

salzer

18th

ANNUAL REPORT

2002 - 2003

SALZER ELECTRONICS LIMITED

COIMBATORE - 47

CERTIFIED TRUE COPY

For Salzer Electronics Limited,


Joint Managing Director.

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18th ANNUAL GENERAL MEETING

Day	:	Saturday
Date	:	27.09.2003
Time	:	11.30 A.M.
Venue	:	Hotel Sree Annapoorna, R.S.Puram, Coimbatore - 641 002

SALZER ELECTRONICS LIMITED



SALZER ELECTRONICS LIMITED

Board of Directors

Mr. P.S.Santhanakrishnan - Chairman
 Mr. R.Doraiswamy - Managing Director
 Mr. D.Rajeshkumar - Joint Managing Director
 Mr. P.Ramachandran - Director Marketing
 Mr. N.Jayabal
 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

M/s.JDS Associates
 Chartered Accountants,
 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 (Physical & Demat)

GNSA Investor Services Pvt.Ltd
 # 18/1, Baliah Avenue,
 LUZ, Mýlapore, Chennai - 600 004.

Listing Arrangements

Coimbatore Stock Exchange Limited,
 683-686, Trichy Road,
 Singanallur, Coimbatore - 641 005.

Madras Stock Exchange Limited,
 Post Bdx 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

NOTICE OF THE 18TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 18th Annual General Meeting of the Shareholders of the Company will be held on September 27, 2003 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, 2003 and the Balance Sheet as at March 31, 2003 and the Auditors' Report thereon.
2. To declare a Dividend on equity shares.
3. To appoint a Director in the place of Mr. P.S.Santhanakrishnan, who retires by rotation, and being eligible offers himself for re-appointment.
4. To appoint a Director in the place of Mr R Narayanaswamy, who retires by rotation, and being eligible offers himself for re-appointment.
5. To appoint a Director in the place of Mr P K Shah, who retires by rotation, and being eligible offers himself for re-appointment.
6. To appoint a Director in the place of Mr L Venkatapathy, who retires by rotation, and being eligible offers himself for re-appointment.
7. To appoint a Director in the place of Mr.V.Sankaran, who retires by rotation, and being eligible offers himself for re-appointment.
8. To appoint M/s.JDS Associates - Chartered Accountants, Coimbatore as Statutory Auditors and fix their remuneration - M/s.JDS Associates the retiring Statutory Auditors is eligible for re-appointment.

SPECIAL BUSINESS :

9. To consider and approve the appointment of Mr.P.Ramachandran, as a Whole time Director.

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

RESOLVED THAT pursuant to provisions of Section 198, 257, 269, 309, 310 and Schedule XIII of the Companies Act, 1956 and other applicable provisions, if any, approval of the shareholders of the company, be and is hereby accorded to re-appoint Mr.P.Ramachandran, as a Whole Time Director - Marketing for a further term of five years with effect from 26.09.2003 on a remuneration and perquisite as detailed below:

Salary-Rs. 7,000/- 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.

LZER ELECTRONICS LIMITED

10. To Consider the proposal for voluntary delisting of equity shares of the Company from Madras Stock Exchange Ltd.

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

RESOLVED THAT pursuant to the By Laws / Listing agreement entered into with the Madras Stock Exchange Ltd and the guidelines issued by the SEBI under the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 dated 18.02.2003 and other applicable provisions and procedures thereon, approval of the shareholders, be and is hereby accorded for the company to voluntarily apply for delisting of its equity shares of Rs.10/- each aggregating 3778333 number of equity shares from the Madras Stock Exchange Ltd and the Board of Directors of the company or any person(s) specifically authorised by the Board in this regard do and hereby authorised to sign, deliver and pursue and otherwise deal with all necessary applications and documents and to do such acts, deeds and things as may be required in this regard.

For and On behalf of the Board

Place : COIMBATORE

Date : 26.07.2003

(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.
3. The Register of Members and Share Transfer Books of the Company will remain closed from September 16, 2003 to September 27, 2003 (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 and Share Transfer Agent 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 No. is INE457F01013. The shareholders have the option of holding their shares either in physical form or in dematerialised form.
7. Pursuant to Section 205(A) of the Companies Act, 1956 as amended by the Companies Amendment Act, 1999 unclaimed dividend shall be transferred to Investor Education and Protection Fund of the Central Government after a period of 7 years from the date of the transfer of amount to the unpaid dividend account. Shareholders may note that the unclaimed dividend account for the year 1995 - 96, 7 years period expires on 14.11.2003, and hence the amount will be transferred to Investor Education and Protection Fund immediately after the said date. No claim can be made by the shareholders thereafter.
8. The profile of the Directors retiring by rotation and seeking re-appointment as indicated in Sl.No.3,4,5,6, & 7 above are furnished in the Corporate Governance Report for information of the shareholders.

