

Indo Tech Transformers Limited

Ladies & Gentlemen,

On behalf of the Board of Directors, I thank you for your presence in the 18th Annual General Meeting of the Company.

ECONOMY

The global financial system is still going through a lot of uncertainty with countries like Greece followed by a few of the Euro zone countries succumbing to the pressures of the recession and the respective governments having to pump in liquidity to keep the economies afloat. The crisis is of a magnitude that few critics of the free market system anticipated and they say that there is still more pain to come with the healing process likely to take several years. The Indian resilience has been admirably demonstrated through a domestic, consumption driven economy and has positioned itself to emerge stronger in coming years. It is expected that India will return to its former GDP growth trajectory of over 9% in just over 2 years.

Currently, 28% of India's population live in urban areas and a recent study by McKinsey projects that by 2030, 70% of India's new jobs will stem from cities. This urban exodus has led to an explosion of inadequate water and sanitation facilities, lack of adequate healthcare and, more importantly, power. While such urbanization provides enormous opportunities, the challenges for the government and the local bodies to provide appropriate infrastructure is overwhelming.

The governments and local bodies need to step up their budgetary allocations to ensure appropriate level of power and distribution facilities are available to ensure supply of sufficient power for the fast growing population not only in cities but also the numerous satellite towns that are coming up. The local bodies need to be empowered to mobilize their own resources to make this happen and must be held accountable. This will enable them to reduce their reliance on state and central governments whose finances are already heavily constrained.

POWER SECTOR

It is indeed heartening to see the Government of India giving priority to infrastructure development in its policy measures and fiscal stimulus packages. This will only speed up the recovery and will drive the economy in the right direction. Power Sector constitutes about 1/3rd of the infrastructure spending and, therefore, will be the focus of development.

The growth of the core infrastructure sector is woefully inadequate to keep pace with the continually increasing demand for stable power. The peak power deficit will continue to be around 13% and energy shortage around 10%. While the Government of India targeted a capacity addition of approximately 79 Giga watts in the Eleventh Plan period, given the past record, it is anybody's guess where the actual will end at.

It is common knowledge that distribution is the weakest link in ensuring that the power generated reaches the end user with the minimum of losses in distribution. The estimate of the Aggregate Technical & Commercial (AT&C) Losses is at a record high of 33% (all India average) with some states reporting losses of 40%. Distribution being in the state domain, such high losses result in a significant financial burden for the State Electricity Boards (SEB) and consequently, the SEB's are unable to allocate the required funds for development of appropriate systems to control such losses. This also results in SEB's unable to allocate necessary capital expenditure for new generation capacity to meet the growing demand.

The "Restructured-Accelerated Power Development Programme" (R-APDRP), which was launched in 2008, has the objective of bringing down the AT&C losses to 15% through strengthening and upgrading the sub-transmission and distribution network and adapting newer information technology tools during the XI plan. The distribution sector can be turned around only when reliance moves away from manual systems to integrated systems and when every unit of energy supplied is being accounted for.

REVIEW OF OPERATIONS

The year under review has, indeed, been one of the most challenging faced in the history of your company. In the past few years, almost all transformer manufacturers have added to their capacities and currently, supply exceeds demand manifold. Consequent to this capacity increase, manufacturers are vying with each other to ensure that their capacities are booked leading to an unsustainable reduction in prices of transformers. This, coupled with the mushrooming of local manufacturers has put increased and enormous pressure on prices. One of the consequences of the increased pricing pressure may impact the quality of the transformer being supplied.

I am pleased to inform the members your Company has been successful in securing orders for 160 MVA (which has been delivered in June/July 2010) and also for a 400 kVA transformer, both of which are firsts in the history of Indo Tech. I am sure these are only the beginning of many more such orders to come.

With the illustrious parentage of Xignux, General Electric Company and Prolec GE, your Company believes in the highest standards of integrity and corporate governance. The management team adheres to a very strict transparent policy in its day-to-day transactions.

Your Company is leveraging the strength of GE in India and its relations with various customers across India and in the Export Market to grow the business. GE India is also aggressively increasing its sales force to partner your Company in its growth journey.

Input costs have increased in the year under review fairly significantly. Copper has doubled from US\$ 4,000 in April 2009 to almost 8,000 per MT in March 2010. During the first quarter of the current year, while the price has come down to US\$ 6,500, the impact of this price decrease will be felt only in the later part of the year 2010-11 because of both the procurement and manufacturing lead-time. While some of the contracts have price variation clauses, several of the contracts are at firm prices. All other input costs have also increased significantly.

A strong management team is one of the prerequisites to ensure appropriate systems and processes exist in the business and set a strong foundation for growing the business. I believe that the current management team is capable of delivering the growth with emphasis on quality, controllership, compliance and integrity. I view the costs incurred on Salaries and Benefits as an investment that will reap benefits in the years to come.

Your Company is also receiving significant support from its parent, Prolec-GE to enhance the design capabilities to reduce both the material content and the cost of materials. Joint teams from Prolec-GE and your company have been at work to make these cost reductions a reality. Your Company can and will draw on the experiences that Prolec-GE has had in situations similar to these and how it has come out stronger and better and the members can rest assured that Prolec-GE will lend the resources at its disposal to support your Company through these difficult times.

Your Board of Directors have always been a source of great support and encouragement to me and the management team and I deeply value their wise counsel and wisdom and sincerely thank them for their whole hearted support, involvement and participation.

I also take this opportunity to express my gratitude to Xignux group, General Electric Company and Prolec-GE for their continued support and guidance. On behalf of the Company, I would like to thank all our customers, bankers, dealers, suppliers, other business associates and last but not the least to each and every employee of the Company for their unstinting support and cooperation especially in a very testing year.

While the challenges are overwhelming, I am optimistic that we will come out of the crisis as a much better and stronger company and for this to happen, vision and will, in no small measure will be required.

Thank you once again and let me leave you with this thought "The future will get here faster than we think."

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Transforming the Power Sector

Indo Tech Transformers Ltd., an ISO 9001 certified company was established in 1976 and has since grown to be a prominent player in the Indian Electrical Industry for power, distribution and various special application transformers like mobile sub-station transformers & transformers for furnace applications. Indo Tech's list of satisfied customers is a testimony to its commitment to quality & excellent customer service.

Prolec GE Internacional S de R.L. de C.V, a billion dollar transformer manufacturing company based out of Monterrey, Mexico a joint venture of Xignux—a Mexican industrial group with diversified portfolio including cables, transformers and food products, based in Monterrey, Mexico and General Electric a diversified global infrastructure, finance & media company based in USA.

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