

RTS POWER CORPORATION LIMITED
SPEECH OF THE CHAIRMAN IN 65th AGM

Ladies and Gentlemen ,

At first let me welcome all of you to this **65th Annual General Meeting** of your Company and thank you for your kind presence here.

I take this opportunity to inform you in brief about the business and operations of your Company during the year ended on 31st March 2013.

During the year your Company has achieved a Total Revenue of ` 102.93 Crores as against ` 137.54 Crores during the previous year, representing a downfall during the year by ` 35 Crores approx. (25.16 %), mainly due to Cable & Conductors Sales decreased from ` 57.32 Crores approximately in last year to ` 20.36 Crores approximately this year i.e. a decrease of about ` 37 Crores (65%).

Though your Company's Cable and Conductor Unit is now fully operational and it substantially contributes to the Turnover of your Company, but due to lower selling prices, margin has become low and profitability in this segment has also reduced because of downfall in sales . Your Company cannot sell Cables & Conductors at such lower prices.

Mushroom growth and unhealthy competition from various Transformer Manufacturing Units in unorganized sector is posing problems to organized sector, like your Company, resulting in very low Transformer selling prices and your Company is not in a position to sell Transformers at such lower prices.

As a result, the Loss for this year is ` 3.08 Crores , as against Profit Before Tax of ` 1.51 Crores in the last year. Many factors have contributed towards such reversal of profitability, namely, lower selling prices, so also the margins , continuous abnormal

price hike of major raw materials both in India and abroad ,unexpected delay in payments by Electricity Boards ,etc. Due to such abnormal delay in payments by the Company's Customers the Company's borrowings have substantially increased on account of additional Working Capital requirements for maintaining cash flow position of your Company. As a result Finance Costs comprising of Interest Expenses and other borrowing costs has increased by about ` 1.85 Crores this year compared to last year which has also largely contributed towards loss of this year.

Your Company will continue to face the problem of lower margins in future due to the widespread and stiff competition . Continuous increase in cost of raw materials, like CRGO steel, Copper, Transformer Oil, etc. will contribute for a further erosion in margins in future since the raw materials forms around 75% of the pricing of Transformers.

The Production of Wound Core Type Transformers /Dry Type Transformers has stabilized and your Company is receiving regular Orders. Your Company's Dhulagori Factory is now fully operational and is under the process of continuous expansion. Your Company's Salkia Factory, so far being utilised mainly for repairs of Transformers after the main operations of the said Factory was shifted to your Company's Dhulagori Factory in 2008, has been closed after the close of business on 31st March,2013 and the Company's entire manufacturing and repairing activities in Eastern India are being carried out in Dhulagori Factory with effect from 1st April,2013. This has been done for better, efficient and economical management of manufacturing as well as repairing operations of your Company at one place. Your Company's continued effort in exploring export market has been fruitful as your Company has made a headway by achieving some exports this year. Such effort will be continued resulting in more exports in coming

years . Your Company is also setting up Transformer Factory abroad to increase further exports in the years to come.

You have already seen from the Annual Report that your Directors have not recommended payment of any Dividend for the Financial Year 2012-2013 in view of the Loss incurred by the Company in the year and its continuing trend also in the current year 2013-2014.

I have so far explained the practical problems, the Company is facing. Risks and threats are always there and the Management is fully aware and cautious of the same. The Management is making all efforts to tide over such problems and to run your Company as efficiently as possible. I do hope that the present crisis is a temporary one and will be overcome in the near future.

I on behalf of myself and other Members of the Board wish you all very well.

Sd/- S . S.Jain

CHAIRMAN

27.09.2013.