SALZER ELECTRONICS LIMITED**SALZER****EXPLANATORY STATEMENT PURSUANT TO SEC.173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF THE ITEM MENTIONED UNDER SPECIAL BUSINESS :****ITEM NO. 9:**

The present term of Mr.P.Ramachandran, who has been appointed as a Whole Time Director with the approval of the shareholders at their meeting held on 26.09.1998, expires on 25.09.2003. Mr.P.Ramachandran, who is a Post Graduate in Economics with wide experience in the field and good contacts both in domestic and international markets, have contributed to improve the market share of the company all these years. As your Board of Directors thought that his continuation on the Board of Directors will be beneficial to the company, recommend his re-appointment for a further term of 5 years with effect from 26.09.2003 and place before this meeting, necessary resolutions for the consideration and approval of the shareholders. Your Directors recommend the same.

Except Mr. P.Ramachandran, being the beneficiary, none of the Directors are interested in this resolution.

ITEM NO. 10:

Your Company's equity shares are presently listed in Coimbatore Stock Exchange Ltd, Madras Stock Exchange Ltd, The Stock Exchange Mumbai. As per recent SEBI regulations and guidelines known as Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003 dated 18.02.2003, the companies are permitted to voluntarily delist its shares from a Stock Exchange, where the shares are listed for a period of more than three years, provided the company is authorised by the shareholders for making such application for delisting through a special resolution. Since your company's shares trading in Madras Stock Exchange Ltd is very low, your company thought fit to delist the shares from the Madras Stock Exchange Ltd and this will not jeopardise the interests of the shareholders in any way, as the company's shares are continued to be listed in Coimbatore Stock Exchange Ltd and The Stock Exchange, Mumbai, which has got trading terminals throughout the country. Your Directors are therefore, recommend the proposal for your consideration and approval.

None of the Directors is interested in this resolution.

ALZER ELECTRONICS LIMITED**SALZER****DIRECTORS' REPORT**

Your Directors have pleasure in presenting this 18th Annual Report together with the audited accounts of the Company for the year ended March 31, 2003.

FINANCIAL RESULTS AND PERFORMANCE :

		Year ended 31.03.2003 (Rs. in Lakhs)	Year ended 31.03.2002 (Rs. in Lakhs)
Profit before Interest & Depreciation		211.03	199.82
Less : Interest & Financial charges	49.67		61.78
Depreciation	116.84		112.38
		166.51	174.16
Profit after Interest & Depreciation		44.52	25.66
Add: Excess Provision for Prior year written back		0.01	—
		44.53	25.66
Previous Year's Surplus B/f		232.48	241.52
		277.01	267.18
Less : Transfer to General Reserve	2.00		10.00
Provision for tax	7.00		2.03
Deferred Tax	4.76		—
Dividend	37.78		22.67
Dividend Tax	4.84		—
		56.38	34.70
Balance c/f to Balance Sheet		220.63	232.48

OPERATIONS

During the year under review, your Company has achieved a Turnover of Rs.1628.89 lacs (including the export turnover of Rs.115.76 lakhs as direct export and Rs.233.66 lakhs as merchant export aggregating Rs.349.42 lakhs) as against Rs.1257.74 lakhs (including the export turnover of Rs.79.88 lakhs as direct export and Rs.109.16 lakhs as merchant export aggregating Rs.189.00 lakhs). during the previous year ended 31.03.2002 registering a growth of 29.5 %.

MERGER OF SALZER CONTROLS LTD WITH SALZER ELECTRONICS LTD

Based on the approval of the Scheme of amalgamation by the Honourable High Court of Chennai, your company had allotted 10,32,313 equity shares of Rs.10/- each as fully credited to the shareholders of M/s.Salzer Controls Limited (transferor company) during the year under report. This has enhanced the paidup capital of your company from Rs. 274.68 lakhs to Rs. 377.83 lakhs. The additional shares of 1032313 have also been listed in Mumbai, Chennai and Coimbatore Stock Exchanges.

DIVIDEND

After considering the performance of the company during the year under report as well as the market conditions, your Directors have decided to recommend a Dividend of Re.1.00 per equity share (10%) on the paid up equity capital of Rs.377.83 lakhs for the year ended 31st March 2003 subject to the approval of the shareholders. The Dividend, when declared, will be payable to all eligible shareholders whose name appear on the Register of Members as on 27.9.2003.

