

14th Annual Report
1998-99

REPORTJUNCTION.COM

salzer

SALZER ELECTRONICS LIMITED

COIMBATORE 641 047

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. P.Ramachandran - Director Marketing
Mr. R.Narayanaswamy
Mr. R.Damodharaswamy
Mr. P.K.Shah
Mr. L.Venkatapathy
Mr. Nirmal Kumar M.Chandria

**VICE PRESIDENT (CORPORATE
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.

AUDITORS

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

M/s. Swamy & 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.1/302 52nd Street, 2nd Floor, 7th Avenue,
Ashok Nagar, Chennai - 600 083.

LISTING ARRANGEMENTS

COIMBATORE STOCK EXCHANGE LIMITED,
"Stock Exchange Building", 683-686, Trichy Road,
Singanallur, Coimbatore - 641 005.

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

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

REGISTERED OFFICE & FACTORY

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

SALZER ELECTRONICS LIMITED**salzer****CONTENTS**

	Page No.
Notice to the Shareholders	3
Directors' Report	6
Auditors' Report	10
Balance Sheet	13
Profit & Loss Account	14
Schedules to Balance Sheet	15
Schedules to Profit & Loss Account	19
Notes to Balance Sheet and Profit & Loss Account	21

14th ANNUAL GENERAL MEETING

Day : Saturday
Date : 25th September, 1999
Time : 4.30 pm
Venue : Samichettipalayam
Coimbatore 641 047

SALZER ELECTRONICS LIMITED**salzer****NOTICE OF THE 14TH ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 14th Annual General Meeting of the Shareholders of the Company will be held on Saturday, September 25, 1999 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 Account for the year ended March 31, 1999 and the audited Balance Sheet as at March 31, 1999 and the Auditors' Report thereon.
2. To appoint a Director in the place of Mr. R.Narayanaswamy, who retires by rotation, and being eligible offers himself for re-appointment.
3. To appoint a Director in the place of Mr. L.Venkatapathy, who retires by rotation, and being eligible offers himself for re-appointment.

SPECIAL BUSINESS:

4. To consider and approve the Appointment of Mr. B.Jayaram as Statutory Auditor.
To consider and if thought fit, to pass with or without modification the following resolution as an ordinary resolution.

"RESOLVED THAT Mr. B.Jayaram, Chartered Accountant, Coimbatore be and are hereby appointed as Statutory Auditors of the Company, in the place of retiring Auditors M/s. N M & Co., Chartered Accountants, Coimbatore, who expressed their desire to relinquish their Office due to their other pre-occupations, to hold office from conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting. The Board of Directors be and are hereby authorised to fix their remuneration."

5. To amend the Articles of Association of the Company.
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 31, of the Companies Act, 1956 and other applicable provisions, if any, and/or re-enactments thereof from time to time, the Articles of Association of the Company be amended either by amendment to the existing article and/or by insertion of new articles conferring power to the Company and also to provide operational flexibility, in view of liberalisation introduced by the Companies Amendment Act, 1999, as under:

ARTICLE 13(a), 13(b) & 13(c) :

The following new article 13(a), 13(b) and 13(c) be inserted after Article 13 :

THE DEPOSITORIES ACT AND DEPOSITORY

- 13(a) For the purpose of Articles 13(b) and 13(c) appearing hereunder (a) 'The Depositories Act' shall mean Depositories Act, 1996, and includes any statutory modification or re-enactment thereof for the time being in force, and (b) 'Depository' shall have the meaning assigned thereto by the Depositories Act.

DEMATERIALISATION AND REMATERIALISATION OF SECURITIES

- (b) Notwithstanding anything contained in these Articles, the Company shall have powers to dematerialise its shares, debentures and other securities, to rematerialise the same and to offer and issue new shares, debentures or other securities in dematerialised form in accordance with the

SALZER ELECTRONICS LIMITED**salzer**

provisions of the Depositories Act. The rights and obligations of the concerned parties in respect of the shares, debentures and other securities in the dematerialised form, and all matters connected therewith and/or incidental thereto shall be governed by the provisions of the Depositories Act and the relevant provisions of the Act.

OPTION FOR INVESTORS

- (c) Every person subscribing to or holding shares, debentures and other securities of the Company shall have the option to receive certificates therefor or to hold the same with a Depository in dematerialised form. A beneficial owner, i.e. a person whose name is recorded as such in a Depository in respect of the securities, can at any time opt out of the Depository, if permitted by law, and in such a case the Company shall, in the manner and within the time as prescribed, issue the required certificates in respect of the subject securities to the beneficial owner.

ARTICLE 45(a):

The following new article 45(a) be inserted after Article 45 :

NOMINATION BY SHAREHOLDER

- 45(a) Every holder of shares, debentures or other securities may at any time nominate in the prescribed manner, a person in whom his shares, debentures or other securities shall vest in the event of his death, in accordance with the provisions of the law as may be applicable from time to time.

