TRANSFORMERS LIMITED as at 31st March 2006 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- d. In our opinion, the Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- e. On the basis of written representation received from the Directors, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2006 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2006; and
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date.
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For M/s. G. BALU ASSOCIATES
CHARTERED ACCOUNTANTS

S. KUMAR
Partner
M. No. 29343

Place : Chennai
Date : 02.06.2006

ANNEXURE TO THE AUDITOR'S REPORT

- i) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- ii) All the fixed assets have been physically verified by the management at reasonable intervals and no serious discrepancies were noticed on such verification.
- iii) The stocks of raw materials and components have been physically verified during the year by the management. In our opinion the frequency of such verification is reasonable.
- iv) The procedures followed by the management for physical verification of stocks are reasonable and adequate in relation to the size of the company and nature of its business.
- v) The discrepancies noticed on verification between the physical stock and book record are not significant and they have been properly dealt with in the books of account.
- vi) The company has not granted / taken any loan secured or unsecured to / from companies or others listed in the register under Section 301 of the Companies Act, 1956.

As explained to us, the transactions that need to be entered into register maintained in pursuance of Section 301 of the Act have been entered and these transactions during the year have been made at prices which are reasonable having regard to the prevailing market prices.

- vii) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. There is no continuing failure to correct major weaknesses in the internal control system of the company.
- viii) The Company has not accepted any deposits from public and hence the compliance with the provisions of section 58A and 58AA or any other relevant provisions of the Act and the rules framed thereunder and the directives issued by the Reserve Bank of India are not applicable.
- ix) In our opinion, the company has adequate Internal Audit Systems commensurate with the size and nature of its business.
- x) Based on the information and explanations furnished to us, the maintenance of cost records under Section 209(1) (d) of the Companies Act 1956 is not applicable to the Company.
- xi) According to the records, the Company has been generally regular in depositing the Provident Fund and Employees State Insurance dues with the appropriate authorities. There are no undisputed amounts payable in respect of Income tax, Wealth tax, Service tax, Sales tax, Custom Duty and Excise Duty, Investor Education and Protection Fund, Cess and other material statutory dues outstanding as at 31st March 2006 for a period of more than six months from the date they became payable.

As per the information and explanations given to us, the following sales tax dues are under dispute and for which appeal is pending with Appellate Authorities (Appellant Assistant Commissioner):

Year	Amount (Rs.)
1996 – 1997	441618
1998 – 1999	356433
2000 – 2001	223430
2001 – 2002	275926
Total	1297407

As per the information and explanations given to us, the following Excise Duty dues are under dispute and for which appeal is pending with Appellate Authorities (Appellate Commissioner):

Year	Amount (Rs.)
2005 -2006	265149

- xii) The Company does not have accumulated losses at the end of the financial year and have not incurred cash losses in the financial year and in the immediately preceding financial year.
- xiii) The Company has not defaulted in repayment of dues to a financial institution or bank or debenture holder.
- xiv) The Company has not granted secured loans.
- xv) The Company is not a Chit fund, Nidhi or mutual benefit fund or Society.
- xvi) The Company is not dealing or trading in shares, securities, debentures or other investments.
- xvii) The Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xviii) The company has not obtained any term loan during the year.
- xix) According to the information and explanations given to us, no funds raised on short-term basis have been used for long term investment.
- xx) The Company has allotted 2,48,400 Equity shares of Rs.10/-each to the Shareholders of erstwhile Indo Tech Electric Company Limited as per the Scheme of amalgamation approved by the Hon'ble Madras High Court.
- xxi) The Company has not issued any debentures. Hence the requirements of clause (xix) of paragraph 4 of the Order is not applicable to the company.
- xxii) The Company has come out with its intial public offer (IPO) in February 2006 amounting to 3844 lacs. The question of verification of end use of money raised does not arise as the Company is yet to utilize the same.
- xxiii) According to the information and explanations given to us, a fraud on or by the Company has not been noticed or reported during the year.

For **M/s. G. BALU ASSOCIATES**
CHARTERED ACCOUNTANTS

S.KUMAR
Partner
M. No.29343

Place : Chennai
Date : 02.06.2006

BALANCE SHEET AS AT 31ST MARCH 2006

	Schedules	AS AT 31.03.2006 Rs.	AS AT 31.03.2005 Rs.
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	10,62,00,000	2,81,69,000
Reserves & Surplus	2	60,74,77,437	21,11,00,993
		71,36,77,437	23,92,69,993
Loan Funds			
Unsecured Loans	3	2,02,66,530	2,12,35,193
		1,61,73,121	1,81,26,650
		75,01,17,088	27,86,31,836
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	20,40,91,640	16,77,07,733
Less : Depreciation		6,96,82,660	6,13,80,477
Net Block		13,44,08,980	10,63,27,256
Investments	5	11,34,70,124	5,85,900
Current Assets, Loans and Advances			
a. Current Assets		83,04,62,302	40,28,02,762
b. Loans & Advances		13,79,89,239	5,30,16,642
		96,84,51,541	45,58,19,404
Less : Current Liabilities and Provisions			
a. Current Liabilities		34,56,61,368	23,89,68,673
b. Provisions		12,05,52,189	4,51,32,051
		46,62,13,557	28,41,00,724
Net Current Assets (6-7)		50,22,37,984	17,17,18,680
		75,01,17,088	27,86,31,836
Notes to Accounts	17		