SALZER ELECTRONICS LIMITED

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, 2003, 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 19 % as compared to previous year. However, during the financial year ie.2003-04, there are signs of improvement.

As regards another subsidiary company viz., M/s.Salzer Spinners Ltd, the BIFR has since declared the Company as SICK Company and the case is under consideration of BIFR.

EXPANSION AND MODERNISATION

Your Company in co-ordination with its Marketing Associates viz., M/s.Larson & Toubro Ltd. and M/s.Crompton Greaves Ltd, is watching the market trend on a continuous basis so as to improve its quality and achieve customer satisfaction by upgrading its processes and manufacturing facilities. Besides your company is working on to develop electromechanical switches for automobile industry and also switches like plate switches, electronic sensor, alarm switches, etc., Your Directors are hopeful that this would improve the market shares of your company.

MANAGEMENT DISCUSSION AND ANALYSIS OF RISKS

A. INDUSTRIAL SCENARIO AND OPPORTUNITIES :

Your Company is in the Electrical Switch Gear industry manufacturing electrical and electronics switches and switch gear products. The nature of industry is partly consumer oriented and partly industrial oriented. Your company's product have established its foothold qualitatively both in domestic and international markets. Your Directors are leaving no stone unturned to improve the market share for the products in close co-ordination with the marketing associates viz., M/s.Larson & Toubro Ltd and M/s. Crompton Greaves Ltd., leading industrial giants in the country. Your company is continuously endeavouring to improve the quality and utilities of the CAM operated Rotary switches, based on the market inputs. Hence, your company's products have got good potentials to improve its market share.

THREATS AND RISKS :

Being in the consumable industry, your company's products is facing stiff competition in view of the globalisation of Indian economy and entry of Multinational companies into the Indian market. Moreover, your company is facing competition due to the mushroom growth of the competitors from un-organised sector. To overcome the situation, your Directors are taking every efforts not only to sustain the market share but also to enlarge it by adopting strategic marketing policies. In this context, an exclusive team of your company is consistently working for value engineering to reduce input cost and achieve optimum cost.

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 processing 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 R&D has resulted in development of new switches like Modular Switch, Shock Protector, Electronic human body detector, Radio frequency Remote Switches, etc.,

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

Your company is not a power intensive one but wherever possible, necessary conservative measures have been taken up. Your company have three 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 7.24 Lakhs units of power during the year under review and provided an income of Rs.21 Lakhs to the Company.

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

The provisions of Section 217 (2A) of the Companies Act, 1956 and rules thereof are not attracted as no employee was in receipt of remuneration to the extent laid down therein.

DIRECTORS

During the year under review, Mr.P.S.Santhanakrishnan, Chairman, Mr.R.Narayanaswamy, Mr.P.K.Shah, Mr.L.Venkatapathy, and Mr.V.Sankaran, Directors of the company will retire by rotation and being eligible offer themselves for re-appointment.

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 an 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, 2003 and of the profit / Loss of the Company for the year ended as 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

M/s.JDS Associates, Chartered Accountants, Coimbatore, Statutory Auditors of the Company retire at the conclusion of this Annual General Meeting and is eligible for the appointment.

SALZER ELECTRONICS LIMITED**AUDITORS' REPORT**

The observations made in the Auditors' Report read together with notes thereon are self explanatory and hence do not call for any further comments under section 217 of the Companies Act, 1956.

FIXED DEPOSITS

Your Company has not accepted any deposits within the meaning of Section 58A of the Companies Act 1956 and the rules made thereunder during the year under report and did not have any fixed deposit as at 31.03.2003.

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 including the additional shares of 1032313 issued to the shareholders of M/s. Salzer Controls Limited (Transferor company) under merger.

DELISTING OF SHARES OF YOUR COMPANY FROM MADRAS STOCK EXCHANGE LTD.

The shares of your company are presently listed in the Coimbatore Stock Exchange Ltd, The Stock Exchange Mumbai and Madras Stock Exchange Ltd. The listing fee for the current year have already been paid. Subject to the approval of the shareholders, your company proposes to delist the shares from the Madras Stock Exchange Ltd. during the current year, as the volume of transactions is very low. Since the Stock Exchange Mumbai has got trading terminals throughout the country, the shareholders will not be inconvenienced in any way in trading in the company's shares due to delisting of shares from the Madras Stock Exchange Ltd.

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 activated from May 2002 onwards. The ISIN No. 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, CanFin Home Limited, Bank of India, 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

(Sd/-) P.S.SANTHANAKRISHNAN

Date : 26.07.2003

CHAIRMAN