


# **salzer**

## **17<sup>th</sup> ANNUAL REPORT 2001 - 2002**

**CERTIFIED TRUE COPY**

For Salzer Electronics Ltd

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

**SALZER ELECTRONICS LIMITED**

**COIMBATORE - 641 047**

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**17<sup>th</sup> ANNUAL GENERAL MEETING**

Day : SATURDAY  
 Date : 21st December 2002  
 Time : 11.30 A.M.  
 Venue : Hotel Sree Annapoorna, R.S.Puram,  
 Coimbatore - 641 002

THE STOCK EXCHANGE  
MUMBAI

**SALZER ELECTRONICS LIMITED****Board of Directors**

Mr. P.S.Santhanakrishnan - Chairman  
 Mr. R.Doraiswamy - Managing Director  
 Mr. D. Rajeshkumar - Joint Managing Director  
 Mr. N.Jayabal  
 Mr. P.Ramachandran - Director Marketing  
 Mr. R.Narayanaswamy  
 Mr. R.Damodharaswamy  
 Mr. P.K.Shah  
 Mr. L.Venkatapathy  
 Mr. Nirmal Kumar M.Chandria  
 Mr. Howard Gladstone  
 Mr. V. Sankaran  
 Mr. Kantilal V.Vakharia

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

Mr. S.Baskarasubramanian

**Bankers**

M/s. CANARA BANK  
 Gudalur Branch, SRKV Post, Coimbatore - 641 020.  
 M/s. BANK OF INDIA  
 Saibaba colony branch,  
 N.S.R. Road, Coimbatore - 641 011.

**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  
 # 17/1, Baliah Avenue, LUZ, Mylapore,  
 Chennai - 600 004.

**Demat Registrars**

Intime Spectrum Registry P. Ltd.  
 # 17/1, Baliah Avenue,  
 LUZ, Mylapore, Chennai - 641 004.

**Listing Arrangements**

Coimbatore Stock Exchange Limited,  
 683-686, Trichy Road, Singanallur, Coimbatore - 641 005.  
 Madras Stock Exchange Limited,  
 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****NOTICE OF THE 17th ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 17th Annual General Meeting of the Shareholders of the Company will be held on Saturday, the 21st December, 2002 at 11.30 AM at Hotel Sree Annapoorna, 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, 2002 and the Balance Sheet as at March 31, 2002 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. Damodharswamy, who retires by rotation, and being eligible offers himself for re-appointment.
4. To appoint a Director in the place of Mr. N. Jayabal, who retires by rotation, and being eligible offers himself for re-appointment.
5. 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.

**SPECIAL BUSINESS :**

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

RESOLVED THAT Mr.HOWARD GLADSTONE, 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 on the Board of Directors of the Company with a term of Office liable for determination by retirement by rotation.

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

RESOLVED THAT Mr.V.SANKARAN, 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 on the Board of Directors of the Company with a term of Office liable for determination by retirement by rotation.

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

RESOLVED THAT Mr.KANTILAL V.VAKHARIA, 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 on the Board of Directors of the Company with a term of Office liable for determination by retirement by rotation.

9. To appoint M/s.JDS Associates - Chartered Accountants, Coimbatore as Statutory Auditors and fix their remuneration.

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

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

RESOLVED THAT M/s.JDS Associates - Chartered Accountants,Coimbatore be and is hereby appointed as Statutory Auditors of the Company, to hold Office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting and the Board of Directors be authorised to fix their remuneration.

For and On behalf of the Board,

PLACE : COIMBATORE

Date : 28.09.2002

(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 16.12.2002 to 21.12.2002 (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.18/1 (Old No.17/1), Baliah Avenue, Luz, Mylapore, Chennai - 600 004.
6. The Shares of your Company are dematerialised on National Securities Depository Ltd and Central Depository Services (India) Ltd. The ISIN is INE457F01013. The shareholders have the option of holding their shares either in physical form or in dematerialised form.

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

**ITEM No.6**

Mr.Howard Gladstone was a Director on the Board of Salzer Controls Ltd, which was amalgamated with your Company. He is the president of M/s.Plitron Manufacturing Inc., Canada, the Collaborator of Salzer Controls Ltd, Coimbatore, and approved as such under the foreign Collaboration agreement which has been duly approved by Government of India in their letter No:FC II:772[(95)/807(95)] dtd.13.10.1995.

Your Company has inducted him into the Board as an Additional Director at its meeting held on 28.09.2002, as per Sec.260 of the Companies Act,1956. Mr.Howard Gladstone will hold office only upto the date of this 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 signifying the candidature of Mr.Howard Gladstone for the Office of the Director on the Board of Directors of the Company. Therefore, your Directors thought fit to recommend this proposal for your approval. None of the Directors is interested in this resolution.

