

salzer

16th Annual Report
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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
 Mr. D.Rajesh Kumar
 Mr. S.Baskarasubramanian

**Director (Corporate Affairs)
& Company Secretary****Bankers**

M/s. Canara Bank,
 Gudalur Branch, Perianaickenpalayam,
 Coimbatore - 641 020.
 M/s. Canbank Factors Ltd.
 II Floor, United India Building,
 1028, Avanashi Road, Coimbatore - 641 018.

Auditors

Mr. B. Jayaram., F.C.A.
 Chartered Accountant,
 R.No.6, 1st Floor, Jewel Complex,
 324, Raja Street, Coimbatore - 641 001.
 M/s. Swamy & Ravi,
 Chartered Accountants,
 (Internal Auditors)
 N S R Road, Saibaba Colony,
 Coimbatore - 641 011.

**Registrars & Share
Transfer Agents**

GNSA Investor Services Pvt.Ltd
 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.

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16th ANNUAL GENERAL MEETING

Day : SATURDAY
 Date : 22nd December 2001
 Time : 11.30 A.M.
 Venue : Hotel Sree Annapoorna,
 R.S. Puram, Coimbatore - 641 002

SALZER ELECTRONICS LIMITED**salzer****NOTICE OF THE 16th ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 16th Annual General Meeting of the Shareholders of the Company will be held on Saturday, the 22nd December, 2001 at 11.30 AM at Hotel Sree Annapoorana, R.S.Puram, Coimbatore - 641 002 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, 2001 and the Balance Sheet as at March 31, 2001 and the Auditor's Report thereon.
2. To declare a Dividend on equity shares.
3. To appoint a Director in the place of Mr. R. Narayanaswamy, who retires by rotation, and being eligible offers himself for re-appointment.
4. To appoint a Director in the place of Mr P K Shah, who retires by rotation, and being eligible offers himself for re-appointment.
5. To appoint a Director in the place of Mr. L. Venkatapathy, who retires by rotation, and being eligible offers himself for re-appointment.
6. To appoint Auditor of the Company and fix his remuneration - Mr. B. Jayaram, Chartered Accountant, the retiring Statutory Auditor is eligible for re-appointment.

SPECIAL BUSINESS :

7. To consider and approve the re-appointment of Mr R Doraiswamy as Managing Director.
To consider and if thought fit to pass the following resolution with or without modification as a special resolution :

"RESOLVED THAT pursuant to the section 198, 269, 309, 310 and schedule XIII of the Companies Act, 1956 and other applicable provisions, if any, approval of the shareholder be and is hereby accorded for the re-appointment of Mr.R.Doraiswamy, as Managing Director of the company for a further term of 5 years with effect from 02.05.2001 on the existing terms and conditions, viz.,

Salary Rs.25,000/- per month and perquisites as detailed below :

House Rent Allowance :

No accommodation is being provided by the Company. House Rent Allowance is 50% of the salary over and above 10% of the salary payable by the appointee.

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 :

Once in a year for him and his family members by Air/A.C./ 1st class anywhere in India.

Personal Accident Insurance :

Premium not to exceed Rs.1000/- 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."

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RESOLVED FURTHER THAT the approval of the members of the Company be and is hereby accorded to the Board of Directors to fix, alter and vary the terms and conditions of appointment of Mr.R. Doraiswamy including remuneration payable to him in accordance with the provisions of Schedule XIII of the Companies Act, 1956 as the Board of Directors may deem fit and as may be agreed to by Mr. R. Doraiswamy.

RESOLVED FURTHER THAT the Board of Directors of the Company and / or any other person authorised by the Board in this regard be and is hereby severally authorised to do all acts and things as may be necessary, desirable or expedient for giving effect to this resolution.

8. To consider and approve the appointment of Mr D Rajeshkumar as Joint Managing Director. To consider and if thought fit to pass the following resolution with or without modification as a special resolution :

RESOLVED THAT Mr D Rajeshkumar, who was inducted as an Additional Director pursuant to Sec.260 of the Companies Act, 1956 with a term of Office till this Annual General Meeting, and for whom a proposal for election as a Director has been received under Sec.257 of the companies Act 1956, be and is hereby appointed as a Director on the Board of Directors of the Company.

RESOLVED FURTHER THAT pursuant to the 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 for the appointment of Mr.D. Rajeshkumar, as Joint Managing Director of the company for a term of 5 years with effect from 1st January, 2002, who is also a Managing Director of M/s.Salzer Controls Ltd, which is in process of merger with M/s.Salzer Electronics Ltd.

