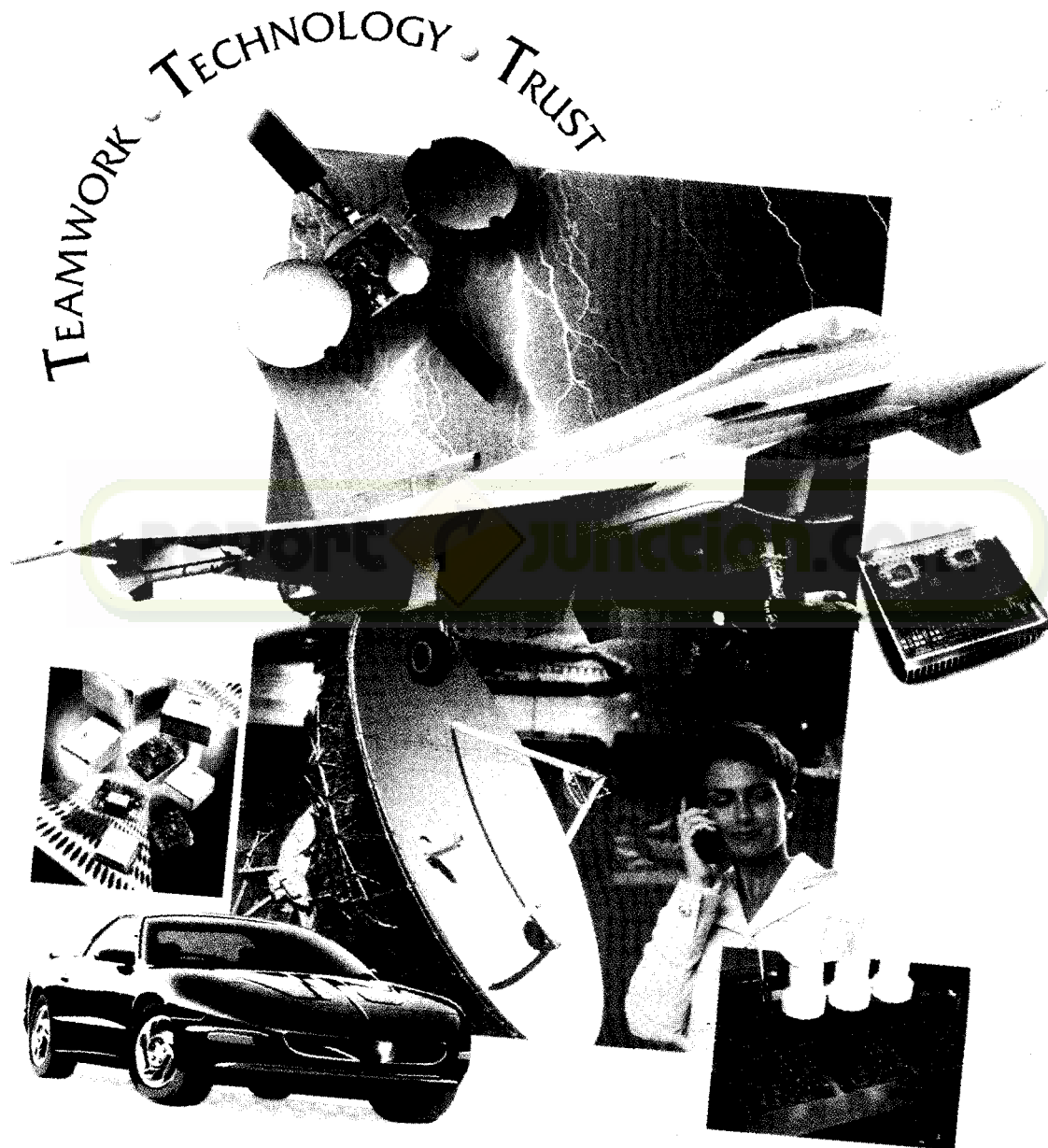


# SOLECTRON CENTUM



Annual Report 2002 - 03

## QUALITY POLICY

All our products and activities shall meet the expectations of our customers and stakeholders in quality, technology and value.

