



SOLECTRON CENTUM

TEAMWORK • TECHNOLOGY • TRUST



Annual Report 2003 - 04

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

Board of Directors

Board of Directors

Brian Antell

Chairman

Apparao V Mallavarapu

Managing Director

P S Reddy

Duncan Ralph

Financial Controller

K S Desikan

Company Secretary

S S Satish Kumar

Statutory Auditors

Bharat S Raut & Co.

Internal Auditors

RSM & Co

Bankers

State Bank of India

Share Transfer Agents

M/s Karvy Computershare Private Limited,
51/2, TKN Complex,
Vanivilas Road, Basavanagudi,
Bangalore- 560 004.

Registered office

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

Soletron Centum Electronics Ltd

Notice of the Annual General Meeting

Notice is hereby given that the Eleventh Annual General Meeting of the Members of Soletron Centum Electronics Limited will be held at Registered Office of the Company on September 21, 2004 at 11 AM to transact the following business: -

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2004 and Profit and Loss Account for the year ended March 31, 2004 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Brian Antell, 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 an **ORDINARY RESOLUTION**

"RESOLVED THAT Mr. Perry G Hayes who was appointed as an Additional Director by the Board of Directors and who holds office up to this date of Annual General Meeting as per the provisions of Section 260 of the Companies Act 1956 and being eligible offers himself for reappointment and in respect of whom the Company has received a notice under Section 257 of the Companies Act 1956 in writing from a member 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, the following resolution as a **SPECIAL RESOLUTION**

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310 read with Schedule XIII and all other applicable provisions if any, of the Companies Act, 1956, and subject to the

approval of the Central Government, consent of the members be and is hereby accorded to the re-appointment of Mr. Apparao V Mallavarapu as Managing Director of the Company for a period of 5 years with effect from 1st August 2004 upon the terms and conditions including remuneration as set out in the agreement entered into by the Company and Mr. Apparao V Mallavarapu and as set out in the explanatory statement annexed hereto and forming part of this notice.

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorized to fix and vary the remuneration and perquisite including the monetary value thereof as specified in the agreement to the extent the Board of Directors may consider appropriate and as may be permitted or authorized in accordance with the provisions under the Companies Act, for the time being in force and any Statutory modifications or re-enactment thereof, and / or any rules and regulations framed there under and with the approval of Central Government if required, the terms of the aforesaid agreement between the Company and Mr. Apparao V Mallavarapu shall be suitably modified to give effect to such variation or increase as the case may be".

6. To consider and, if thought fit, to pass with or without modification, the following resolution as a **SPECIAL RESOLUTION**

"RESOLVED THAT subject to the provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003 (hereinafter referred to as the "Delisting Guidelines") and subject to the provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force) Securities Contracts (Regulation) Act, 1956 and the rules framed there under, Listing Agreement and all other applicable laws, rules, regulations and guidelines and subject to such approvals, permissions and sanctions, as may be necessary

and subject to such conditions and modification (s) as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which the Board of Directors of the Company, be and is hereby authorized to accept, the consent of the Company be and is hereby accorded to the Board to de-list the equity shares of the Company from the Bangalore Stock Exchange Limited".

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, The Board or any committee thereof be authorized on behalf of the Company to do all such acts, deeds and matters as it may, in its absolute discretion, deem necessary for such purpose and with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of members of the Company".

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 from 17th September, 2004 to 21st September 2004 (Both days inclusive) for the purpose of AGM.
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 Computershare Private 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

Soletron Corporation has nominated 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 with effect from 5th May 2004. He holds office up to the date of this Annual General Meeting.

The Company has received a notice in writing under Section 257 of the Companies Act, 1956 along with deposit of Rs. 500/- from a member proposing his candidature for the office of the regular Director liable to retire by rotation.

Your Directors consider that the appointment of Mr. Perry G Hayes will be in the best-interest of the Company. The Directors recommend the resolution set out in item number 4 of the notice for the approval of the members.

None of the Directors except Mr. Perry G Hayes is, in any way concerned or interested in the resolution.