RESOLVED FURTHER THAT the approval of the members of the Company be and is hereby accorded to the Board of Directors to fix alter and vary the terms and conditions of appointment of Mr.D. Rajesh Kumar including remuneration payable to him in accordance with the provisions of Schedule XIII of the Companies Act, 1956 as the Board of Directors may deem fit and as may be agreed to by Mr D Rajeshkumar.

RESOLVED FURTHER THAT the Board of Directors of the Company and / or any other person authorised by the Board in this regard be and is hereby severally authorised to do all acts and things as may be necessary, desirable or expedient for giving effect to this resolution.

9. To consider and approve the reappointment of Mr N Jayabal as Executive Director.

To consider and if thought fit to pass the following resolution with or without modification as a special resolution :

RESOLVED THAT pursuant to Sec.198, 269, 309, 309 and Schedule XIII of the Companies Act, 1956 and other applicable provisions, if any, approval of shareholders be and is hereby accorded to extend the term of office of Mr N Jayabal as Executive Director of the Company for a period from 1.10.2001 to 22.12.2001 on the existing terms and conditions as under :

Salary : Rs.10,000 per month.

RESOLVED FURTHER THAT all other terms and conditions of his appointment embodied in resolution No. 2 passed by the shareholders at their 11th Annual General Meeting held on 25.09.1996 remain unaltered.

RESOLVED FURTHER THAT the minimum remuneration and perquisites to be paid in the event of loss or inadequacy of profit in any financial year during the tenure of office shall be as per Schedule XIII of the Companies Act, 1956.

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RESOLVED FURTHER THAT on expiry of the current term of his office as Executive Director on 22.12.2001, Mr N Jayabal be and is hereby appointed as Director (Simplicitor) on the Board of Directors of the Company pursuant to the provisions of the Section 257 of the Companies Act, 1956 and other applicable provisions if any, with a term of office liable for determination by retirement by rotation.

10. To consider and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution.

RESOLVED THAT Mr S Baskarasubramanian, who was inducted into the Board as an Additional Director pursuant to Sec.260 of the Companies Act, 1956 with a term of Office till this Annual General Meeting, be and is hereby appointed as a Director (Simplicitor) on the Board of Directors of the Company with a term of office liable for determination by retirement by rotation"

11. To consider and approve the amendment of Article 74 of Articles of Association of the Company and increase of the maximum number of Directors.

To consider and if thought fit to pass the following resolution with or without modification as a special resolution :

RESOLVED THAT pursuant to provisions of Section 31 of the Companies Act, 1956 and reenactments thereof from time to time and other applicable provisions, if any, the Article 74 of Articles of Association of the Company be amended to read as under :

74. Until otherwise determined by the Company in general meeting, the number of directors shall not be less than 3 nor more than 18 excluding any debenture and special directors.

RESOLVED FURTHER THAT pursuant to Section 258 and 259 of the Companies Act, 1956 and subject to the approval of Central Government, the number of Directors of the Company be increased from 11 to 18.

For and On behalf of the Board,

PLACE : COIMBATORE

Date : 31.10.2001

(Sd/-) R.Doraiswamy
Managing Director

NOTES :

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 15.12.2001 to 22.12.2001 (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 fill the Nomination Form enclosed and arrange to send the same to the Company in duplicate.
6. Members are requested to kindly notify the change in address immediately to the Company's Registrars M/s.GNSA Investor Services Private Ltd., 1/302, 52nd Street, 2nd Floor, 7th Avenue, Ashok Nagar, Chennai - 600 083.

SALZER ELECTRONICS LIMITED

**EXPLANATORY STATEMENT PURSUANT TO SEC.173(2) OF THE COMPANIES ACT, 1956
IN RESPECT OF THE ITEM MENTIONED UNDER SPECIAL BUSINESS :**

ITEM No.7

The Board of Directors of the Company at their meeting held on 30th April, 2001 had re-appointed Mr R Doraiswamy, as Managing Director of the Company with effect from 2.5.2001 as his tenure of appointment expired on 1.5.2001, subject to the approval of shareholders at their ensuing Annual General Meeting. Your Company has grown strength to strength over these years under the untiring and unstinted efforts of Mr. R. Doraiswamy, Managing Director. Your Board of Directors, therefore, thought fit to re-appointment him as Managing Director for a further term of 5 years from 2.5.2001 and recommend this proposal for your consideration and approval.

Except Mr. R. Doraiswamy being the beneficiary and Mr. D. Rajesh Kumar being the son of beneficiary and Mr. R. Narayanaswamy and Mr. R. Damodharaswamy, Directors being the Brothers of beneficiary, none of the Directors are interested in this resolution.