ARTICLE 51(a):**POWER OF THE COMPANY TO PURCHASE ITS OWN SHARES/OTHER SPECIFIED SECURITIES (BUY BACK OF SHARES)**

- 51(a) Subject to the provisions of the Companies Act, 1956 or any statutory modifications or re-enactment thereof as in force from time to time, the Board of Directors are authorised to purchase from time to time such quantity or quantities of shares or other specified securities of the Company whether or not they are redeemable at such rate(s) and on such terms and as the Board may deem fit and make payment(s) for such purchases and to extinguish/physically destroy the shares/ securities so bought back in accordance with the provisions of the Companies Act, 1956 and any other law/rules and regulations made thereof and applicable from time to time.

ARTICLE 124 :

The existing Article 124 be amended and read as under:

124. No unclaimed dividends shall be forfeited by the Board and the Company shall comply with the provision of section 205A, 205B & 205C and other applicable provisions, if any, of The Companies Act, 1956 and rules and regulations made thereof and/or any statutory modifications or re-enactment thereof and in force from time to time, in respect of any unclaimed or unpaid dividend .

For and On behalf of the Board

Place: Coimbatore
Date : 17.07.1999

(Sd.) P.S. SANTHANAKRISHNAN
CHAIRMAN

SALZER ELECTRONICS LIMITED**salzer****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.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 16.09.1999 to 25.09.1999 (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.1/302 52nd Street, 2nd Floor, 7th 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. 4:

M/s. N.M. & Co., Chartered Accountants, Coimbatore, who have been appointed as Statutory Auditors of the Company at the last Annual General Meeting to hold office till the conclusion of this Annual General Meeting, have expressed their desire to relinquish their office of the Statutory Auditors due to their other pre-occupations. Mr. B.Jayaram, Chartered Accountant, Coimbatore have consented to be appointed as Statutory Auditors of the Company. Hence this proposal is placed before the Shareholders for approval.

Your Directors recommend this resolution for your consideration and approval.

None of the Directors of the Company are interested in this resolution.

ITEM No.5:

The Government of India have liberalised certain provisions of the Companies Act, 1956 by Companies Amendment Act, 1999 to provide operational flexibility in the areas of buy back of shares, facility of nomination to share/debenture/deposit holders, transfer of unclaimed/unpaid dividends subject to the compliance of terms and conditions stipulated thereof and subject to the provisions in the Articles of Association of the Company concerned.

With the introduction of the Depositories Act, 1996, investors are at their option are now enabled to hold and transact securities in dematerialised form through a Depository.

As the Articles of Association of your Company do not have provisions to take advantage of these liberalised provisions of the Company Law, your Directors propose to alter the Articles of Association of your Company suitably either by amending the existing Articles or by way of insertion of new Articles for conferring power to the Company in these areas of operations. Necessary proposal in this regard is put up for your consideration and approval. Your Directors recommend the proposal.

None of the Directors are interested in the resolution.

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

Your Directors have pleasure in presenting this 14th Annual Report together with the audited accounts of the Company for the year ended March 31, 1999.

FINANCIAL RESULTS AND PERFORMANCE:

	Year ended		Year ended
	31.03.1999		31.03.1998
	(Rs. in Lacs)		
Profit before Interest & Depreciation	179.03		187.52
Less: Interest & Financial charges	68.48	75.38	
Depreciation	63.05	54.83	
	<u>131.53</u>	<u>130.21</u>	
Profit after Interest & Depreciation	47.50		57.31
Add: Excess Provision for Prior year written back	0.53		0.00
	<u>48.03</u>	<u>57.31</u>	
Previous Year's Surplus B/f	87.30		43.50
	<u>135.33</u>	<u>100.81</u>	
Less: Transfer to General Reserve	10.00	10.00	
Provision for tax	5.00	3.51	
	<u>15.00</u>	<u>13.51</u>	
Balance c/f to Balance Sheet	<u>120.33</u>		<u>87.30</u>

Your Company has achieved a turnover of Rs.821.61 Lacs (including Rs.2.34 Lacs as indirect export sales) during the year under review as against Rs.800.08 Lacs during the previous year registering a growth of 2.70 % 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.48.03 Lacs as against Rs.57.31 Lacs during the previous year 1997 - 1998. 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 and M/s. Salzer Spinners Limited, Subsidiary Companies for the period ended 31st March, 1999, are annexed hereto in terms of Section 212 of the Companies Act, 1956.