As per our report annexed

For and on behalf of the board

for **G. BALU ASSOCIATES**
CHARTERED ACCOUNTANTS**P.E.SUBRAMANIAM**
Chairman & Managing Director**S. KUMAR**
PARTNER**V. BALASUBRAMANIAN**
COMPANY SECRETARY**P.S.JAGDISH**
P.S.SHEKAR
K.KANNAN
A.P.MUTHUSWAMI

} DIRECTORS

Chennai
2nd June, 2006

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31STMARCH 2006

	Schedules	Year ended 31.03.2006 Rs.	Year ended 31.03.2005 Rs.
SOURCES OF FUNDS			
INCOME			
Gross Sales	8	1,11,52,74,909	81,16,60,344
Less: Levies		18,80,70,455	13,71,40,558
Net Sales		92,72,04,454	67,45,19,786
Other Income	9	79,80,172	58,12,623
Accretion to Stocks	10	-	58,31,002
		93,51,84,626	68,61,63,411
EXPENDITURE			
Raw Materials Consumed	11	63,10,97,694	47,40,85,354
Decretion to Stocks	10	1,68,68,911	-
Manufacturing Expenses	12	96,35,146	95,06,700
Employee Costs	13	2,51,91,637	2,37,80,893
Administrative Expenses	14	4,19,06,782	2,72,04,203
Selling&Other Expenses	15	2,95,05,076	2,86,26,972
Finance Charges	16	73,99,989	64,78,975
Depreciation		85,47,575	86,03,976
		77,01,52,810	57,82,87,073
Profit before taxation		16,50,31,816	10,78,76,338
Less: Provision for taxation			
- Current Year		5,55,00,000	2,80,10,563
- Deferred tax Asset (Liability)		19,53,529	(1,74,939)
- Fringe benefit tax		8,69,168	-
Profit after taxation		11,06,16,177	7,96,90,836
Add: Brought forward from Previous year		10,63,74,368	4,31,07,472
Profit available for appropriation		21,69,90,545	12,27,98,308
Transfer To General Reserve		1,10,00,000	1,00,00,000
Proposed Dividend		2,12,40,000	56,33,800
Tax on proposed Dividend		29,78,910	7,90,140
Surplus carried to Balance Sheet		18,17,71,635	10,63,74,368
Weighted Average Number of Equity Shares of Rs.10/- each - outstanding during the year		77,12,842	28,16,900
Earnings per Share-Basic and Diluted		14.34	28.29
Notes to Accounts	17		

As per our report annexed

For and on behalf of the board

for **G. BALU ASSOCIATES**
CHARTERED ACCOUNTANTS**P.E.SUBRAMANIAM**
Chairman & Managing Director**S. KUMAR**
PARTNER**V. BALASUBRAMANIAN**
COMPANY SECRETARY**P.S.JAGDISH**
P.S.SHEKAR
K.KANNAN
A.P.MUTHUSWAMI

} DIRECTORS

Chennai
2nd June, 2006

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH 2006

	AS AT 31.03.2006 Rs.	AS AT 31.03.2005 Rs.
1 SHARE CAPITAL		
Authorised		
1,53,00,000(99,00,000) Equity Shares of Rs.10/-each	<u>15,30,00,000</u>	<u>9,90,00,000</u>
Issued, Subscribed & Paid-up		
1,06,20,000 (28,16,900) Equity Shares of Rs.10/-each, fully paid-up (Refer Notes on Accounts point no.2)	<u>10,62,00,000</u>	<u>2,81,69,000</u>
	<u>10,62,00,000</u>	<u>2,81,69,000</u>
2 RESERVES & SURPLUS		
a. Capital Reserve	92,19,605	-
b. Share Premium Account	38,06,57,125	
Less:Share Issue Expenses w/off(net)	<u>48,08,935</u>	7,18,26,625
c. State subsidy received	15,00,000	15,00,000
d. General Reserve	3,14,00,000	2,14,00,000
Add : Transfer from Profit&Loss A/C	1,10,00,000	1,00,00,000
Less : Balance in Profit &Loss a/c of merged Company	<u>32,61,993</u>	-
e. Surplus in Profit & Loss A/c	18,17,71,635	10,63,74,368
	<u>60,74,77,437</u>	<u>21,11,00,993</u>
3 UNSECURED LOANS		
IFST LOAN	1,63,70,000	1,64,59,873
Hire Purchase Loan	38,96,530	47,75,320
	<u>2,02,66,530</u>	<u>2,12,35,193</u>