This commitment is achieved through effective teamwork of every employee, supplier and customer.

We shall develop, maintain and continuously improve the documented system and enhance quality of all our products, processes and services and promote customer trust and satisfaction.

**Soletron Centum Electronics Ltd**

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Board of Directors

Brian Antell  
*Chairman*

Apparao Mallavarapu  
*Managing Director*

Perry G Hayes

P S Reddy

Financial Controller

K S Desikan

Company Secretary

Padmaja P

Statutory Auditors

Bharat S Raut & Co.

Internal Auditors

Price Waterhouse Coopers

Bankers

State Bank of India

Registered Office

No. 44, KHB Industrial Area,  
Yelahanka New Township,  
Bangalore - 560 064.

Registrar & Share Transfer Agents

Karvy Consultants Ltd.  
No. 51/2, T.K.N. Complex,  
Vanivilas Road,  
Opp. National College,  
Basavanagudi,  
Bangalore - 560 004.

## NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Tenth Annual General Meeting of the Members of Soletron Centum Electronics Limited will be held at Registered Office of the Company on September 05, 2003 at 11:00 AM to transact the following business: -

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2003 and Profit and Loss Account for the year ended March 31, 2003 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. P S Reddy, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this meeting and fix their remuneration.

### SPECIAL BUSINESS

4. To consider and, if thought fit, to pass with or without modification/(s) the following Resolution, as a **ORDINARY RESOLUTION**

"RESOLVED THAT Mr. Duncan Ralph, in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 in writing from Soletron Corporation proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation."

5. To consider and, if thought fit, to pass with or without modification/(s), the following resolution as a **SPECIAL RESOLUTION**

"RESOLVED THAT Clause 8(a) be and is hereby inserted after Clause 8 of the Articles of Association of the Company as follows

8(a) The option or right to call of shares shall not be given to any person except with the sanction of the Company (Issuer) in general meetings."

6. To consider and, if thought fit, to pass with or without modification/(s), the following resolution as an **ORDINARY RESOLUTION**

"RESOLVED THAT in supersession of the earlier resolution passed at the Extraordinary General Meeting held on 16-07-1993 and pursuant to Section 293(1)(d) of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors to borrow for the purposes of the Company, apart from the temporary loans obtained and /or to be obtained from the Company's bankers in the ordinary course of Business, a sum or sums of money not exceeding Rs. 40 Crores from Company's Bankers or from any person or persons, firms, bodies corporate or financial institutions on such terms and conditions as the Board of Directors may deem fit notwithstanding that the moneys to be borrowed together with the moneys already borrowed by the Company will or may exceed the aggregate of the paid up capital of the Company and its free reserves, i.e. reserves not set apart for any specific purpose."

"RESOLVED THAT the consent of the Company be and is hereby given in terms of Section 293(1)(a) and other applicable provisions if any of the Companies Act, 1956 to the board of directors of the Company for the creation of the Mortgage/charge on the Company's immovable and movable properties, wheresoever situated, present and future, such charge to rank either pari-passu with or second subsequent, subservient and subordinate to all the Mortgages/charges created/to be created by the Company for all the existing and future borrowings and facilities whatsoever in favour of the lender(s)."

"RESOLVED FURTHER THAT the Board of the Directors of the Company be and is hereby authorised to do and execute all such acts, deeds, and things as may be necessary for giving effect to the above resolution."

### NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote instead of himself and a proxy need not be a member of the Company. Proxies in order to be effective must be deposited with the Company not less than 48 hours before the meeting.
2. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business is set out in the Annexure.
3. Register of members and Share Transfer books will remain closed on August 26th 2003 for the purpose of AGM.

