















SALZER

13th Annual Report 1997 - 98

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SALZER ELECTRONICS LIMITED

COIMBATORE 641 047

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SALZER ELECTRONICS LIMITED**salzer****SALZER ELECTRONICS LIMITED****BOARD OF DIRECTORS**

Mr. P.S.Santhanakrishnan - Chairman
 Mr. R.Doraiswamy - Managing Director
 Mr. N.Jayabal - Executive Director
 Mr. R.Narayanaswamy
 Mr. R.Damodharaswamy
 Mr. P.K.Shah
 Mr. L.Venkatapathy
 Mr. Nirmal Kumar M.Chandria
 Mr. P. Ramachandran

VICE PRESIDENT (CORP. AFFAIRS) & COMPANY SECRETARY

Mr. S.Baskara Subramanian

BANKERS

M/s. CANARA BANK,
 Gudalur Branch, SRKV Post,
 Coimbatore - 641 020.

M/s. CANBANK FACTORS LIMITED
 II Floor, United India Building, 1028, Avanashi Road,
 Coimbatore - 641 018.

AUDITOR

Report

M/s. N.M & Co.,
 Chartered Accountants,
 222, Sathyamoorthy Road, Ram Nagar,
 Coimbatore 641 009.

M/s. SWAMI & RAVI,
 Chartered Accountants, (Internal Auditors)
 N S R Road, Saibaba Colony,
 Coimbatore - 641 011.

REGISTRARS & SHARE TRANSFER AGENTS

M/s. GNSA INVESTOR SERVICES
 PRIVATE LIMITED,
 No. 66, 4th Avenue, Ashok Nagar,
 Chennai - 600 083.

LISTING ARRANGEMENTS

COIMBATORE STOCK EXCHANGE LIMITED
 'Stock Exchange Buildings', 683-686, Trichy Rd.,
 Singanallur, Coimbatore 641 005

MADRAS STOCK EXCHANGE LIMITED
 Exchange Building, Post Box No.183
 11, Second Line Beach, Chennai - 600 001

THE STOCK EXCHANGE
 Phiroze Jeejeebhoy Towers, Dalal Street
 Mumbai - 400 001.

REGISTERED OFFICE & FACTORY

Samichettipalayam (PO), Jothipuram (Via),
 Coimbatore - 641 047.

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13th ANNUAL GENERAL MEETING

Day : Saturday
 Date : 26th September 1998
 Time : 4.30 P.M.
 Venue : Samichettipalayam Post
 Jothipuram (via)
 Coimbatore 641 047

SALZER ELECTRONICS LIMITED**salzer****NOTICE OF THE 13th ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 13th Annual General Meeting of the Shareholders of the Company will be held on Saturday the 26th September, 1998 at 4.30 PM at the Registered Office of the Company at Samichettipalayam, Coimbatore - 641 047, to transact the following Business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Directors' Report and the Audited Profit and Loss A/c for the year ended 31st March, 1998 and the audited Balance Sheet as at 31st March, 1998 and the Auditors' Report thereon.
2. To appoint a Director in the place of Mr. R.Damodharaswamy, who retires by rotation, and being eligible offers himself for re-appointment.
3. To appoint a Director in the place of Mr. P.K.Shah, who retires by rotation, and being eligible offers himself for re-appointment.
4. To appoint a Director in the place of Mr. Nirmal Kumar M. Chandria, who retires by rotation, and being eligible offers himself for re-appointment.
5. To appoint Auditors of the Company and fix their remuneration - M/s. N.M & Co., Chartered Accountants, the retiring auditors are eligible for re-appointment.

SPECIAL BUSINESS:

6. To consider and approve the appointment of Mr. P.Ramachandran, as Director.

To consider and if thought fit to pass the following resolutions with or without modification as special resolutions.

"RESOLVED THAT pursuant to Section 257 of the Companies Act, 1956 and other applicable provisions if any, Mr. P.Ramachandran, be and is hereby appointed as a Director on the Board of Directors of the Company."