ITEM No. 8

In view of the contemplating merger of M/s.Salzer Controls Limited with M/s.Salzer Electronics Ltd with the approval of shareholders at their respective Extra-ordinary General Meeting held on 31.03.2001, your Company has already filed necessary petition with the Honourable High Court, Chennai for confirmation /sanction of merger. In this context, Mr D Rajesh Kumar was inducted into the Board as an Additional Director by the Board at its Meeting held on 28th July, 2001, to hold Office till this Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act, 1956. The Company has also received a notice from a member along with a requisite deposit under Sec.257 of the Companies Act, 1956 signifying the candidature of Mr D Rajesh Kumar for the Office of the Director on the Board of Directors of the Company.

To cope up with the increased activities, your Directors felt that the Company should have a Joint Managing Director to look after the day to day affairs of the Company in addition to and in the absence of Managing Director and suggest that Mr. D. Rajesh Kumar, whose professional qualification and expertise obtained from USA would enable the management to carry out the functions more effectively and efficiently, be appointed as Joint Managing Director. Hence your Directors thought fit to recommend this proposal for your approval.

Mr. D. Rajesh Kumar is also the Managing Director of Salzer Controls Limited and drawing Rs.10,000/- as salary per month from Salzer Controls Limited. Hence your Director felt that salary payable, if any, for his position as Joint Managing Director in Salzer Electronics Ltd would be considered by the Board of Directors of the Company at the appropriate time later.

Except Mr. D. Rajesh Kumar being the beneficiary and Mr R Doraiswamy, being the father of beneficiary, none of the Directors is interested in this resolution.

ITEM No.9

Mr. N. Jayabal was appointed as Executive Director w.e.f 1.10.1996 with the approval of shareholders at their meeting held on 25.09.1996 for a term of 5 years.

His present term expired by 30th September, 2001. During his tenure, Mr. N. Jayabal has contributed for the growth of the turnover of the Company both in domestic and international markets and your Board of Directors have extended his term of Office for a further term from 1.10.2001 to 22.12.2001 on the existing terms and conditions subject to your approval.

SALZER ELECTRONICS LIMITED**salzer**

As your Directors would like to have the valuable services of Mr. N. Jayabal due to his association in international markets and also your Company has received necessary notice under Section 257 of the Companies Act, 1956, on expiry of his present term, Mr. N. Jayabal, would be considered for appointment as Director (Simplicitor) on the Board of Directors of your Company. Your Directors therefore recommend this proposal for your consideration and approval.

ITEM No.10

The Board at its meeting held on 23.09.2000 inducted Mr. S. Baskarasubramanian as an Additional Director of the Company. According to Sec.260 of the Companies Act, 1956, he would hold office only till the date of the Annual General Meeting. The Company has already received a notice from a Member along with a requisite deposit under Sec.257 of the Companies Act, 1956, proposing the candidature of Mr. S. Baskarasubramanian for the Office of the Director on the Board of Directors of the Company.

Mr. S. Baskarasubramanian, who is a qualified Company Secretary and member of Institute of Company Secretaries of India is having wide experience in the field of Company Secretarial matters / Corporate affairs. He is at present employed in your Company as Director (Corporate Affairs) & Company Secretary. In order to give due recognition of his service being rendered to the Company, your Directors thought it fit to appoint him as a Director (Simplicitor) on the Board of Directors of your Company.

Except Mr. S. Baskarasubramanian, being the beneficiary, none of the Directors is interested in this resolution.

ITEM No.11

AMENDMENT OF ARTICLE 74 OF ARTICLES OF ASSOCIATION (DEALING WITH MINIMUM AND MAXIMUM NUMBER OF DIRECTORS ON THE BOARD) and increasing the number of Directors of the Company.

According to Article 74 of Articles of Association of the Company, the maximum number of Directors on the Board is only 11 excluding debenture and special directors. The present strength of the Board is 11 Directors. Once the Scheme of merger, of Salzer Controls Ltd with Salzer Electronics Ltd, is approved by Honourable High Court at Chennai, the Company (SEL) has to induct / accommodate some Directors of Salzer Controls Ltd on the Board of Directors of Salzer Electronics Ltd.

Further, due to globalisation of Indian economy and introduction of the provisions of Corporate Governance and mandatory compliance of Accounting Standards etc, it is advisable to the Company to have a broad based Board consisting of eminent professional people from the society in the long run at the apex level.

Keeping the above facts into consideration, your Directors thought it fit to increase the maximum number of Directors to 18 (excluding any debenture and special directors), by amending the Article 74 of Articles of Association of the Company with your approval and also with Central Government's approval pursuant to provisions of Sec.258 and 259 of the Companies Act, 1956.

Your Directors therefore recommend this proposal for your consideration and approval.
None of the Directors is interested in this resolution.