## - Solectron Centum Electronics Ltd

4. Members are requested to inform any change in their address to the Company or to the Company's Registrar and Share Transfer Agent's (RTA) M/s Karvy Consultants Limited giving the relevant details.
5. Shareholders holding shares in identical order of names in more than one folio are requested to write to the Company or their RTA enclosing their certificates to enable the Company to consolidate their holdings in one folio.

## Explanatory Statement under Section 173 (2) of the Companies Act, 1956

## Item No.4

Consequent to the arrangement of Solectron Corporation with C-Mac Industries Inc, Mr. Dennis Wood has resigned as Chairman of the Board of Directors. Solectron has nominated Mr. Brian Antell as the new Chairman of the Board and Mr. Perry G Hayes as a new member of the Company's Board of Directors. Accordingly the Board has inducted Mr. Perry G Hayes as an additional Director. He holds office up to the date of this Annual General Meeting.

Solectron Corporation has nominated Mr. Duncan Ralph as a new Director and has sent a notice in writing proposing his candidature for the office of the regular Director liable to retire by rotation as per the provisions of Section 257 of the Companies Act, 1956. A brief profile of Mr. Duncan Ralph is given below. Your Directors consider that the appointment of Mr. Duncan Ralph will be in the best interests of the Company.

The Directors recommend the resolution set out in Item No. 4 of the notice for the approval of the members.

None of the Directors are interested in this resolution.

## PROFILE

Mr. Duncan Ralph has 25 years of Finance and Operational experience in various Companies. Mr. Duncan currently is Vice-President-Global Operations in Solectron Micro Systems and is also responsible for Sales and Operations. He has had extensive corporate experience and has held various senior management positions in Pricewaterhouse Coopers (PWC), C-Mac and now in Solectron. He is a member of the Institute of Chartered Accountants.

## Item No.5

The Company proposes to list the shares on National stock Exchange to provide greater liquidity and Marketability to Shareholders. As a part of the Listing process, NSE has stipulated certain articles to be present in the Articles of Association of the Company. As your Company does not have this article it is proposed to amend the Articles of Association of the Company by inserting this specific article.

The Board of Directors recommends the resolution for your approval.

None of the Directors are interested in this resolution.

## Item No.6

The Board is required to take the permission of the members to borrow monies in excess of the paid up capital and free reserves of the Company. At the first extraordinary general meeting held on 16th July 1993, the shareholders have given their consent to the Board of Directors for borrowing in excess of paid up capital and free reserves of the Company up to the limit of Rs. 15 Crores.

Although your Company desires to fund its requirements through internal earnings, in view of its entry into new business and possibilities of further growth, the Company would like to keep open its options of adopting the debt route to fund its future plans. Thus this resolution is put forth as an ordinary resolution for the consideration of the members and the Directors recommend the resolution put forth in Item No.6.

None of the Directors are in any way interested or concerned in this resolution.

By order of the Board  
For Solectron Centum Electronics Limited

Place : Bangalore  
Date : 23 July 2003

Apparao Mallavarapu  
Managing Director

## Soletron Centum Electronics Ltd

**DIRECTORS' REPORT**

Your directors take great pleasure in bringing you this report for the financial year 2002-2003

Financial Highlights	Rs. Millions	
Year ended March 31	2003	2002
Turnover	227.2	345.8
Profit before Depreciation and Interest	40.8	55.1
Depreciation	25.4	28.2
Interest	9.3	18.2
Profit before tax	6.1	8.7
Provision for tax	(0.7)	0.6
Profit after tax	6.8	8.1
Net Cash from Operations	73.0	98.7

**Performance:**

The world economic downturn continued in the fiscal year 2002-2003 which had a negative impact on the end market for electronic products.

For the year, we focused on the following

- Staying profitable even under these difficult conditions
- Improve our balance sheet and other performance measurements.
- Realise the benefits of the efforts of the previous years.

