



# SOLECTRON CENTUM

TEAMWORK • TECHNOLOGY • TRUST



Annual Report 2004 - 05

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.

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## Soletron Centum Electronics Ltd

### Board of Directors

Perry Hayes, *Chairman*

Apparao V Mallavarapu, *Managing Director*

P S Reddy

Kevin Sachs

Joe Tang

Financial Controller

K S Desikan

Company Secretary

Ankur Mehrotra

Statutory Auditors

BSR & Co.

(Formerly Bharat S Raut & Co.)

Internal Auditors

Ernst & Young Pvt. Ltd.

Bankers

State Bank of India

Share Transfer Agents

M/s Karvy Computershare Private Limited,

No. 51/2 TKN Complex,

Vanivilas Road,

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 Twelfth Annual General Meeting of the Members of Soletron Centum Electronics Limited will be held at Registered Office of the Company on September 30th September, 2005 at 11.00 A.M. to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2005 and Profit and Loss Account for the year ended March 31, 2005 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.
4. To ratify the interim dividend 7.5% declared during Sep 2004 as the final dividend for the year 2004-05.

**SPECIAL BUSINESS**

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

**"RESOLVED THAT** Mr. Joe Tang and Mr. Kevin Sachs who were appointed as Additional Directors by the Board of Directors and who hold office up to this date of Annual General Meeting as per the provisions of section 260 of the Companies Act 1956 and being eligible offer themselves for reappointment and in respect of whom the Company has received notice under Section 257 of the Companies Act 1956 in writing from the members proposing their candidature for the office of Director, be and is hereby appointed as a Directors of the Company liable to retire by rotation."

**NOTES:**

1. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote instead of him self 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 close from 27th September 2005 to 30th September 2005 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.
6. The Company has declared an Interim Dividend of 7.5% for the year 2004-05 based on the recommendation of the Board. The Board of Directors have recommended that the interim dividend of 7.5% be treated as the final dividend for the year 2004-05

**Explanatory Statement under Section 173 (2) of the Companies Act, 1956****Item No.5**

Soletron Corporation has nominated Mr. Joe Tang and Mr. Kevin Sachs as the new members of the Company's Board of Directors. Accordingly the Board has inducted Mr. Joe Tang and Mr. Kevin Sachs as additional Directors with effect from 4th November 2004. They hold 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 two members proposing their candidature for the office of the regular Director liable to retire by rotation.

Your Directors consider that the appointment of Mr. Joe Tang and Mr. Kevin Sachs will be in the best interests 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 Director except Mr. Joe Tang and Kevin Sachs are, 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. Kevin Sachs**

Mr. Kevin Sachs has over 10 years of experience working with companies across a broad range of industries. Mr. Sachs is currently Vice President of Global Program Management & Supply Chain Solutions at Soletron Corporation headquarters in Milpitas, California. Prior to this role, Mr. Sachs was Vice President of Strategic Marketing & Alliances for Soletron. Before joining Soletron, Mr. Sachs was a management consultant with McKinsey & Company, where he worked out of the San Francisco, New York and Warsaw offices. Mr. Sachs received his MBA from Stanford Graduate School of Business, and his BA in Political Economy from Williams College.

##### **Mr. Joe Tang**

Mr. Joe Tang, 54, joined Soletron in 1990 and has an extensive background in manufacturing management

in the electronics industry. In his role as senior vice president of Soletron's South Asia, Mr. Tang has responsibility for all manufacturing operations in the region. Mr. Joe Tang began his career at Soletron as managing director of the Penang facility, Soletron's first off-shore site. In 1993, he was promoted to corporate vice president. Under his leadership, Soletron Malaysia has flourished, winning the Malaysian Quality Management Excellence Award, the Prime Minister's Quality Award, and a notable mention for the Hibiscus Award for environmental consciousness, all in 1996. In addition, he has grown the Malaysian workforce from 200 associates in 1991 to more than 8,000 in 2000.