"RESOLVED FURTHER THAT pursuant to section 198, 269, 309, 310 and Schedule XIII of the Companies Act, 1956 and other applicable provisions, if any, approval of the shareholders be and is hereby accorded to appoint Mr. P.Ramachandran, as a Whole Time Director - Marketing of the company with effect from 26.09.98 for a period of 5 years on an remuneration and perquisite as detailed below:

Salary Rs. 8,500.00 per month and perquisites as detailed below:

House Rent Allowance

House Rent Allowance will be considered to be paid, subject to the ceiling stipulated under sec 198, schedule XIII of the Companies Act, 1956 and other applicable provisions, if any, in future.

Medical Allowance

Expenses incurred by him and his family subject to a ceiling of one month salary in a year or three months salary over a period of three years.

Leave Travel concession

As per Company Rules from time to time.

Personal Accident Insurance

Premium not to exceed Rs.1000.00 per annum

Club Fees

Fees of clubs subject to maximum two clubs. This will not include admission and life membership.

Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income-Tax Act, 1961.

Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and Encashment of leave at the end of tenure."

SALZER ELECTRONICS LIMITED**salzer**

7. To consider and approve the creation of charge under Section 293 (1)(a) in favour of IREDA.

To consider and if thought fit to pass the following resolutions with or without modification as special resolutions.

“RESOLVED THAT pursuant to the provisions of Section 293 (1)(a) and other applicable provisions, if any, of the Companies Act, 1956 consent of the Company be and is hereby accorded to the Board of Directors of the Company to mortgage and/or charge on such terms and conditions and on such time or times and in such manner, as it may think fit, the wind mill being erected in SF No. 401 at Vadukapalayam Village, Kethanur, Palladam Taluk, Coimbatore District and the land thereto in favour of IREDA against the Financial Assistance of Rs. 73.80 Lacs under Equipment Finance Scheme, upon the terms and conditions set out in the sanction letter of IREDA and also in accordance with the relevant statutory provisions or guidelines issued or otherwise to secure the loan amount and interest thereto, commitment charges, liquidated damages, costs, charges, expenses and all other moneys payable by the Company to the said IREDA.”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to finalise with IREDA the documents creating the aforesaid mortgage and/or charge and to do all such acts and things as may be necessary from time to time for giving effect to the above resolution.”

“RESOLVED FURTHER THAT certified copy of the above resolutions be forwarded to IREDA for their records.”

8. To consider and approve the creation of charge under Section 293 (1)(a) in favour of SIPCOT.

To consider and if thought fit to pass the following resolutions with or without modification as special resolutions.

“RESOLVED THAT pursuant to the provisions of Section 293 (1)(a) and other applicable provisions, if any, of the Companies Act, 1956 consent of the Company be and is hereby accorded to the Board of Directors of the Company to mortgage and/or charge on such terms and conditions and on such time or times and in such manner, as it may think fit the land in SF No. 175 at Vadambacheri Village, Palladam Taluk, Coimbatore District in favour of SIPCOT against the Term Loan of Rs. 60.00 Lacs also in accordance with the relevant statutory provisions or guidelines issued or otherwise against the loan amount and interest thereto, commitment charges, liquidated damages, costs, charges, expenses and all other moneys payable by the Company to the said SIPCOT and also to Canara Bank, the Working Capital Bankers of the Company and Financial Institutions like IREDA, on Second Charge basis, if required.”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to finalise with SIPCOT/Canara Bank, Working Capital Bankers and Financial Institutions like IREDA, the documents, if any, creating the aforesaid mortgage and/or charge and to do all such acts and things as may be necessary from time to time for giving effect to the above resolution.”

“RESOLVED FURTHER THAT certified copy of the above resolutions be forwarded to the concerned authorities for their records.”