Revenues for the year were Rs.227.2 million and the Profit after Tax was Rs.6.8. Cash flow from operations was Rs.73.0 million

**Business Outlook:**

Business outlook for the coming years is looking very positive. Exports are increasing because of our ability to compete with high quality products in the world markets. For the domestic markets, we have introduced new services and entered into new segments for the existing products, which will ensure sustainable growth.

**Listing on NSE:**

As per the wishes of the shareholders, your Company proposes to list the shares on National stock Exchange to provide greater liquidity and Marketability to Shareholders.

The Board has approved the same and the company is in the process of completing the formalities.

**Dematerialisation of Shares:**

With effect from August 2000, the equity shares of the company are traded in the dematerialised form. The company has entered into agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to enable shareholders to hold shares in the dematerialised form. M/s Karvy Consultants Limited, No. 51/2 T K N Complex, Vanivilas Road, Opp. National College, Basavanagudi, Bangalore-560 004, who is a depository participant having connectivity with NSDL and CDSL is the electronic connectivity provider for Soletron Centum electronics Ltd. M/s Karvy Consultants Limited is also the registrar and the share transfer agents of your company.

**Auditors:**

M/s Bharat S Raut & Co. the statutory auditors of the company retire at the forthcoming annual general meeting and are eligible for reappointment. The retiring auditors have furnished a certificate of their eligibility for reappointment under Section 224 (1B) of the Companies Act, 1956 and have indicated their willingness to continue.



## Soletron Centum Electronics Ltd

## Directors

Mr. Dennis Wood has resigned from the office of Chairman of Board of Directors (BOD) and as a Director with effect from 6th June 2002 and Mr. Brian Antell has been named as the new Chairman of the Board. Mr. Perry G Hayes has been inducted as Additional Director by the Board with effect from September 14, 2002 and will hold office till the conclusion of this Annual General Meeting.

## Corporate Governance

Your company has complied with the recommendations of Securities Exchange Board of India (SEBI) on Corporate Governance report and the listing agreements of the Stock Exchanges. Accordingly separate reports on Corporate Governance and Management Discussion and Analysis giving details of the Company's business and operating results are annexed as a part of the annual report.

In addition to the above and to continuously improve, the company Sought the advice and recommendations of Prof. Balasubramanian, (an expert on Corporate Governance and member of Central Government task force on Corporate excellence through governance) on best Corporate Governance practices and is in the process of implementing the recommendations

Conservation of Energy, Technology absorption, Research & Development and Foreign Exchange Earnings and Outgo.

The particulars prescribed under subsection (1) (e) of Section 217 of the Companies Act, 1956 read with the companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are given in the annexure - A

## Particulars of employees

There are no employees drawing remuneration as per the limits stipulated under Section 217(2A).

## Directors Responsibility

Pursuant to Section 217 (2AA) of Companies (Amendment) Act, 2000, the Directors confirm that

- i. In the preparation of annual accounts the applicable accounting standards had been followed along with the proper explanations 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 and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period
- iii. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities
- iv. The Directors had prepared the annual accounts on a going concern basis.

## Acknowledgements

Your Directors acknowledge and thank the invaluable contributions of all the employees, who have demonstrated their skill, teamwork and commitment through their competence, hard work, cooperation and support.

Your Directors thank the customers for their continued patronage and the investors, bankers and vendors for their continued support.

Your Directors would also like to place on record the support received from, the Electronic Hardware Technology Park, the Customs and Excise Departments, the Reserve Bank of India, the Department of Industries and Commerce, Karnataka, the Karnataka Udyog Mitra and other Central and State Governmental agencies.

for and on behalf of the Board

Place : Bangalore  
Date : 23 July 2003

Apparao Mallavarapu  
Managing Director

**ANNEXURE-A**

Information Pursuant to Section 217(1)(e) of The Companies Act, 1956.