Item No .5

The Shareholders in the Annual General meeting held on 30th September 1999 had approved the appointment of Mr. Apparao V Mallavarapu as Managing Director for a period of 5 years with effect from 1st August 1999 to 31st July 2004 on the terms and conditions including remuneration and minimum remuneration as set out in the agreement dated 27th May 1999 entered into by the Company and Mr. Apparao V Mallavarapu.

As the tenure of contract of Mr. Apparao V Mallavarapu as Managing Director of the Company expired on 31st July 2004, the Board of Directors at their meeting held on 2nd August 2004 approved the re-appointment of Mr. Apparao V Mallavarapu as Managing Director for a period of five years with effect from 1st August 2004.

Soletron Centum Electronics Ltd

Notice (contd...)

The Board also considered that in view of the increased volume of business of the Company it is desirable to compensate the Managing Director in accordance with the Industry standards and approved the agreement setting out the terms and conditions including the remuneration payable to Mr. Apparao V Mallavarapu.

The proposed remuneration exceeds the limits prescribed under section 198(4), 309(3) and schedule XIII as amended and is subject to the approval of members in the General Meeting and of the Central Government. The Company will be making an application to Central Government for obtaining approval for the re-appointment and payment of remuneration to the Managing Director.

The remuneration committee of the Board has approved the remuneration payable to Mr. Apparao V Mallavarapu, Managing Director for a period of 5 years with effect from 1st August 2004 to 31st July 2009 on the following terms and conditions :

Particulars	Amount in Rs. (per month)
Basic	300,000
Allowances	447,800
Perquisites	2,200
Contribution to PF	36,000
Grand Total	786,000

Terms and Conditions

- Contribution to Provident Fund, Superannuation Fund, Annuity Fund and Gratuity shall be as per the rules in force of the Company from time to time.
- Encashment of leave ; As per the rules in force of the Company from time to time.
- Other perquisites ; Other perquisites are as applicable to the senior executives of the Company.

Notwithstanding the above, Mr. Apparao V Mallavarapu will be entitled to a commission such that the aggregate of the remuneration and perquisites / benefits including contribution towards provident fund, mentioned above, shall be 5% of the Net Profits of the Company calculated in accordance with the provisions of Sections 198 and 309 of the Companies Act, 1956.

Other Terms and Conditions

- The Managing Director must use his best endeavour to promote the interest of the Company. The Managing Director shall however be entitled to hold directorship of any other company.
- The Managing Director shall perform his duties and exercise such powers subject to the supervision and control of the Board.
- The Managing Director shall as long as he functions as such shall not become interested or otherwise concerned directly or through his relatives in any selling agency of the Company without prior approval of the Board.

The terms and conditions concerning the remuneration of Mr. Apparao V Mallavarapu, Managing Director in the accompanying notice may be treated as an abstract pursuant to Section 302 of the Companies Act, 1956.

The other disclosures as required are furnished as under :

I. General Information:

- Nature of industry :
Manufacturing
- Date or expected date of commencement of commercial production :
September 1994
- In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus :
Existing Company

4 Financial performance based on given indicators:

Rs. in lacs

Year ended March 31	2004	2003
Turnover	3645.23	2272.05
Profit before		
Depreciation and Interest	1157.81	408.22
Depreciation	224.89	254.08
Interest	74.56	93.16
Profit before tax	858.35	60.96
Provision for tax	34.93	(7.45)
Profit after tax	823.42	68.42
Net Cash from Operations	1267.53	726.65

5 Export performance and net foreign exchange collaborations as on 31 March 2004.

(Rs in lacs)

Export of goods on F.O.B. basis 2127.55

6 Foreign investments or collaborators, if any:

C-Mac Holding, BVI.

Earlier to promoting Centum, he was General Manager with Rao Insulating Company (RIC) for a decade.

Mr. Apparao received his Masters of Engineering from Daltech University, Canada. He is a recipient of the Ford foundation scholarship and Engineering research Scholarship in Canada.

2 Past remuneration :

The remuneration including perquisites paid to Mr. Apparao V Mallavarapu for the year 2003-04 is Rs. 3,76,683/- per month which is well within the limits prescribed under Schedule XIII.