By Order of the Board

Place : Coimbatore

Date : 27.07.1998

(Sd.) R. DORAISWAMY

Managing Director

NOTE

1. A Member who is entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member of the Company. Proxy forms must reach the Company's Registered Office not less than 48 hours before the commencement of the meeting.
2. The relevant explanatory statement, in respect of items under special business, pursuant to section 173 of the Companies Act, 1956, is annexed hereto.

SALZER ELECTRONICS LIMITED**salzer**

3. The Register of Members and Share Transfer Books of the Company will remain closed from 16.09.98 to 26.09.98 (both days inclusive).
4. Members are requested to bring their copy of the Annual Report to the Annual General Meeting.
5. Members are requested to kindly notify the change in address immediately to the Company's Registrars M/s. GNSA Investor Services Private Limited, No. 66, 4th Avenue, Ashok Nagar, Chennai - 600 083.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF THE ITEMS MENTIONED UNDER SPECIAL BUSINESS.

ITEM No. 6:

Mr. P.Ramachandran is having wide experience in the field and good contacts both in domestic and international markets. His association on the Board of Directors of the Company would be beneficial to the Company in increasing its market share. Your Board of Directors, therefore thought fit to induct him as an Additional Director on the Board of Directors of the Company with effect from September 27, 1997 in the interest of the Company. As per provisions of the Companies Act, 1956, he vacates his office of Director at this Annual General Meeting. Your Company has received proper notice under the provisions of the Companies Act, 1956 signifying his name for appointment as a Director on the Board of Directors of your Company. Your Board of Directors also thought fit to appoint him as a Whole Time Director - Marketing of the Company with effect from September 26, 1998, for a period of 5 years, on the terms and conditions set out in the agenda. Hence this proposal is submitted for your approval and your Directors recommend the same. Except Mr. P.Ramachandran, being the beneficiary, none of the Directors are interested in this resolution.

ITEM No. 7:

Your Company has installed a Second Wind Mill at Vadukapalayam Village, Kethanur, Palladam Taluk, Coimbatore District in SF No. 401, with the Financial Assistance of Indian Renewable Energy Development Agency Limited (IREDA) under Equipment Finance Scheme for a sum of Rs. 73.80 Lacs (Rupees Seventy Three Lacs Eighty Thousand only), by way of security as exclusive first charge on the wind mill erected with their assistance and collateral security of the concerned land. IREDA needs specific approval of the shareholders for creation of such mortgage and/or charge.

Hence this proposal is submitted for your approval and your Directors recommend the same.

None of the Directors are interested in this resolution.

ITEM No. 8:

Your Company has availed a term loan of Rs.60.00 Lacs from SIPCOT for erection and commission of a Wind Mill in its land in SF No. 409 Vadukapalayam Village, Kethanur, Palladam Taluk during the year 1995. The landed property in SF No. 409 was mortgaged in favour of SIPCOT as first charge holder and Canara Bank on second charge basis for the Working Capital facilities extended to the Company. However, as a tax planning measure, the Company has erected and commissioned a second wind mill in SF No. 401, Vadukapalayam Village, Kethanur, Palladam Taluk, adjacent to SF No. 409, with the financial assistance of IREDA on a condition that the above said land to be given on exclusive charge in favour of IREDA. Since these two parts of lands have been registered in a single document and the document had already been deposited with SIPCOT as a security for the financial assistance extended to erect and commission the wind mill in SF No. 409, the Company approached SIPCOT for its No objection. SIPCOT has since consented to give exclusive charge of landed property in SF No. 401 in favour of IREDA provided the Company could furnish an alternate security in lieu thereof. Accordingly, your Company has offered the landed property in SF No. 175 to the extent of 3.74 acres in Vadambacheri Village, Palladam Taluk, Coimbatore District. SIPCOT may require specific resolution of the Company passed at the General Meeting in this regard.

Hence this proposal is submitted for the approval of the shareholders and your Directors recommend the same for your consideration.

None of the Directors are interested in this resolution.