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH 2006

4. FIXED ASSETS

PARTICULARS	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK	
	AS AT 01.04.05 Rs	ADDITIONS (DELETIONS) Rs	AS AT 31.03.06 Rs	AS AT 01.04.05 Rs	FOR THE YEAR Rs	AS AT 31.03.06 Rs	AS AT 31.03.06 Rs	AS AT 31.03.05 Rs
Land	75,44,082	39,98,000	1,15,42,082				1,15,42,082	75,44,082
Buildings	4,36,95,210	31,89,342	4,68,84,552	1,01,47,385	14,64,889	1,16,12,274	3,52,72,278	3,35,47,825
Plant & Machinery	1,54,43,923	31,21,728	1,85,65,651	64,55,509	11,81,834	76,37,343	1,09,28,308	89,88,414
Testing Equipments	92,00,398	4,84,231	96,84,629	32,11,626	6,78,729	38,90,355	57,94,274	59,88,772
Material Handling Equipments	90,51,409	88,505	91,39,914	25,49,074	6,23,004	31,72,078	59,67,836	65,02,335
Tools, Jigs & Fixtures	16,81,362	-	16,81,362	7,61,439	1,17,829	8,79,268	8,02,094	9,19,923
Electrical Fittings & Equipments	1,25,50,945	63,751	1,26,14,696	46,35,729	6,00,474	52,36,203	73,78,493	79,15,216
Airconditioners & Refrigerators	14,71,163	-	14,71,163	3,97,258	69,437	4,66,695	10,04,468	10,73,905
Wind Electric Generator	1,94,62,334	-	1,94,62,334	88,01,341	9,24,461	97,25,802	97,36,532	1,06,60,993
Furniture, Fixtures & Fittings	53,36,290	2,53,159	55,89,449	22,70,053	3,30,344	26,00,397	29,89,052	30,66,237
Office Equipments	72,42,329	9,65,318 (43,400)	81,64,247	48,74,132	7,29,730 (23,690)	55,80,172	25,84,075	23,68,197
Vehicles*	1,75,10,205	37,90,025 (2,25,317)	2,10,74,913	22,76,931	18,26,844 (2,21,702)	38,82,073	1,71,92,840	1,52,33,274
Technical Know - how	1,50,00,000	-	1,50,00,000	1,50,00,000	-	1,50,00,000	-	-
TOTAL	16,51,89,650	1,59,54,059 (2,68,717)	18,08,74,992	6,13,80,477	85,47,575 (2,45,392)	6,96,82,660	11,11,92,332	10,38,09,173
Capital Work in Progress	25,18,083	2,06,98,565	2,32,16,648	-	-	-	2,32,16,648	25,18,083
	16,77,07,733	3,66,52,624 (2,68,717)	20,40,91,640	6,13,80,477	85,47,575 (2,45,392)	6,96,82,660	13,44,08,980	10,63,27,256
Previous Year	15,17,05,599	2,08,44,799 (48,42,665)	16,77,07,733	5,47,55,442	86,03,976 (19,78,941)	61,380,477	10,63,27,256	9,69,50,157

* Includes vehicles purchased under hire purchase scheme

	AS AT 31.03.2006 Rs.	AS AT 31.03.2005 Rs.
5 INVESTMENTS -(Quoted)-AT COST		
12,700 Equity shares of IndusInd Bank Ltd of Rs.10/- each	—	5,71,500
600 Equity Shares of Indian Overseas Bank of Rs.10/- each	14,400	14,400
46,200 Equity Shares of King Chemicals Ltd of Rs.10/- each	4,62,000	—
1,12,62,768.40 Units of State Bank of India Mutual Fund of Rs.10/- each.	11,29,93,724	—
Market Value [Rs.11,30,51,894/- (6,79,735/-)]	11,34,70,124	5,85,900