**SALZER ELECTRONICS LIMITED****salzer****ITEM No.7**

Mr.V.Sankaran was a Director on the Board of Salzer Controls Ltd, which was amalgamated with your Company. Mr.V.Sankaran has rich experience of over 30 years spread over both public and private sector companies in the areas of Finance, Secretarial, legal, personnel and general management. In order to make use of his professional experience and expertise, Your Company has inducted him into the Board as an Additional Director at its meeting held on 28.09.2002. As per Sec.260 of the Companies Act,1956, Mr.V.Sankaran will hold office only upto the date of this 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 signifying the candidature of Mr.V.Sankaran for the Office of the Director on the Board of Directors of the Company.

Therefore, your Directors thought fit to recommend this proposal for your approval.

None of the Directors is interested in this resolution.

**ITEM No.8**

Mr.Kantilal V. Vakharia is a leading Stock Broker of Mumbai Stock Exchange. He has rich experience of over 40 years in the areas of finance, banking and capital market sector. In order to make use of his professional experience and expertise, your Company has inducted him into the Board as an Additional Director at its meeting held on 28.09.2002. As per Sec.260 of the Companies Act,1956, Mr.Kantilal V.Vakharia will hold office only upto the date of this 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 signifying the candidature of Mr.Kantilal V Vakharia for the Office of the Director on the Board of Directors of the Company.

Therefore, your Directors thought fit to recommend this proposal for your approval.

None of the Directors is interested in this resolution.

**ITEM No.9**

Mr.B.Jayaram, Chartered Accountant, Coimbatore has been appointed as Statutory Auditor of the Company, at the last Annual General Meeting to hold Office till the conclusion of this Annual General Meeting. Recently, Mr.B.Jayaram has promoted a firm of Chartered Accountants by name JDS Associates in which he is the main partner. He expressed his desire that JDS Associates may be appointed as Statutory Auditors of the Company, instead of himself being appointed as Statutory Auditor in his individual capacity.

As the appointment of Auditor, who is other than the retiring one, has to be considered as a Special Business, your directors recommend this resolution under special business for your consideration and approval.

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

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

Your Directors have pleasure in presenting this 17th Annual Report together with the audited accounts of the Company for the year ended March 31, 2002.

<b>FINANCIAL RESULTS AND PERFORMANCE :</b>		<b>Year ended 31.03.2002 (Rs. in Lacs) (Post Merger)</b>	<b>Year ended 31.03.2001 (Rs. in Lacs) (Pre-Merger)</b>
Profit before Interest & Depreciation		199.82	186.35
Less :Interest & Financial charges	61.78		60.11
Depreciation	112.38		69.84
		174.16	129.95
Profit after Interest & Depreciation		25.66	56.40
Add :Excess Provision for Prior year written back		0.00	0.58
		25.66	56.98
Previous Year's Surplus B/f		241.52	125.43
		267.18	182.41
Less: Transfer to General Reserve	10.00		10.00
Provision for tax	2.03		6.00
Dividend	27.67		17.50
		34.70	33.50
Balance c/f to Balance Sheet		232.48	148.91

**OPERATIONS**

In view of the continuous depressed market conditions during the year under review, your Company (merged entity) have left no stone unturned to achieve the sustained growth and achieved a turnover of Rs.1257.73 lacs (including Rs.79.88 lakhs direct export plus Rs.109.16 lakhs as merchant export - total exports Rs.189.00 lacs) as against the turnover of Rs.1411.79 lacs (including the export turnover of Rs.203.24 lacs) during the previous year, resulting a marginal shortfall of around 11% in its turnover. However, your Directors are confident that the performance of the Company will be improved in the coming years.

**MERGER OF SALZER CONTROLS LTD WITH SALZER ELECTRONICS LTD**

Your Directors are pleased to report that the Honourable High Court, Chennai, have heard the Company's petitions for amalgamation / merger of Salzer Controls Ltd (Transferor Company) with Salzer Electronics Ltd (Transferee Company) and sanctioned and confirmed the Scheme of Amalgamation / merger vide its order dated 1.8.2002. Accordingly, your Directors have finalised the Annual Accounts of the merged entity for the year ended 31.03.2002.



**SALZER ELECTRONICS LIMITED****salzer****DIVIDEND**

Taking into account the increased paid-up capital arising due to amalgamation of Salzer Controls Ltd (Transferor Company) with your Company, your Board of Directors have decided to recommend a dividend of 6% (Rs.0.60 per equity share of Rs.10/-each) on the increased paid-up capital of Rs.377.83 lacs. The dividend, when declared will be payable to the shareholders of merged company viz. Salzer Controls Ltd, whose name appears on the Register of Members of the Company on 21.12.2002.

**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, 2002, 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 satisfactory taking into account the prevailing global recession, resulting in a drop of 5% as compared to previous year. However, during the financial year i.e. 2002-03, there are signs of improvement.

