



SOLELECTRON CENTUM



Annual Report 2005 - 06

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.

Solelectron Centum Electronics Ltd

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Soletron Centum Electronics Ltd

Board of Directors

Perry G Hayes, *Chairman*

Apparao V Mallavarapu, *Managing Director*

P S Reddy

Kevin Sahs

Joe Tang

Som Mittal

Chief Financial Officer (CFO)

K S Desikan

Company Secretary

K B Shyam Kumar

Statutory Auditors

BSR & Co.

Internal Auditors

Ernst & Young Pvt. Ltd.

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 Thirteenth Annual General Meeting of the Members of Soletron Centum Electronics Limited will be held at "Senate Hall", The Capitol, Raj Bhavan Road, Bangalore 560 001 on September 11, 2006 at 3.30 P.M. to transact the following business: -

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2006 and Profit and Loss Account for the year ended March 31, 2006 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Perry G Hayes, 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

To consider and if thought fit, to pass, with or without modification(s), the following resolutions as **Ordinary Resolutions**:

4. "RESOLVED that Mr. Som Mittal be and is hereby appointed a Director of the company, liable to retire by rotation."
5. "RESOLVED THAT in supersession of the earlier resolution passed at the Tenth Annual General Meeting held on September 05, 2003 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.200 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 further 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)."

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 was remain closed from July 18, 2006 to July 20, 2006 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 (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 RTA enclosing their certificates to enable the Company to consolidate their holdings in one folio.

6. Nomination facility: Consequent to the introduction of Section 109A of the Companies Act, 1956 and as has been brought to the notice of all the Members, individual Members are entitled to make a nomination in respect of the shares held by them. The Members, who desire to send their nominations, are requested to send the Nomination in Form-2B (in duplicate) to the RTA of the company for registering the nominations, if any.
7. Members attending the Annual General Meeting are requested to bring the following with them (as applicable):
 - (a) Members holding shares in dematerialized form, their DP & Client ID Number(s).
 - (b) Members holding shares in physical form, their folio number,
 - (c) Copy of the Annual Report & Notice (2005-06).
 - (d) The Attendance Slip duly completed & signed in terms of specimen signature lodged with the company.
 - (e) Member companies/Institutions are requested to send a copy of the resolution of their Board/Governing Body, authorising their representative to attend and vote at the Annual General Meeting.

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

Item No.4

The Board of Directors of the company appointed Mr. Som Mittal as an Additional Director with effective from February 27, 2006. He is appointed in the category of independent director. Pursuant to Article 23 of the Articles of Association of the company, read

with Section 260 of the Companies Act, 1956 ("the Act"), Mr. Som Mittal holds office only up to the date of the ensuing Annual General Meeting. The company has received a notice in writing from a member of the company under Section 257 of the Act, signifying their intention to propose the appointment of Mr. Som Mittal as a Director of the company.

Mr. Som Mittal is willing to act as a Director of the company, if so appointed and has consented for being appointed as a director of the company.

Your Directors feel that the appointment of Mr. Som Mittal would be in the best interest of the company and accordingly recommend the passing of the resolution proposed at Item No.4 of the Notice.

No Director other than Mr. Som Mittal is in anyway concerned or interested in the said resolution.

Item No.5

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 Tenth General Meeting held on September 05, 2003, 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.40 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.5.

For Soletron Centum Electronics Limited

Place: Bangalore
Date: 13 June 2006

Apparao V Mallavarapu
Managing Director

Soletron Centum Electronics Ltd

Directors' Report

Your directors take great pleasure in bringing you this report for the financial year 2005-2006

FINANCIAL HIGHLIGHT

Rs.Millions

Year ended March 31	2006	2005
Turnover	885.35	442.31
Profit before Depreciation and Interest	174.03	157.65
Depreciation	35.63	26.53
Interest	11.46	(1.82)
Profit before tax	126.94	132.94
Provision for tax	27.75	3.50
Profit after tax	99.19	129.44
Net Cash from Operations	(118.84)	236.62

PERFORMANCE

This year has also been a very good year 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 94% to Rs.885.31 million and Earnings Before Tax (EBT) (excluding one time extra ordinary item of Rs.40 Million in 2005) grew by 38% to Rs.126.94 million.