SALZER ELECTRONICS LIMITED**salzer****DIRECTORS' REPORT**

Your Directors have pleasure in presenting this 13th Annual Report together with the audited accounts of the Company for the year ended 31st March 1998.

FINANCIAL RESULTS AND PERFORMANCE:

	Year ended 31.03.98	(Rs in lacs)	Year ended 31.03.97
Profit before Interest & Depreciation	187.52		153.06
Less: Interest & Financial charges	75.38	82.72	
Depreciation	54.83	39.15	
	130.21		121.87
Profit after Interest & Depreciation	57.31		31.19
Add: Excess Provision for Prior year written back	0.00		3.83
	57.31		35.02
Previous Year's Surplus B/f	43.50		22.48
	100.81		57.50
Less: Transfer to General Reserve	10.00	10.00	
Provision for tax	3.51	4.00	
	13.51		14.00
Balance c/f to Balance Sheet	87.30		43.50

Your Company has achieved a turnover of Rs.800.08 Lacs during the year under review as against Rs.698.98 Lacs during the previous year registering a growth of 14.46 % inspite of the continuous depressed economic conditions prevailing in the Country. This has resulted in variance in actual performance against the projected profitability of your Company during the year under review. The profit before tax during the year under review is Rs.57.31 Lacs as against Rs.31.19 Lacs during the previous year 1996 - 97. However, your Company has been taking all out efforts not only to sustain the market for the products of your Company, but also to improve them upon further to achieve the better performance in the coming years by optimizing utilisation of resources.

SUBSIDIARY COMPANIES

The Annual Report with the Audited Accounts of M/s. Salzer Exports Limited, M/s. Salzer (Malaysia) Sdn. Bhd. - Subsidiary of M/s. Salzer Exports Limited and M/s. Salzer Spinners Limited, Subsidiary Companies for the period ended 31st March, 1998, 31st December 1997 and 31st March 1998 respectively are annexed hereto in terms of Section 212 of the Companies Act, 1956.

EXPANSION AND MODERNISATION

Your Company is contemplating to achieve higher volume of output by adding the new injection moulding machine with improved versions during the year under review and necessary project proposals is being worked out in this regard. Your Company is jointly working with M/s. Larsen & Toubro Limited, for developing Single Phase Starters, Single Phase Preventers and Economic Starter with Rotary Switch, which are expected to bring new market segments, so far not covered by your Company. M/s. Larsen & Toubro Limited is offering technical support in developing this product. This is expected to improve the profitability in the coming year.

SALZER ELECTRONICS LIMITED**salzer****RESEARCH & DEVELOPMENT**

The ISO 9002 certification accorded to your Company has been upgraded to ISO 9001 during the year under review in addition to international quality standard accreditations like CSA, NRTL/C, CE, UL approval etc.

The R&D wing of your Company is fully geared up with qualified people, to improve the process specifications and utilities of the products and development of new products such as DC Switches, Bed Room Switches, Star Delta Starters, Remote Control Switches, Single Hole Mounting Switches etc to sustain the market and to enlarge the same. Further, the manufacturing techniques are being improved to ensure the optimum utilisation of resources as well as quality of end products as comparable to international standards.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO - UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956

Your industry is not a power intensive one but wherever possible, necessary conservative measures have been taken up. Your company had erected Second Wind Mill of 250 KW at Kethanoor, Palladam Taluk and commissioned the same during the year. The wind mills has generated 3,55,127 units of power during the year under review and provided an income of Rs. 8.69 Lacs to the Company.

Information under Section 217 (2A) of the Companies Act, 1956 read with Companies (particulars of employees) amendment rules 1990.

Particulars of employees, who were drawing a remuneration exceeding the prescribed limit i.e. Rs. 3.00 lacs, if employed through out the year or Rs. 25,000 per month, if employed for any part of the year is furnished in the annexure.