SALZER ELECTRONICS LIMITED



DIRECTORS' REPORT

Your Directors have pleasure in presenting this 16th Annual Report together with the audited accounts of the Company for the year ended March 31, 2001.

| FINANCIAL RESULTS AND PERFORMANCE : | | Year ended 31.03.2001 | Year ended 31.03.2000 (Rs. in Lacs) |
|--|-------|--------------------------|---|
| Profit before Interest & Depreciation | | 186.35 | 165.55 |
| Less : Interest & Financial charges | 60.11 | | 59.00 |
| Depreciation | 69.84 | | 66.08 |
| | | 129.95 | 125.08 |
| Profit after Interest & Depreciation } | | 56.40 | 40.47 |
| Add : Excess Provision for Prior year written back } | | 0.58 | 0.00 |
| | | 56.98 | 40.47 |
| Previous Year's Surplus B/f | | 125.43 | 120.33 |
| | | 182.41 | 160.80 |
| Less: Transfer to General Reserve | 10.00 | | 10.00 |
| Provision for tax | 6.00 | | 6.00 |
| | 17.50 | | 19.37 |
| Dividend including Dividend Tax | | 33.50 | 35.37 |
| Balance c/f to Balance Sheet | | 148.91 | 125.43 |

OPERATIONS

Your Company has achieved a turn over of Rs.945.76 lacs (including Rs.44.88 lacs as merchant exports) during the year under review as against Rs.787.33 lacs (including Rs.29.30 lacs as merchant exports) during the last year and sustained its market share inspite of the prevailing depressed market conditions. Your Company has achieved a growth rate of 20 % over that of the previous year, and the profit before tax was Rs.56.40 lacs as against Rs.40.47 lacs during the previous year, registering a growth of 39% in the profitability.

DIVIDEND

In spite of the prevailing economic and market conditions, your Directors have decided to recommend a Dividend of 6% (Rs.0.60 per equity share) on the equity capital of the Company of Rs.264.58 lacs for the year ended 31st March, 2001 subject to the approval of Shareholders. The dividend when declared will be payable to the members, whose names appear on the Register of Members of the Company as on 22nd December, 2001.

SALZER ELECTRONICS LIMITED**MERGER**

Amalgamation / merger of M/s. Salzer Controls Limited with Salzer Electronics Limited :

In view of the globalisation of Indian economy as well as the resultant prevailing market conditions both in domestic and international markets and the competitiveness your Directors have considered at length the various cost effective measures and thought fit to amalgamate M/s. Salzer Controls Limited (SCL) with your Company to avail the size economy and cost competitiveness, in putting optimum utilisation of the manufacturing facilities and other infrastructure resources available both in SCL and that of your Company to achieve the best advantage to sustain its market share and also to combat the competition both in domestic and global markets. Accordingly, in accordance with your approval at your meeting held on 31.03.2001, your company have already filed necessary petition with the Honourable High Court of Chennai for getting confirmation / sanction of the Scheme of Amalgamation of the subject companies and the petition is under consideration of the Honourable High Court of Chennai. Your Directors are confident to get the sanction of the Court in this regard shortly.

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, 2001, are annexed hereto in terms of Section 212 of the Companies Act, 1956.

The performance of your subsidiary company viz., Salzer Exports Limited during the year under review has been very good and registered a growth of 50% in its turnover, over that of last year.

As regards another subsidiary company viz., M/s. Salzer Spinners Limited, as already reported in our last report, Salzer Spinners Limited have become a sick company as at 31.03.2000 and accordingly the company has applied to BIFR under section 15(1) of SICA 1985 and the BIFR has registered the case under case No 318/2000 and the case is being heard by BIFR.

EXPANSION AND MODERNISATION

Your Company is contemplating to expand its manufacturing facilities to achieve a higher volume of output of not only the existing product of Cam operated rotary switches but also the newly developed products such as DC Switches, Single Phase Starters, Electro-mechanical Switches / Regulators for Automobile Industries. In this context your Company is closely interacting with M/s. Larsen & Toubro Limited, and M/s. Crompton Greaves Ltd to improve upon its market share for the existing products and also for the newly developed products both in domestic and international markets respectively.

Your Directors are confident that your Company would be having a bright prospects in years to come in view of the close market tie-up with M/s. Larsen & Toubro for domestic markets and with M/s. Crompton Greaves Limited, an accredited export house, to service the international markets.

RESEARCH & DEVELOPMENT

The Research and Development department of your Company is strengthened with qualified people, to further improve upon the process specifications and utilities of the existing products.

By its consistent and co-ordinated efforts, the in-house R&D is monitoring to improve the manufacturing and process techniques for optimum utilisation of resources, consistency in quality comparable to the international standards, as well as to sustain and maintain the international quality accreditations already obtained such as CSA, NRTL/C, CE, UL, on a continuous basis.