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH 2006

	AS AT 31.03.2006 Rs.		AS AT 31.03.2005 Rs.	
6 CURRENT ASSETS, LOANS & ADVANCES				
a. Current Assets				
* Raw Materials	10,65,31,106		6,77,37,134	
* Work in Progress	<u>1,82,29,682</u>	<u>12,47,60,788</u>	<u>3,50,98,593</u>	10,28,35,727
Debtors(Unsecured, considered good)				
i. Outstanding over 6 months	5,13,66,788		6,09,91,896	
ii. Others	<u>17,48,02,669</u>	<u>22,61,69,457</u>	<u>13,39,30,153</u>	19,49,22,049
Cash on Hand		4,12,689		2,62,735
Balance with Scheduled Banks				
- In Cash Credit Accounts		3,34,28,557		5,67,93,810
- In Current Accounts		25,45,810		1,38,10,358
- In Fixed Deposit Accounts		<u>44,31,45,001</u>		<u>3,41,78,083</u>
		<u>83,04,62,302</u>		<u>40,28,02,762</u>
* Certified by Management				
b. Loans & Advances				
Unsecured, considered good				
i. Advances recoverable in cash or in kind or for value to be received		12,86,00,904		5,08,35,421
ii. Deposits		93,88,335		21,81,221
		<u>13,79,89,239</u>		<u>5,30,16,642</u>
7 CURRENT LIABILITIES & PROVISIONS				
a. Current Liabilities				
Sundry Creditors				
i. Total outstanding dues to small scale undertakings	9,55,10,129		2,92,02,554	
ii. Total outstanding dues to other than small scale undertakings	<u>18,36,57,124</u>	<u>27,91,67,253</u>	14,65,32,027	<u>17,57,34,581</u>
Other Liabilities		2,61,88,190		2,58,48,695
Due to Directors		54,51,418		33,54,077
Advances from Customers		1,30,81,483		3,16,14,257
Creditors for Capital goods		11,65,969		24,17,063
Creditors - Initial Public Offer		2,06,07,055		-
		<u>34,56,61,368</u>		<u>23,89,68,673</u>
b. Provisions				
Provision for Taxation		9,54,64,111		3,87,08,111
Provision for Fringe benefit tax		8,69,168		-
Proposed Dividend		2,12,40,000		56,33,800
Tax on Proposed Dividend		29,78,910		7,90,140
		<u>12,05,52,189</u>		<u>4,51,32,051</u>

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	Year Ended 31.03.2006 Rs.	Year Ended 31.03.2005 Rs.
8 SALES		
Gross Sales	1,10,65,65,226	80,22,13,971
Labour & Other receipts	<u>87,09,683</u>	<u>94,46,373</u>
	1,11,52,74,909	81,16,60,344
Less : Levies		
Excise duty	14,18,59,186	10,31,79,748
Sales Tax	4,29,83,632	3,18,27,516
Service Tax	3,76,797	3,64,521
Education Cess	<u>28,50,840</u>	<u>17,68,773</u>
	<u>18,80,70,455</u>	<u>13,71,40,558</u>
	<u>92,72,04,454</u>	<u>67,45,19,786</u>
9 OTHER INCOME		
Income From Power Generation	15,44,886	21,74,273
Interest Receipts	30,18,670	19,40,983
Miscellaneous Income	-	-
Profit On Sale Of Assets/Investments(net)	4,22,292	16,67,472
Dividend Received From Mutual Funds	29,93,724	-
Dividend Received On Shares	600	29,895
	<u>79,80,172</u>	<u>58,12,623</u>
10 ACCRETION/(DECRETION) TO WORK IN PROGRESS & FINISHED GOODS		
Work in Progress :		
a. Closing balance	1,82,29,682	3,50,98,593
b. Opening balance	<u>3,50,98,593</u>	<u>2,91,94,385</u>
	(1,68,68,911)	59,04,208
Finished Goods :		
a. Closing balance	-	-
b. Opening balance	-	73,206
	<u>(1,68,68,911)</u>	<u>(73,206)</u>
		<u>58,31,002</u>
11 RAW MATERIALS CONSUMED		
Opening Stock	6,77,37,134	2,57,94,457
Add: Purchases	66,98,91,666	51,60,28,031
	<u>73,76,28,800</u>	<u>54,18,22,488</u>
Less : Closing Stock	10,65,31,106	6,77,37,134
	<u>63,10,97,694</u>	<u>47,40,85,354</u>

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	Year Ended 31.03.2006 Rs.	Year Ended 31.03.2005 Rs.
12 MANUFACTURING EXPENSES		
Power & Fuel	57,48,372	50,82,590
Factory Expenses	6,13,420	9,96,607
Freight Inward	12,92,853	14,74,691
Rent - Factory Premises	12,96,000	17,28,000
Repairs & Maintenance		
- Plant & Machinery	6,84,501	2,24,812
	<u>96,35,146</u>	<u>95,06,700</u>
13 EMPLOYEE COSTS		
Salaries, Wages & Benefits	2,05,35,285	1,93,58,758
Company's Cont. to P.F. and other funds	33,93,657	29,44,287
Staff Welfare Expenses	12,62,695	14,77,848
	<u>2,51,91,637</u>	<u>2,37,80,893</u>
14 ADMINISTRATIVE EXPENSES		
Travelling & Conveyance	47,76,590	49,16,745
Printing & Stationery	7,52,478	6,64,892
Rent - Office	1,86,000	2,04,000
Rates, Taxes & Insurance	33,13,739	23,12,229
Additional tax	1,58,83,811	63,47,273
Repairs & Maintenance		
- Buildings	2,91,065	6,40,645
- Others	41,92,140	28,75,430
Telephone & Postage	12,66,001	10,71,120
Professional Charges	23,17,491	15,98,243
Directors' Remuneration	76,80,815	55,93,730
Directors' Sitting Fees	1,06,000	9,000
General Expenses	9,85,495	8,73,019
Audit Fees : Statutory	60,610	63,828
: for tax matters	35,039	34,049
: for Other Services	59,508	
	<u>4,19,06,782</u>	<u>2,72,04,203</u>
15 SELLING AND OTHER EXPENSES		
Agency Commission	1,57,43,514	2,04,85,575
Contractual Deductions by S.E.B.'s	1,25,70,176	68,15,821
Advertisement Expenses	7,86,896	12,56,309
Other expenses	4,04,490	69,267
	<u>2,95,05,076</u>	<u>2,86,26,972</u>
16 FINANCE CHARGES		
On Term Loan	-	2,66,608
On Working Capital	70,757	1,40,732
Other charges	73,29,232	60,71,635
	<u>73,99,989</u>	<u>64,78,975</u>