DIRECTORS

During the year under review the Directors Mr. R. Damodhraswamy, Mr. P.K. Shah and Mr. Nirmal Kumar M. Chandria, will retire by rotation and being eligible offers themselves for re-appointment. During the year under review, Mr. P. Ramachandran, was inducted as an Additional Director on the Board of Directors of the Company under Section 260 of the Companies Act, 1956 and was appointed as Whole Time Director - Marketing. Your Company has since received proper notice under Section 257 of the Companies Act, 1956 proposing him to the office of the Director on the Board of Directors of the Company and accordingly necessary resolutions are put for approval of the shareholders at this meeting.

During the year, Sri. V.K. Ranganathan resigned his office of the Director on the Board of Directors of the Company. The Board recorded its appreciation for the valuable services rendered and guidance during his tenure.

AUDITORS

M/s. N.M & Co., Chartered Accountants, the present Auditors retire at the ensuing Annual General Meeting and are eligible for reappointment.

FIXED DEPOSITS

Your Company has Fixed Deposits to the extent of Rs. 26.78 lacs as at 31.03.98 and there are no Fixed Deposits, which have matured and remained unpaid as on 31st March, 1998.

INDUSTRIAL RELATIONS

The Industrial relations during the year under review remained very cordial.

LISTING ARRANGEMENTS

The Company's Shares are listed in Coimbatore, Chennai and Mumbai Stock Exchanges.

ACKNOWLEDGEMENT

Your Directors place on record their deep sense of appreciation and gratitude to the Shareholders, Government Agencies, SIPCOT, IIBI, IREDA, Canara Bank, Canbank Factors Limited, Canbank Investment & Management Services Limited, M/s. Larsen & Toubro Limited and M/s. Crompton Greaves Limited - Marketing Associates for their continued support and co-operation. Your Directors also wish to record their appreciation for the dedicated services rendered by the employees at all levels.

For and On behalf of the Board
(Sd.) P.S. SANTHANAKRISHNAN
Chairman

Place: Coimbatore
Date : 27.07.1998

ANNEXURE TO DIRECTORS' REPORT

INFORMATION REQUIRED TO BE FURNISHED UNDER SECTION 217 (1)(e) OF THE COMPANIES ACT, 1956, REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE AND OUT GO.

A. CONSERVATION OF ENERGY

In spite of not being power intensive, your Company has been continuously making every efforts to reduce the consumption of energy in all spheres.

B. PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION: RESEARCH & DEVELOPMENT:**1. Specific areas in which R&D was carried out by the Company.**

The R&D wing of the Company has been working to achieve the following objectives:

- To sustain the Quality Standards to the international levels.
- Continuous Process Development to achieve Cost Competitiveness.
- To improve the specifications and enlarge the utilities of CAM Operated Rotary Switches.
- To ensure continuous technological upgradation of the Switch gear products.
- New Product and Design development.

2. Benefits derived as a result of the above R&D.

The efforts of R&D Wing had resulted in the following:

- DC Switches proved and approved by CPRI and M/s. Larsen & Toubro Limited, Powai.
- Breaker Control Switches successfully developed and launched.
- Star Delta Starters developed and launched.
- Bedroom Switches developed and launched.
- Remote Control Switch concept proved.
- Single Hole Mounting Switches launched.

3. Future plans of action

The Company is jointly working with M/s. Larsen & Toubro Limited, for developing Single Phase Starters, Single Phase Preventers and Economic Starter with Rotary Switch, which are expected to bring new market segments, so far not covered by your Company are major revenues. M/s. Larsen & Toubro Limited is offering technical support in developing this product.

TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION:**1. Efforts in brief, made towards technology absorption, adaptation and innovation:**

The technical know-how obtained for the manufacture of CAM Operated Rotary Switches is continuously developed and improved through inhouse R&D activities for enlarging its applications in design and process technology, cost competitiveness etc.

2. Benefits derived as a result of the above R&D:

The Company could improve the design compatibility, utility of the CAM Operated Rotary Switches and thereby consistently improving its market share both in domestic and international markets.