**1. CONSERVATION OF ENERGY**

Your Company continues to accord priority to energy conservation. During the year under review your Company has incurred Rs. 7.29 Million on power and has designed various schemes for reduction of cost of energy. Company's 'energy saving' team is committed to minimise the energy consumption and has planned to implement several energy saving projects. Consistent efforts are being made for identifying potential areas for energy saving.

Some of the measures your Company had undertaken during the period under report in the high priority area of Energy Conservation are:

- a) Installation of softening plant for AC cooling towers to reduce scaling of AC Condensers and chiller lines leading to energy saving to an extent of 5% in AC cost.
- b) Modifications in compressed air lines by way of erection of MS welded pipe joints in place of GI threaded lines resulted in company wide reduction in air leakages.
- c) Erection of new screw chiller (90 TR) in place of old 40TRX2 chiller leading to a 20% reduction in energy costs.
- d) Overhauling and Servicing of DG sets-300 KVA which has improved fuel efficiency.

In order to reduce energy consumption, the other projects which your company is planning to implement are:

- a) Erection of Energy meters (Section wise) to monitor power consumption.
- b) Electrical energy audit by Tata Energy Research Institute

**2. TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT.****2.1 Technology Absorption**

- a) Your company has installed a new optical shop for the manufacture of Quartz blanks.
- b) SMD crystal manufacturing technology and facility has been established. Special training for the same was imparted at CMAC Harlow, UK.
- c) ASIC based oscillator technology for Telecom and Defence application was developed.

**2.2 Research and Development :**

- a) Your company has developed ASIC based oscillators (Hybrid construction) for high reliability telecom applications.
- b) Frequency controlled product range has been enhanced from 800MHz to 1GHz.
- c) Several oscillator products for SDH application have been added to our existing product range.

**3. FOREIGN EXCHANGE EARNINGS AND OUTGO**

Foreign Exchange Earnings and Outgo are reported in Notes to Accounts, Nos. 14, 15 and 16 forming part of the Balance Sheet and Profit and Loss Account for the year ended 31st March, 2003.



## MANAGEMENT DISCUSSION & ANALYSIS

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### Company background

Soletron Centum Electronics Ltd. is a manufacturer of advanced electronics components & systems such as Frequency Controlled Products, Hybrid Microcircuits and also provides Electronic Manufacturing Services (EMS). It caters to Communications, Military & Aerospace, Automotive, Power and Industrial Electronics markets.

Soletron Centum Electronics Ltd., has been steadily increasing its product and service range, geographical reach catering to increased industry segments in its goal to expand its services and become the sophisticated one stop shop OEMs are seeking.

With state of art manufacturing facilities and extensive design & development expertise and leading edge enabling technologies Soletron Centum is now the industry leader in India for the supply of electronics components & solutions.

Our customers include world leaders such as Nortel, Lucent, Nokia, Marconi and leaders in Indian industry such as ITI, Fibcom, BEL, BHEL, CGL, UTL etc.,

The strategy over the years has been consistent and has been based on highly competent people, sound technology and high quality products for customers and markets.

### Industry structure and development

In the year 2002-2003, the 'technology companies' continued to experience the adjustment, which began a couple of years ago. The present indications are that there may be no further downward trend and the demand levels, although low are stabilising. This new situation has put a lot of pressure on companies, world wide to reduce costs. Many large multinational companies have developed or are developing strategies to source from "Low Cost Countries". We believe this will help Indian companies in a big way.

Traditionally, the domestic Defence & Aerospace market was completely controlled by Public Sector and Government organisations. They manufactured in-house from component level to the final product or imported the same. However, in the last few years, Government is working on the strategy for greater self-reliance. Also, the Public Sector Units, are adopting new management methods such as outsourcing through partnerships with private enterprises. Also the private industry has matured and can offer state of the art technologies with matching infrastructure. Due to these developments, we believe that there will be a large role for private enterprise in the growing Defence & Aerospace markets.