17. Notes to Accounts

1. Summary of Significant Accounting Policies

a. Basis of Preparation

The financial statements have been prepared under the accrual method of accounting on a going concern basis and statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP).

b. Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation. Cost comprises basic price, taxes, inward freight and exclusive of duties etc.

Capital Work in Progress comprises advances paid to acquire fixed assets and the cost of fixed assets not ready for their intended use.

c. Depreciation

Depreciation is provided on straight-line basis at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

d. Valuation of Inventories

Inventories are valued at lower of cost or net realizable value using the following cost formula.

- i) Raw materials, Stores and spares – Weighted Average method.
- ii) Finished Goods and Work in progress – material cost plus appropriate share of manufacturing overheads.

e. Investments

Investments are stated at cost. Provision for diminution in value on long-term investments is made only if such decline is other than temporary in nature.

f. Sales

Sales are accounted inclusive of excise duty and sales tax.

g. Retirement Benefits & Leave Encashment.

Gratuity to Employees and contribution towards superannuation are covered under the Employees Group Gratuity/ Superannuation Scheme and the premium is paid on the basis of their actuarial valuation. Any shortfall in case of premature termination / resignation to the extent not reimbursed by LIC is being absorbed in the year of payment.

Liability towards leave encashment is accounted on accrual basis as per Company's Policy.

h. Foreign Currency Transactions

Transactions in Foreign Currency are recorded at the exchange rates prevailing on the date of transaction. Assets and Liabilities at the year-end are restated at the rate prevailing at the year-end and difference is recognized in Profit & Loss Account / Fixed Assets as the case may be.

i. Income Tax

Current tax is determined in accordance with the provisions of the Income Tax Act, 1961. Deferred tax is recognized for all timing difference.

2. SHARE CAPITAL

- A) 28,16,900 Shares at the beginning of the year includes 4,39,340 shares which were allotted during 1994 to the promoters of the Company towards part consideration payable for acquisition of the business.
- B) of the 78,03,100 shares issued during the year
 - i) 2,48,400 shares were issued to shareholders of the merged Company Indo Tech Electric Company Limited vide note No. 10.
 - ii) 45,97,950 shares were issued as Bonus shares during October 2005.
 - iii) 29,56,750 shares were issued to Public during March 2006.

3. SECURED LOANS

- a) Working capital facilities from Bank of Baroda and State Bank of India are primarily secured by hypothecation of inventories, book debts and are collaterally secured by paripassu charge on Land, Factory Buildings and Plant & Machinery of the Company including the Land, Buildings & Plant & Machinery in the name of erstwhile Indo Tech Electric Company Limited.

- b) Credit facilities from Bank of Baroda and State Bank of India are further guaranteed by three directors of the Company.
4. The balance of advances, debtors and creditors are taken on the basis of book figures and are subject to confirmation. However, in the opinion of the Board, Current Assets, Loans and Advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated. The provision made in the accounts for depreciation and for all other known liabilities is considered adequate and not in excess of the amounts reasonably necessary.
 5. Interest free sales tax deferment shown under unsecured loans is repayable in monthly installments from February 2007 to September 2012.
 6. Bank Fixed deposits are lien marked for the guarantees issued by the Bank.
 7. Contingent liabilities not provided for in respect of:

ANNEXURE IV.a			
S. NO.		AS AT 31.03.2006 Rs.	AS AT 31.03.2005 Rs.
1.	Bank Guarantees issued	17,17,19,061	11,03,84,398
2.	Disputed sales tax against which appeal is pending with Appellate Authority	9,40,974	7,21,148
3.	Disputed excise duty against which appeal is pending with Appellate Authority	2,65,149	—
4.	Labour case pending in the court	5,06,354	4,39,022