3 Recognition or awards :

Under his leadership the Company received many Awards from Trade Bodies, Government and Customers.

4 Job profile and his suitability:

Mr. Apparao V Mallavarapu is responsible for overall Management of the Company and is best suited for the position in the current scenario.

II. Information about the appointee:

1 Background details :

Mr. Apparao V Mallavarapu promoted the Company in 1993 to manufacture Hybrid Micro Circuits. In 1997, he was instrumental in bringing the strategic alliance with C-Mac Industries of Canada. In 1999, he played the lead role in C-Mac Industries moving part of the Frequency Control Products (FCP) manufacturing to Centum. During the dot com / technology bust, when many companies folded and most of them incurred heavy losses, he quickly devised strategies to ensure the company stayed profitable even during the bad years.

Centum under his leadership has grown to be the largest Hybrid Micro Circuits and Frequency Control Products company in the country and also the largest exporter of these products.

5 Remuneration proposed :

Particulars	Amount in Rs. (per month)
Basic	300,000
Allowances	447,800
Perquisites	2,200
Contribution to PF	36,000
Grand Total	786,000

6 Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person:

The proposed remuneration is in line with the Industry standards

7 Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any:

None

Soletron Centum Electronics Ltd

Notice (contd...)

III. Other information:

- 1 Reasons of loss or inadequate profits :
Not applicable
- 2 Steps taken or proposed to be taken for improvement:
Not applicable
- 3 Increase in productivity and profits in measurable terms:
Not applicable

Your directors recommend the resolution as set out at item No. 5 of the notice for your approval. None of the Directors of the Company is in any way deemed to be concerned or interested in the aforesaid resolution except Mr. Apparao V Mallavarapu himself.

Item No. 6

The equity shares of your Company are presently listed on the The Stock Exchange, Mumbai (BSE), Bangalore Stock Exchange Limited (BgSE) and The National Stock Exchange of India Limited, Mumbai (NSE). The Shares of the Company are not presently traded on Bangalore Stock Exchange and the entire trading of the Company's shares is done only at NSE and BSE.

As per the guidelines issued by Securities Exchange Board of India (SEBI) for de-listing, the Company has got an option to de-list from one or more stock exchanges other than the Stock exchanges having nationwide trading terminals. As the Company's shares continue to be listed in The Stock Exchange, Mumbai and The National Stock Exchange, Mumbai which has nation-wide trading terminals providing full liquidity to the investors, de-listing of Company's shares from Bangalore Stock Exchange Limited will not result in any inconvenience to the shareholders.

In line with SEBI guidelines, the approval of the members by way of a special resolution is required for enabling voluntary delisting of its securities from a stock exchange. The proposed de-listing is in the interest of the Company and the Board commends the resolution for your approval.

The de-listing will take effect after all approvals, permissions and sanctions are received

None of the Directors of the Company is in any way concerned or interested in the resolution.

Information pursuant to Clause 49 of the listing agreement regarding appointment of new director or re-appointment of directors

Brief Profile

Mr. Perry Hayes

Mr. Perry Hayes has over 25 years of finance experience in the banking industry and in technology companies. Mr. Hayes currently is Vice President & Treasurer at Soletron Corporation headquarters in Milpitas, California. He has held senior treasury positions with Dell Computer, in Austin, Texas and at Air Touch Communications, Inc. in San Francisco, California. Mr. Hayes also has 10 years of international finance and banking experience as a Vice President at Bank of America in San Francisco, London and New York. Mr. Hayes graduated from the University of South Carolina with a Masters Degree in International Business.

Mr. Brian Antell

Mr Brian Antell has over 45 years experience in General Management in a range of International corporations. After 6 years as President and COO of C-MAC Micro Systems, Division of CMAC International Inc., Mr Antell was Senior VP of Soletron Corporation prior to retiring in August 2003.