EXPANSION AND MODERNISATION

Your Company is contemplating to expand its manufacturing facilities to achieve a higher volume of output of the new products developed by Research & Development department such as DC Switches,

SALZER ELECTRONICS LIMITED**salzer**

Electronic Control Remote Switches, Electronic Control Infra Red Movement Detectors, Electronic Control Single Phase Preventors, Electronic Control Single Phase Starters, Automobile Accessories etc. In this connection, necessary proposal are being worked out. As already intimated in the last Directors' Report, your Company's efforts in co-relation with M/s. Larsen & Toubro Limited, in the development of Single Phase Starters, Single Phase Preventers and Economic Starter with Rotary Switch is in the advanced stage and is expected to bring in new market segments during the current year. Your Company has been envisaging to enlarge its market share by introducing new product lines including Automobile Components and Regulator Switches. During the year under review, your Company has been able to enlist its services with Visteon India, Maraimalai Nagar, an Enterprise of Ford Motor Company, for manufacture of Regulator Switches for being supplied to Ford Motor Company. Your Company has also received orders for the above switches during the year under review.

Your Directors are confident that your Company would be having a bright prospects in the coming years due to the addition of the above mentioned new products into its product range.

RESEARCH & DEVELOPMENT

The Research and Development department of your Company is strengthened with qualified people, not only to further improve upon the process specifications and utilities of the existing products but also for development of new products such as DC Switches, Bed Room Switches, Star Delta Starters, Remote Control Switches, Single Hole Mounting Switches etc., which are being commercialised during the current year.

The Research & Development department is also fully co-ordinating with manufacturing department to consistently monitor the manufacturing techniques for improvement and to ensure optimum utilisation of resources, besides ensuring the quality of end products comparable to international standards. By the continuous co-ordination of Research & Development, international quality accreditations such as CSA, NRTL/C, CE, UL are being maintained. Since your Company has already entered into manufacturing of components and switches intended for Automobile Industry, your Company is taking efforts to obtain QS 9000 Standardisation, which is essential to service the Automotive Industry.

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 have two Wind Mills of 225 KW and 250 KW at Kethanoor, Palladam Taluk and power is being generated by harnessing the natural resource. The wind mills have generated 6,71,944 units of power during the year under review and provided an income of Rs.17,62,453.00 Lacs to the Company.

INFORMATION UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) AMENDMENT RULES 1999.

There are no employee drawing a remuneration exceeding the prescribed limit i.e. Rs.6.00 Lacs, if employed throughout the year or Rs.50,000.00 per month, if employed for any part of the year, during the year under review.

SALZER ELECTRONICS LIMITED**salzer****DIRECTORS**

During the year under review the Directors Mr. R.Narayanaswamy and Mr. L.Venkatapathy, will retire by rotation and being eligible offers themselves for re-appointment.

AUDITORS

M/s. N M & Co., Chartered Accountants, Coimbatore, Statutory Auditors of the Company retire at the conclusion of this Annual General Meeting. They have since expressed their desire to relinquish the office of the auditors due to their other pre-occupations. In view of the above, your Directors recommend Mr. B.Jayaram, Chartered Accountant, Coimbatore, for appointment as Statutory Auditor of the Company for the year 1999 - 2000 with a tenure of office till the conclusion of next Annual General Meeting. Mr. B.Jayaram, Chartered Accountant, Coimbatore, has consented for his appointment and further confirmed his eligibility under Section 224 (1)(b) of the Companies Act, 1956.

FIXED DEPOSITS

Your Company has Fixed Deposits to the extent of Rs.34.98 Lacs as at March 31, 1999 and there are no Fixed Deposits, which have matured and remained unpaid as on March 31, 1999.

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.

YEAR 2000 (Y2K) COMPLIANCE

Your Company's entire system has been made Y2K Compliant including the systems/operations/processes/functions of Registrars & Share Transfer Agents of your Company viz. M/s. GNSA Investor Services Private Limited. Hence your Company does not anticipate any constraints in this regard.

ACKNOWLEDGEMENT

Your Directors place on record their deep sense of appreciation and gratitude to the Shareholders, Government Agencies, SIPCOT, 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 being rendered by the employees at all levels.

For and On behalf of the Board

Place : Coimbatore
Date : 17.07.1999

(Sd.) P.S. SANTHANAKRISHNAN
CHAIRMAN

SALZER ELECTRONICS LIMITED

salzer

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 EARNINGS 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 development of the following Products:

- * Electronic Control Remote Switches
- * Electronic Control Infra Red Movement Detectors
- * Electronic Control Single Phase Preventors
- * Electronic Control Single Phase Starters
- * Automobile Accessories

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.

3. Details of Imported Technology:

Technology Imported	:	For the manufacture of CAM Operated Rotary Switches.
Year of Import	:	1985
Has the technology been fully absorbed	:	Yes, Fully absorbed.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

- | | | |
|--|---|-----|
| a. Foreign Exchange earned during the year | : | Nil |
| b. Foreign Exchange used | : | Nil |