In this current position, Mr. Tang is responsible for providing strategic direction, managing strategic growth, operational and financial performance, and maintaining customer relationships for Soletron's South Asia sites in Penang and Johor (Malaysia), Singapore, Batam (Indonesia) and Bangalore (India). Before joining Soletron, Mr. Tang was a business manager at Intel for 10 years and also worked for General Instruments.

For his contributions to the local community, Mr. Tang was awarded the *Pingat Kelakuan Terpuji*, medal of exemplary conduct by the governor of the state of Penang. The medal is awarded to individuals of good conduct and character who have exhibited competence or achieved praiseworthy deeds in any field.

Mr. Tang holds a degree in chemistry from Monash University in Victoria, Australia.

For Soletron Centum Electronics Limited

Place: Bangalore

Apparao V Mallavarapu

Date: August, 2 2005

Managing Director

## Directors' Report

Your directors take great pleasure in bringing you this report for the financial year 2004-2005

### FINANCIAL HIGHLIGHT

	Rs.Millions	
Year ended March 31	2005	2004
Turnover	442.31	364.52
Profit before Depreciation and Interest	157.65	115.78
Depreciation	26.53	22.49
Interest	(1.82)	7.46
Profit before tax	132.94	85.83
Provision for tax	3.50	3.49
Profit after tax	129.44	82.34
Net Cash from Operations	236.62	126.75

### PERFORMANCE

This year has been the best year so far in terms of both revenue and profits. Your company is realizing the benefits of the strategies adopted and implemented in the last few years. Revenues grew by 21% to Rs.442.31 million and profits grew by 55 % to Rs. 132.94 million. Cash flow from operations was Rs.236.62 million

Your company has received the platinum award for "Excellence in Manufacturing" in the emerging companies' category, instituted by Frost & Sullivan, for the year 04-05. Receiving this award is very prestigious because we are competing against many other excellent companies across all industry segments

Your company also received the prestigious First Prize for Excellence in Quality awarded by the "ELCINA" Electronic Industries Association of India for the year 04-05 competing against other electronic companies.

### AUDITORS

M/s BSR & 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

Mr.Brian Antell resigned as chairman and director of the company with effect from 4th November 2004. Your Directors are thankful and place on record their appreciation to Mr. Brian Antell for his valuable service rendered during his tenure of directorship. Mr. Perry Hayes has been appointed as the chairman of the company.

The Board appointed Mr.Joe Tang and Mr.Kevin Sachs as the additional directors with effect from 4th November 2004 and will hold office till the conclusion of this Annual General Meeting and are eligible for re-appointment.

### CORPORATE GOVERNANCE

The compliance report on various requirements under the clause 49 of the listing agreement along with the

## Directors' Report (contd...)

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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

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 AUDITOR'S COMMENT IN THEIR REPORT

Referring to the point (f) of Auditors report, the company has paid managerial remuneration in line with the contract of appointment of Mr. Apparao V Mallavarapu as the Managing Director as approved by the shareholders in the previous Annual General Meeting. Company has applied for the Central Government approval which is pending.

### 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.



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

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

Apparao V Mallavarapu

P S Reddy

Date: 2nd Aug 2005

Managing Director

Director

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**ANNEXURES TO THE DIRECTORS' REPORT**
**INFORMATION PURSUANT TO THE SECTION 217(1)(e) OF THE COMPANIES ACT, 1956.**
**1. CONSERVATION OF ENERGY**

The Company continues to accord priority to energy conservation. Company's 'energy saving' team is committed to minimize 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:

- Installed the AHU switches panel. The advantage is that control is provided for individual AHUs which results in energy saving.
- Installed the lighting switches for individual departments resulting in saving the energy consumption
- The company has reduced the size of cold storage in FCP stores thereby reducing the power consumption

**2. TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT**

- The company has developed several complex products in Hybrid Microcircuits and Frequency Controlled Products for the Defense & Aerospace industry. Most of these products have been developed for the very first time by any Indian company
- Several Crystal Oscillators have been designed and developed for Global Telecom customers.
- Technology has been absorbed in the area of Electronic Manufacturing services to manufacture complex boards
- A number of employees were sent for training, technology development to various parts of the worlds such as Belgium, Japan, Malaysia, UK, USA

**3. FOREIGN EXCHANGE EARNINGS AND OUTGO**

Foreign Exchange Earnings and Outgo are reported in Notes to Accounts No. 20 (m) and (n) and forming part of the Balance Sheet and Profit and Loss Account for the year ended 31st March, 2005.