As regards another subsidiary company viz., M/s. Salzer Spinners Limited, the BIFR has since declared the Company as SICK Company and directed the Company (Salzer Spinners Ltd) to submit a Rehabilitation Proposal through IDBI (Operating Agency).

**EXPANSION AND MODERNISATION**

Taking into account the market conditions, your Company is contemplating to improve its manufacturing facilities by merging Salzer Controls Ltd with Salzer Electronics Ltd to have size economy and operational cost effectiveness to achieve the higher volume of output to avail the competitive edge in the market. Besides your Company is also contemplating to develop new products of electro mechanical switches to meet the requirements of the automobile industry, besides maintaining better co-ordination and interaction with its marketing associates viz. Larsen & Toubro Ltd and Crompton Greaves Ltd to enlarge its market share both in domestic and 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.

Further, your Board of Directors are glad to inform you that the Department of Scientific & Industrial Research under the Ministry of Science and Technology, Government of India, New Delhi, in response to our application dt.21.01.2002, has accorded recognition to our In-house R & D unit vide their letter dt.27.09.2002, which will facilitate better interaction and updation of technological advancement taking place in the 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 resources - Wind. The wind mills have generated 729737 units of power during the year under review and provided an income of Rs.22.19 Lacs to the Company.



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

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.24.00 Lacs, if employed throughout the year or Rs.2,00,000 per month, if employed for any part of the year, during the year under review.

**DIRECTORS**

During the year under review the Directors Mr. R.Damodharaswamy, Mr. N.Jayabal and Mr.Nirmal Kumar M.Chandria will retire by rotation and being eligible offer themselves for re-appointment.

In view of the developments that have taken place in the process of merger of Salzer Controls Ltd with Salzer Electronics Ltd, Mr.Howard Gladstone, a Canadian national and collaborator of Salzer Controls Ltd for manufacture of Toroidal Transformers, and Mr.V.Sankaran, who have been on the Board of Directors of Transferor Company viz Salzer Controls Ltd, have been inducted as additional directors on the Board of Directors of Transferee Company Viz Salzer Electronics Ltd, who will hold office till commencement of this AGM. Similarly, your Company has also inducted Mr.Kantilal V Vakharja, who has a very wide experience in Banking, Finance and capital market sectors, to have his expertise for the benefit of the Company.

Your Company has since received the necessary notices under section 257 of the Companies Act, 1956, signifying the candidature of Mr.Howard Gladstone, Mr.V.Sankaran and Mr.Kantilal V Vakharja for the office of director on the Board of Directors of the Company. Accordingly, your Directors have placed necessary proposal for your consideration at this AGM.

**CORPORATE GOVERNANCE :**

Pursuant to the provisions of Clause 49 of the Listing Agreement, your Board of Directors are pleased to place their report on the Corporate Governance for information of shareholders as a annexure to this report.

**DIRECTORS' RESPONSIBILITY STATEMENT**

In compliance of Section 217 (2AA) of the Companies Act, 1956 as amended by Companies (Amendment) Act, 2000, the Directors of your Company confirm :

- # That all applicable accounting standards have been followed in the preparation of annual accounts and that there are no material departure.
- # That such accounting policies have been selected and applied consistently and such judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2002 and of the Profit & Loss account of the Company for the year ended on that date;
- # That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- # That the annual accounts have been prepared on a going concern basis.

**AUDITORS**

Mr. B.Jayaram, Chartered Accountant, Coimbatore, Statutory Auditor of the Company retire at the conclusion of this Annual General Meeting and is eligible for the appointment.

**FIXED DEPOSITS**

Your Company do not have any fixed deposit during the year ended 31.03.2002.

**INDUSTRIAL RELATIONS**

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

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. Taking into account the developments being taken place upon sanction of the scheme of amalgamation by Honourable High Court, Chennai and issue of shares to the shareholders of Transferor Company viz. Salzer Controls Ltd by your Company as a Transferee Company, your Company is taking action to list the additional shares allotted and issued in the above said stock exchanges.

**DEMATERIALISATION OF YOUR COMPANY'S SHARES**

The Shares of your Company are dematerialised on National Securities Depository Ltd and Central Depository Services (India) Ltd. and accordingly electronically activated from May 2002 onwards. The ISIN is INE457F01013. The shareholders have the option of holding their shares either in physical form or in dematerialised form.

**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, Bank of India M/s. Larsen & Toubro Limited and M/s. Crompton Greaves Limited - Marketing Associates for their continuous support and co-operation. Your Directors also wish to record their appreciation for the dedicated services being rendered by the employees at all levels.

Place : Coimbatore  
Date : 28.09.2002

For and On behalf of the Board,  
(Sd/-) P.S. Santhanakrishnan  
CHAIRMAN

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