Automotive industry in India is growing at an aggressive pace along with the increasing use of electronics in the vehicle. Also India has been recognised as a low cost source for automotive components for the auto majors of the world. With growing use of electronics in the Indian vehicle along with increased outsourcing from India, the potential for growth for Indian automotive electronic companies, is bright.

### Opportunities, threats and Business Outlook

#### Frequency Controlled Products (FCP)

In May 2002, Soletron, for cost reasons, decided to shut down its largest FCP facilities in Harlow, UK and move a major part of the business to us. This transfer is now complete and due to this, we have seen higher sales in FCP in the year 02-03 as against 01-02. The sale for the year 03-04 is expected to be higher and this trend will continue. During 02-03, we have increased the product range and we see more opportunities not only to manufacture but also design, in the future. Presently Defence & Aerospace and Telecom sectors are importing significant quantities and our strategy is to design and manufacture these, in our company to offer a competitive advantage to our customers.

#### Hybrid Microcircuits (HMC)

We have started supplying to the Indian Defence and Aerospace industry and we have entered into agreements for supply of products and services. We also see good opportunities in design and development of sub-systems and already have received several orders and we see a huge potential in this area.

We have started exports of hybrid microcircuits to Nokia, which is progressing well, and we plan to increase exports of HMC.

We have received the TS 16949 certification from RWTUV, which is essential to be successful in the automotive business. We are exploring various opportunities with automotive majors and the prospects look good.

### Electronic Manufacturing Services (EMS)

Globally, more and more leading original equipment manufacturers (OEMs) are relying on electronic manufacturing service (EMS) providers to assemble their products. The major drivers pushing OEMs to outsource include continuous market pressures to shorten time-to-market, enhance asset utilisation and master the complexity of process technologies. In essence, outsourcing enables OEMs to focus on their core competencies, which include research and development, sales and marketing. EMS is one of the fastest growing segments in the electronics industry and projected to grow at the rate of 29% CAGR from year 2001-2005.

EMS in India is still in its early stages. For historical reasons such as government controls all OEMs, were compelled to manufacture products in-house. This resulted in small and fragmented manufacturing facilities, which did not have the state of the art machines or technology as the quantities to be manufactured did not justify big investments. This is true for most cases and there are only a few OEMs who had adequate facilities. In the past few years India is integrating with the world economy and the Indian businesses are adopting the business practices / business models practiced elsewhere in the world. Hence we see huge potential for EMS in the Indian market place.

As a part of Soletron, the world leader in EMS, we plan to leverage their strength and enter the Indian market. The EMS business plans have been finalised and equipments have arrived and have been installed. We hope to be in commercial production in second half of 03-04.

### Risks Factors

#### Economic risk

Although the indications are that the economy has stabilised, if there is a downward trend, this could adversely affect the company performance.

#### Technology risk

We still sell some products for upgrades of C-Dot technology and these may not continue in the coming years. However, we have factored this in our future plans

#### Competition risk

In the EMS market, we may face competition from small companies with low overheads resulting in price pressure.

#### Internal control systems and their adequacy

Your company has placed strong emphasis and effort on the internal control systems. The internal checks and balances are augmented by a formal system of Internal Audit by Price Waterhouse Coopers.

Your company, as a part of strengthening the quality system has got the TS 16949 certification.

#### Six Sigma initiatives

Your company forges ahead in its continuous improvement programme to achieve six sigma levels for its products and services. We have retained Kaizen Institute of Japan in this journey.

#### Financial condition

#### Share capital

There has been no change in the Share capital during the year

#### Loans

Secured loans decreased by Rs 40.36 million from Rs140.05 million as on 31st March 02 to Rs 99.69 million on 31st March 03 due to repayment of the loan achieved through better cash management

There has been no change in Unsecured Loans during the year.

#### Fixed Assets

The capital expenditure for 2002-2003 is Rs 7.13 million.