## Directors' Report (contd...)

## ANNEXURES TO DIRECTORS REPORT - PARTICULARS OF EMPLOYEES

Information pursuant to Subsection 2(A) of the Section 217 of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors Report for the year ended 31st March 2005

Sl.no.	Name	Designation	Qualification	Age	Date of joining/ experience	Gross Remuneration (Rs.)	Previous Employment
1.	Apparao V Mallavarapu	Managing Director	M E	48 Years	1. 8.1994 23 years	68,39,876	General Manager Rao Insulating Co.Ltd , Bangalore

## NOTES:

- 1) The terms of employment are contractual. Other terms and conditions as per company rules.
- 2) Gross remuneration is on cost to company basis comprises of salary, allowances, medical reimbursements, leave travel assistance, Commission, Company's contribution to Provident Fund and monetary value of perquisites on the basis of Income Tax Act.

for and on behalf of the Board

Place: Bangalore  
Date: 2nd Aug 2005

Apparao V Mallavarapu  
Managing Director

P S Reddy  
Director

**Soletron Centum Electronics Ltd****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) and Repair & Return services. It caters to Communications, Military & Aerospace, Automotive and Industrial Electronics markets.

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

With extensive design & development expertise and leading edge enabling technologies Soletron Centum is now the industry leader in India for manufacture and supply of electronics components & solutions. With state of the art manufacturing facilities, Soletron Centum also provides turnkey solutions in Electronic Manufacturing Services and Repair & Return services

Our customers include world leaders such as ABB, C-MAC, Nokia, Schneider Electric, Visteon and leaders in Indian industry such as BEL, ITI, Tejas etc., and other leading Defence & Aerospace organizations.

The strategy over the years has been consistent and is based on high customer focus with competent people, state of the art technology and high quality products.

Soletron Corporation, headquartered in Milipitas, USA and one of the largest EMS companies in the world ([www.soletron.com](http://www.soletron.com)) owns 50.67% of the shares in the company. The Indian promoters and the public hold the rest. Soletron's guidance in the development of EMS business has been invaluable and going forward we hope to see the benefits of their existing sales relationships also.

**INDUSTRY STRUCTURE AND DEVELOPMENT**

Broadly, the electronics industry can be categorized under Telecom & Networking, Industrial, Entertainment and Military & Aerospace segments

As a company, we address the Telecom & Networking, Industrial and Strategic Electronics segments.

India being a signatory to WTO - ITA has been steadily reducing the customs duty barriers in the past many years. On 1st Mar 2005, the import duty on all the 217 items mentioned in the WTO - ITA list has become zero. This has reduced the cost of the products substantially thereby expanding the opportunities to increase the size of markets across the electronics industry. With the potential for larger markets, local and multinational OEMs see an opportunity to set up manufacturing in India. Hence we expect the Electronic Hardware industry to play an important role in the economic growth of the country.

The Telecom industry in India has been growing aggressively in the last few years and is expected to continue to grow. This growth mainly comes from the advanced wireless and wire line technologies developed by the multinational OEMs. As the market size is large and growing, these OEMs plan to manufacture in India. The business model for these OEMs is to outsource their manufacturing to their EMS partners.

Industrial electronics is a segment which requires many varieties of products but in relatively small numbers (High Mix Low Volume). Also their quality needs are very stringent and the lifecycle of the products is long. Because of these requirements the need for design, engineering and testing skills are high. With the availability of these skills abundantly in India, the Indian EMS industry is well positioned to cater to this segment worldwide.

The Indian Defense & Aerospace industry has been dependent on imported products & technologies. With the opening up of the economy, the government is encouraging private participation in this area, which is unlocking opportunities in development of technology and indigenization of products.

**STRATEGIES & BUSINESS OUTLOOK**

We have two businesses, products and services. The strategies for these two businesses are similar in some aspects but also are quite unique in many others.