8. Estimated amount of contracts remaining to be executed on capital account not provided for is Rs. 3804 Lakhs (Nil).
9. Un-expired portion of lease rent for the assets taken on lease amounts to Rs.3,78,000 (Rs.3,78,000).
10. Amalgamation of Indo Tech Electric Company Limited (ITECL).
 - a. Pursuant to the Scheme of amalgamation of erstwhile ITECL with the Company [as approved by the shareholders in the Court-convened meeting held on 16th April, 2004 and subsequently sanctioned by the Hon'ble High Court of Madras on 30th September 2005 approving the said scheme of amalgamation] with retrospective effect from 1st April, 2003, the Scheme has been given effect to in the books of accounts of the current year.
 - b. The Scheme of Amalgamation has been accounted for under the Purchase method as prescribed by the Accounting Standard 14 issued by the Institute of Chartered Accountants of India. Accordingly the assets and liabilities and other resources of erstwhile ITECL as at 1st April, 2003 have been taken over at their book values.
 - c. Pursuant to the Scheme of Amalgamation referred to in a) above, 2,48,400 Equity Shares of Rs.10/- each was issued to the Shareholders of erstwhile ITECL.
 - d. The sum of Rs.92,19,605 representing the difference between the net assets taken over from the merged Company as at the appointed date namely 1st April,2003 and the paid up value of shares issued to the Shareholders of the merged Company is credited to the Capital Reserve account.
 - e. The balance in the Profit & Loss Account of the merged Company for the period from the appointed date namely 1st April, 2003 to the end of 31st march,2005 is adjusted against the General Reserve of the Company.
 - f. Figures for the current year includes figures of the erstwhile ITECL and accordingly not comparable to that of previous years.
11. During the year the company has entered into the capital market with initial Public offer of 29,56,750 equity shares of Rs 10/- each to public at a premium of Rs. 120 per share amounting to Rs.3844 lacs. The amount is kept in short term deposit account.
12. Share issue expenses incurred in respect of Shares raised by the Company during the year amounted to Rs.48,08,935(net).This includes a sum of Rs.3,30,600 paid to the Statutory Auditors for the services rendered by them. The Issue expenses is written off against the balance in the Share Premium Account.

13. a. Managerial Remuneration

	AS AT 31.03.2006 Rs.	AS AT 31.03.2005 Rs.
Salary	16,20,000	14,81,162
Perquisites	8,92,105	7,58,041
Commission	51,68,710	33,54,077
	76,80,815	55,93,730

b. Calculation of Managerial remuneration as per Section 198 read with Schedule XIII of the Companies Act, 1956.

	Rs.	Rs.
Profit after Tax	11,06,16,177	7,96,90,836
Add:		
Provision for Taxation	5,63,69,168	2,80,10,563
Deferred Tax liability	—	1,74,939
Managerial Remuneration	76,80,815	55,93,730
Less:		
Deferred Tax Asset	19,53,529	—
Profit on Sale of Assets (Net)	4,22,292	16,67,472
Profit on which commission is payable	17,22,90,339	11,18,02,596
Commission @ 1% each to Managing and Whole time Directors.	51,68,710	33,54,077

14. Quantitative Information

	As at 31st March, 2006		As at 31st March, 2005	
	Qty	Value (Rs.)	Qty	Value (Rs.)
a. Capacities & Production				
i) Licensed Capacity		N.A.		N.A.
ii) Installed Capacity (Assorted sizes)		24,50,000 per annum (2450 MVA)		24,50,000 per annum (2450 MVA)
iii) Actual Production		18,43,489 KVA (1889 Nos)		18,87,856 KVA (883 Nos)
b. Details of opening and Closing stock of finished goods				
Opening Stock	-	-	1	73,206
Closing Stock	-	-	-	-
c. Net Sales	1889 (Nos.)	92,72,04,454	882 (Nos.)	67,45,25,136
d. Details of Raw Materials consumed				
i) Ferrous Materials	25,33,255 (Kgs)	28,78,26,823	27,40,511 (Kgs.)	17,75,87,370
ii) Non – Ferrous Materials	7,89,286 (Kgs)	16,30,40,747	7,08,157 (Kgs)	13,67,93,988
iii) Transformer Oil	16.56,542 (Litres)	4,80,00,679	16,39,292 (Litres)	4,47,02,913
iv) Others	—	13,22,29,445	—	11,50,01,083
		63,10,97,694		47,40,85,354