By order of the Board
For Soletron Centum Electronics Limited

Place : Bangalore
Date : August, 2 2004

Apparao V Mallavarapu
Managing Director

Directors' Report

Your directors take great pleasure in bringing you this report for the financial year 2003-2004

FINANCIAL HIGHLIGHTS

Rs. Millions

Year ended March 31	2004	2003
Turnover	364.52	227.20
Profit before Depreciation and Interest	115.78	40.82
Depreciation	22.49	25.41
Interest	7.46	9.32
Profit before tax	85.83	6.09
Provision for tax	3.49	(0.74)
Profit after tax	82.34	6.84
Net Cash from Operations	126.75	72.66

PERFORMANCE

After many years of turmoil, the world electronic industry scenario has shown signs of stability. This has removed the sense of uncertainty and brought back some confidence.

As mentioned even in the previous annual report, your company is realizing the benefits of the strategies adopted and implemented in the last few years. Revenues grew by 1.6 times to Rs.364.52 million and profits grew by 14 times to Rs. 85.83 million. Cash flow from operations was Rs.126.75 million.

BUSINESS OUTLOOK

Business outlook for the coming years is very positive. We expect the business to grow both from new service offerings and our existing product lines. The efforts of entering into new industry segments in the last few years have started to yield results and we hope to build on the same.

LISTING ON NSE

As informed to the shareholders, the Company's shares have been listed on the National Stock Exchange with effect from September 12, 2003 providing better liquidity to the shares of the 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 Sec 224 (1B) of the Companies Act, 1956 and have indicated their willingness to continue.

DIRECTORS

Soletron Corporation has replaced Mr. Duncan G Ralph with Mr. Perry Hayes as a Director with effect from 5th May 2004. Your Directors are thankful and place on record their appreciation to Mr. Duncan G Ralph for his valuable service rendered during his tenure of directorship.

Mr. Perry G Hayes has been inducted as Additional Director by the Board with effect from May 5, 2004 and will hold office till the conclusion of this Annual General Meeting and is eligible for re-appointment.

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. Brian Antell retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

Solelectron Centum Electronics Ltd**Directors' Report (contd...)**

The tenure of contract of Mr. Apparao V Mallavarapu as Managing Director of the Company expired on 31st July 2004 and the Board of Directors have approved his re-appointment for a period of five years with effect from 1st August 2004. The resolution for re-appointment of the Managing Director with the terms of remuneration is proposed and forms part of the notice.

CORPORATE GOVERNANCE

Your Company has complied with the regulations provided in clause 49 of the listing agreements entered into with the Stock Exchanges. The compliance report on various requirements under the said clause along with the auditors' certification thereof is provided in the Corporate Governance Section of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

In compliance with the requirements of the listing agreement, a detailed management discussion and analysis giving details of the Company's business and operating results is annexed to this report.

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 included in this report.

PARTICULARS OF EMPLOYEES

Particulars of employees as required under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended is set out in the Annexure included in this report.

EXPLANATION FOR AUDITORS' COMMENTS IN THEIR REPORT

Referring to point number (iv) of Auditors report, the Company had availed of a loan from C-Mac Industries Inc for purchase of fixed assets. The loan agreement sets out that C-Mac Industries Inc has committed to give certain annual business to the Company for a period of seven years. Further, the agreement states that, should C-Mac Industries Inc fail to meet this commitment, the parties undertake to negotiate in good faith, to arrive at a mutually satisfactory solution. At 31st March 2004, C-Mac Industries Inc had not fulfilled its sales obligation on a year on year basis since the inception of the loan agreement. Your company citing the above reasons requested the write off of the loan and C-MAC Industries has agreed to the same.

The total amount of write off is Rs. 80,197,702/- As per accounting standards, during the quarter ending 30th June 2004, a sum of Rs 43,241,519/- has been accounted as other income and Rs 36,956,183/- as capital reserve.

Referring to point number (v), the Statutory Auditors have observed that the Company has not capitalized certain fixed assets from, C-Mac Quartz Crystals and related depreciation of Rs. 24 Lakhs has not been charged to the P&L account for the year ending 31st March 2004, pending conclusion of agreement.

We are glad to inform you that this has been amicably resolved and accounted during the quarter ending 30th June 2004.