

salzer



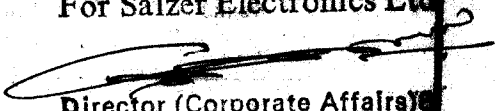
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10th
ANNUAL REPORT

2003 - 2004

CERTIFIED TRUE COPY

For Salzer Electronics Ltd


Director (Corporate Affairs) &
Company Secretary

SALZER ELECTRONICS LIMITED
COIMBATORE - 47

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19th ANNUAL GENERAL MEETING

Day	:	Thursday
Date	:	23.09.2004
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. PS.Santhanakrishnan - Chairman
 Mr. R.Doraiswamy - Managing Director
 Mr. D.Rajeshkumar - Joint Managing Director
 Mr. PRamachandran - Whole Time Director (Marketing)
 Mr. N.Jayabal - Director
 Mr. R.Narayanaswamy - Director
 Mr. R.Damodharaswamy - Director
 Mr. PK.Shah - Director
 Mr. L.Venkatapathy - Director
 Mr. Nirmal Kumar M.Chandria - Director
 Mr. Howard Gladstone - Director
 Mr. V Sankaran - Director
 Mr. Kantilal V Vakharia - Director

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, Mylapore, Chennai - 600 004.

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**NOTICE OF THE 19TH ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 19th Annual General Meeting of the Shareholders of the Company will be held on September 23, 2004 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, 2004 and the Balance Sheet as at March 31, 2004 and the Auditors' Report thereon.
2. To declare a Dividend on equity shares.
3. To appoint a Director in the place of Mr. Haword M. Gladstone, who retires by rotation, and being eligible offers himself for re-appointment.
4. To appoint a Director in the place of Mr. Kantilal V Vakharia, who retires by rotation, and being eligible offers himself for re-appointment.
5. To appoint a Director in the place of Mr. R. Dhamodharaswamy, who retires by rotation, and being eligible offers himself for re-appointment.
6. To appoint a Director in the place of Mr. N. Jayabal, who retires by rotation, and being eligible offers himself for re-appointment.
7. 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.
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 are eligible for re-appointment.

For and On behalf of the Board

Place : COIMBATORE

Date : 24.07.2004

(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 Register of Members and Share Transfer Books of the Company will remain closed from September 16, 2004 to September 23, 2004 (both days inclusive).
3. Members are requested to bring their copy of the Annual Report to the Annual General Meeting.
4. Members are requested to send the Nomination form in form-2B to the Company in duplicate.
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 under ISIN is INE457F01013. The shareholders have the option of holding their shares either in physical form or in dematerialised form.
7. The Company has, pursuant to Section 205 of the Companies Act, 1956 transferred the amounts of unclaimed dividends declared upto the Financial Year 1995-96 to the General Revenue Account of the Central Government / Investor Education and Protection Fund accordingly. Members who have not encashed the Dividend Warrants for the year ended 31.03.2000 and / or any subsequent dividend payments are requested to make their claim to the company.

SALZER ELECTRONICS LIMITED**8. Bank mandate for Dividend or Electronic Clearing Services.(ECS)**

In order to protect the investors from fraudulent encashment of warrants, the members are requested to furnish their Bank Account Number (Current/Savings), the name of the Bank and Branch where they would like to deposit the dividend warrants for encashment, whenever Dividend is declared by the Company. These particulars will be printed on the cheque portion of the dividend warrant besides the name of the shareholders, so that these warrants cannot be encashed by anyone other than the shareholder. The Company is also in the process of implementing the systems of Electronic Clearing Service (ECS) for payment of dividend in centres where the Company has large number of shareholders. The ECS mandate forms are enclosed with the Annual Report.

The above mentioned details / ECS Form should be furnished by the first/sole holder directly to the Share Transfer Agents at Chennai quoting the folio number, client ID and DP ID number, number of shares held, details of the holding etc.