	AS AT 31.03.2006 Rs.	AS AT 31.03.2005 Rs.
15. CIF value of Imports		
Raw Materials	—	42,90,390
Capital goods	—	1,07,140
16. Earnings in Foreign Exchange		
FOB Value of exports	—	89,99,773
17. Expenditure in Foreign Exchange		
Foreign Travel	4,65,975	14,73,750
Spares for Machinery	2,53,284	—
Rectification charges on supplied goods	—	6,59,750
18. Value of Imported and Indigenous Raw materials consumed		
Imported	—	46,08,597
Indigenous	63,10,97,694	46,94,76,757
	<u>63,10,97,694</u>	<u>47,40,85,354</u>
(b) Percentage of total consumption (%)		
Imported	—	0.98
Indigenous	100.00	99.02
19. Earnings Per Share		
Disclosure is made in Profit and Loss Account as per the requirement of the standard. While calculating E.P.S., we have considered weighted average number of shares during the year.		
20. Deferred Tax Provision		
Deferred tax liability as on 31.03.2006 comprises of the following:		(Rs. in Lacs)
Deferred tax liability	161.73	181.27
Deferred tax asset	—	—
	<u>161.73</u>	<u>181.27</u>
21. Related Party Disclosures:		
Disclosures as required by the Accounting Standard 18 "Related Party Disclosures" are Given below:		
a. List of Related Parties		
Associates Companies/Firm		
1. Vigneswara Electricals Limited		
2. Sivasakthi Engineering and Fabricators		
Key Management Personnel		
1. Mr. P.E. Subramaniam – Chairman & Managing Director		
2. Mr. P.S. Jagdish – Executive Director		
3. Mr. P.S. Shekar – Director – Operations		

b. Transactions with related Parties:

Nature of Transactions	As on 31.03.2006		As on 31.03.2005	
	Associate Companies and Firm	Key management Personnel	Associate Companies and Firm	Key management Personnel
1 Purchase of Materials.	4,84,142		1,16,231	
2 Purchase of Machinery			57,420	
3 Rent paid for utilizing Saidapet facility and Palakkad City Office	24,000	14,40,000	4,56,000	14,40,000
4 Managerial remuneration		76,80,815		55,93,730
5 Outstanding balances as on 31.03.2006				
a. Debtors for sale of products	Nil		49,02,857	
b. Creditors for Purchase of Materials	Nil		9,275	
6 a. Loans & Advances	6,46,767		76,85,932	
b. Advance paid for utilizing Saidapet Facility		50,00,000		50,00,000

21. Small Scale Industrial Undertakings

Sundry creditors in Schedule 7 includes amount due to following small scale industrial undertakings, outstanding for more than Rs.1 lac for a period exceeding 30 days as at 31.03.2006 are Raj Lubricants (M) Pvt. Ltd, On Load Gears, Nexus Translam Industries, National Lamination Industries, Manojkrishna Engineering works & Macc Engineers. These have been, as identified by the Company on the basis of information provided to by its suppliers.

22. Previous Year's figures have been regrouped wherever necessary to confirm to this year's classification. The current year figures includes the figures of erstwhile Indo Tech Electric Company Limited as per the Scheme of Amalgamation approved by the Hon'ble Madras High Court.

23. Schedules 1 to 17 form an integral part of the Balance Sheet and Profit & Loss Account and have been duly authenticated.

As per our report annexed

For and on behalf of the board

for **G. BALU ASSOCIATES**
CHARTERED ACCOUNTANTS**P.E.SUBRAMANIAM**
Chairman & Managing Director**S. KUMAR**
PARTNER**V. BALASUBRAMANIAN**
COMPANY SECRETARY**P.S.JAGDISH**
P.S.SHEKAR
K.KANNAN
A.P.MUTHUSWAMI

} DIRECTORS

Chennai
2nd June, 2006

CASH FLOW STATEMENT FOR THE YEAR ENDED 31STMARCH 2006

	2005-06 Rs.	2004-05 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit before Tax as per Profit & Loss Account	16,50,31,816	10,78,76,338
Adjustments for :		
Depreciation	85,47,575	86,03,976
Interest Income	(30,18,670)	(19,40,983)
Dividend received	(29,94,324)	(29,895)
Interest expenses	73,99,989	4,07,340
Others	72,13,612	(10,563)
Operating Profit before Working Capital Changes	<u>18,21,79,998</u>	<u>11,49,06,213</u>
Adjusted for :		
Trade & Other Receivables	(3,12,47,408)	(3,83,70,744)
Inventories	(2,19,25,061)	(4,77,73,679)
Loans&Advances	(8,49,72,597)	(2,61,28,344)
Bank Loans	-	(13,64,889)
Trade &Other Payables	10,66,92,695	9,24,78,017
Cash generated from Operations	<u>15,07,27,627</u>	<u>9,37,46,574</u>
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(3,66,52,624)	(2,08,44,799)
Sale of Fixed Assets	23,325	28,63,724
Purchase of Investments	(11,34,55,724)	-
Sale of Investments	5,71,500	-
Other Loans	(9,68,663)	23,37,815
Interest Income	30,18,670	19,40,983
Dividend received	29,94,324	29,895
Net Cash Used In Investing Activities	<u>(14,44,69,192)</u>	<u>(1,36,72,382)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Increase in Share Capital	7,80,31,000	-
Increase in Share Premium	30,40,21,565	-
Repayment of Term Loan		(54,00,000)
Interest Paid	(73,99,989)	(4,07,340)
Dividend Paid	(64,23,940)	(38,02,815)
Net Cash from Financing Activities	<u>36,82,28,636</u>	<u>(96,10,155)</u>
D. Net Increase/(Decrease) in Cash & Cash Equivalents:	<u>37,44,87,071</u>	<u>7,04,64,037</u>
Opening Balance of Cash and Cash equivalents	10,50,44,986	3,45,80,949
Closing Balance of Cash and Cash equivalents	47,95,32,057	10,50,44,986

Notes: 1. The above statement has been prepared in indirect method as described in AS - 3 issued by ICAI.