EMS business grew significantly during the year and also turned profitable. We also took over business assets and operations for mobile phone repair business and this increased our presence in the repair & return business.

DIRECTORS

During the year, Mr. Som Mittal has been appointed as an Additional Director of the company on February 27, 2006 and he will hold office upto the date of ensuing Annual General Meeting and eligible for appointment at the ensuing Annual General Meeting. Your company has received a notice in writing from a shareholder, under section 257 of the Companies Act, 1956 proposing the appointment of Mr. Som Mittal as a Director of the company at the ensuing Annual General Meeting.

In terms of the provisions of Section 256 and other applicable provisions, if any, of the Companies Act, 1956, Mr. Perry G Hayes, Director, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. The particulars relating to Mr. Perry G Hayes are mentioned in the Report of Corporate Governance. Your Directors recommend for re-appointment of Mr. Perry G Hayes.

None of the Directors of the company are disqualified for being appointed as Directors as specified in Section 274 of the Companies Act, 1956.

The required resolutions for appointment / re-appointment of the aforesaid directors have been included in the notice convening ensuing Annual General Meeting.

CORPORATE GOVERNANCE

The Report on Corporate Governance for the year 2005-06 as per Clause 49 of the Listing Agreement is annexed to this report. The company has complied with most of the requirements. The Certificate on compliance of Corporate Governance requirements, issued by the Statutory Auditors is annexed to the Report of Corporate Governance.

AUDITORS

M/s BSR & Co., Chartered Accountants, Statutory Auditors of the company will retire at the forthcoming annual general meeting and they are eligible for re-appointment. Your Directors recommend the re-appointment of the above Statutory Auditors and resolution in this regard forms part of the agenda for the forthcoming Annual General Meeting, requiring approval of the shareholders. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

In compliance with the requirements of the listing agreement, a detailed Management Discussion and Analysis Report 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.

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, if any;
- 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; and
- 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, co-operation 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

Apparao V Mallavarapu

Som Mittal

Date: 31 July 2006

Managing Director

Director

Soletron Centum Electronics Ltd

Directors' Report (contd...)

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:

- Waste water generated from PCB cleaning machine is treated and reused results in saving of water.
- Installed air pressure booster and thereby reduced the air consumption resulting in power cost saving
- Installed air recalculation system for reflow instead of exhaust resulting in air condition power cost saving.
- Installed auto power factor control system to improve the power factor and resulting in power cost savings.

2. TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT

- The company has developed several complex hybrids and frequency controlled products for space applications
- Technology has been absorbed in the area of Chip and Wire based Hybrid technology and several state of the art machines have been added to upgrade the overall infrastructure of the Hi-reliability hybrids and Oscillators.
- A number of employees were sent for technology development, assessment of the technology trends and training to Singapore, Malaysia, Taiwan, Hongkong, Europe and USA
- Technology Development team has been created in the company to exclusively work on the latest technologies and future oscillators in the area of Frequency Controlled Products.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earnings and Outgo are reported in Notes to Accounts No. 18 (n) and (m) respectively and forming part of the Balance Sheet and Profit and Loss Account for the year ended 31st March, 2006.

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 March 31, 2006

Sl. No.	Name	Designation	Qualification	Age	Date of joining/ experience	Gross Remuneration (Rs.)	Previous Employment
1.	Apparao V Mallavarapu	Managing Director	M E	49 Years	1. 8.1994 24 years	94,05,600	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 and Company's contribution to Provident Fund.

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for and on behalf of the Board

Place: Bangalore
Date: 31 July 2006

Apparao V Mallavarapu
Managing Director

Som Mittal
Director