2. Due to amalgamation of Indo Tech Electric Company Limited during the year, current year's figures are not comparable with those of previous year.

As per our report annexed

For and on behalf of the board

for **G. BALU ASSOCIATES**
CHARTERED ACCOUNTANTS

P.E.SUBRAMANIAM
Chairman & Managing Director

S. KUMAR
PARTNER

V. BALASUBRAMANIAN
COMPANY SECRETARY

P.S.JAGDISH
P.S.SHEKAR
K.KANNAN
A.P.MUTHUSWAMI

DIRECTORS

Chennai
2nd June, 2006

Balance Sheet Abstract and Company's General Business Profile

Information as required under Part IV of the Schedule VI of the Companies Act, 1956

I. Registration Details:

Registration No.	2 2 0 1 1		
Balance Sheet Date	3 1 - 0 3 - 2 0 0 6	State Code	1 8

II Capital Raised during the year: (Amount in Rs. Thousands)

Public Issue:	3 8 4 3 7 8	Rights Issue:	N I L
Bonus Issue:	4 5 9 8 0	Private Placement:	N I L
		Others:	2 4 8 4

III. Position of mobilisation and deployment of funds: (Amount in Rs. Thousands)

Total Liabilities:	7 5 0 1 1 7	Total Assets:	7 5 0 1 1 7
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Sources of Funds:

Paid up Capital:	1 0 6 2 0 0	Reserves and Surplus	6 0 7 4 7 7
Secured Loans	-	Unsecured Loans	2 0 2 6 7
Deferred Tax Liability	1 6 1 7 3		

Application of Funds:

Net Fixed Assets	1 3 4 4 0 9	Investments	1 1 3 4 7 0
Net Current Assets	5 0 2 2 3 8	Miscellaneous Expenditure	-
Accumulated Losses	-		

IV. Performance of the Company: (Amount in Rs. Thousands)

Turnover (Gross):	1 1 1 5 2 7 5	Total Expenditure:	7 7 0 1 5 3
Profit / (-) Loss before tax:	1 6 5 0 3 2	Profit / Loss after tax (+/-) +	1 1 0 6 1 6
Earnings per Share in Rs:	1 4 . 3 4	Dividend Rate %:	2 0

V Generic Names of Four Principal Products / Services of Company:
(as per Monetary terms)

Item Code number (ITC Code)	Product Description
-	Power Transformers
-	Distribution Transformers
-	Dry Type Transformers
-	Furnace and other special Transformers

* Generic codes are not allotted to the products manufactured.

Note : 2,48,400 Equity Shares were allotted to Shareholders of Indo Tech Electric Co. Ltd. as per Scheme of Amalgamation sanctioned by the Hon'ble Madras High Court.

ECS REQUEST FORM

REF. FOLIO NO.

SR. NO.

E-mail ID		
Telephone No.	STD Code	Tel.No.

Intime Spectrum Registry Limited

C-13, Pannalal Silk Mills Compound
 Bhandup West
 Mumbai 400 078.

UNIT : INDO TECH TRANSFORMERS LIMITED

This has reference to payment of dividend through electronic clearing service

The bank details to be registered against the captioned folio are as given below :

FOLIO NO. :

NAME (S) OF THE HOLDER(S) :

NAME & ADDRESS OF THE BANK BRANCH :

ACCOUNT TYPE : SAVINGS CURRENT CASH CREDIT

ACCOUNT NO. :

We request you to kindly

(Please Tick ✓ For the facility you OPT)

1. Mail the warrant directly to the bank.
2. Mail the warrant at my registered address with the bank particulars incorporated.
3. Directly credit to the account through Electronic Clearing System (ECS).

If opted for ECS, kindly provide the following information.

9 DIGIT CODE NUMBER OF THE BANK AND BRANCH AS APPEARING ON THE MICR CHEQUE ISSUED BY THE BANK

--	--	--	--	--	--	--	--	--

LEDGER FOLIO NO. (IF ANY) OF YOUR BANK ACCOUNT
 (in case you have opted for ECS, affix photocopy of your cheque here)

I hereby declare that the particulars given are correct and complete. If the payment transaction through ECS is delayed or not effected at all for any reasons, I would not hold the company responsible.

Date _____

 Signature of the first holder