9. INFORMATION UNDER CLAUSE 49(VI)(A) OF LISTING AGREEMENT IN RESPECT OF DIRECTORS BEING APPOINTED / RE-APPOINTMENT:

- * Mr.Howard Gladstone, aged 56 years, 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. M/s.Plitron Manufacturing Inc. is one of the largest manufacturers of Toroidal Transformers in North America.
- * Mr.Kantilal V .Vakharia, aged 76 years, 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. He is also a Director in M/s.Vakharia Synthetics Pvt.Ltd, M/s.Vakharia Financial Services Ltd, M/s. Everest Yarns Agency Pvt. Ltd, M/s. Vakharia Leasing & Finance Co. Pvt. Ltd and Partner in M/s.Teekay International.
- * Mr. R.Damodharaswamy, aged 73 years, is a dynamic industrialist, who is well known in the society being an active member of social institutions like Lions Club etc. He is also one of the Directors on the Board of Micro Controls Private Limited. He is also a partner of Coimbatore Engineering Works, engaged in the manufacture of Limit Switches and Micro Control Panel Boards, which are being used for textile machinery and for domestic purpose.
- * Mr.N.Jayabal, aged 60, is an Electrical Engineer, having wide overseas experience for about 25 years and with good international contacts. He is also a Director in M/s. Salzer Exports Limited. His association on the Board of Directors of the Company has contributed to improve the market share for the products of the company in the Global Markets.
- * Mr.Nirmal Kumar M Chandria, aged 44 years, is an Industrialist and Promoter of a Company in Aluminium Sector and associated himself with leading industries.

SALZER ELECTRONICS LIMITED**DIRECTORS' REPORT**

Your Directors have pleasure in presenting this 19th Annual Report together with the audited accounts of the Company for the year ended March 31, 2004.

FINANCIAL RESULTS AND PERFORMANCE :

	Year ended 31.03.2004 (Rs. in Lakhs)	Year ended 31.03.2003 (Rs. in Lakhs)
Profit before Interest & Depreciation	296.63	211.03
Less : Interest & Financial charges	63.90	49.67
Depreciation	140.20	116.84
	204.10	166.51
Profit after Interest & Depreciation	92.53	44.52
Add: Previous Year's Surplus B/f	220.62	232.48
	313.15	277.00
Less : Transfer to General Reserve	10.00	2.00
Provision for tax	10.50	7.00
Deferred Tax	6.88	4.76
Dividend	37.78	37.78
Dividend Tax	4.84	4.84
	70.00	56.38
Balance c/f to Balance Sheet	243.15	220.62

OPERATIONS

During the year under review, your Company has achieved a Turn over of Rs.1873.79 lacs (including the export turnover of Rs.173.77 lakhs as direct export and Rs.338.94 lakhs as merchant export aggregating Rs.512.71 lakhs) as against Rs.1628.89 lakhs (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) registering a growth of 15%.

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/- per equity share of Rs.10/- each (10%) on the paid up equity capital of Rs.377.83 lakhs for the year ended 31st March 2004 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 23.09.2004.

SUBSIDIARY COMPANIES

The Annual Report along with the Audited Accounts of M/s. Salzer Exports Limited and M/s. Salzer Spinners Limited, Subsidiary Companies for the period ended 31st March, 2004, are annexed hereto in terms of Section 212 of the Companies Act, 1956.

SALZER ELECTRONICS LIMITED**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 Modular switches, Electronic sensor, Security alarm, etc., Your Directors are hopeful that this would improve the market share 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 company is taking all our efforts to continuously improve the quality and utilities of the switches and its allied products to ensure customer satisfaction, in close co-ordination of its marketing associates viz., M/s.Larsen & Toubro Ltd and M/s.Crompton Greaves Ltd.,

B. THREATS AND RISKS :

Being in the consumable industry, your company's products are 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 results.

RESEARCH & DEVELOPMENT

The In-house 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.,

The Recognition accorded to the In-house R & D Department of the Company by Government of India, Ministry of Science & Technology, Department of Scientific and Industrial Research, vide its letter No.TU/IV-RD/2290/2002 dt.27.09.2002, has since been further renewed upto 31.03.2007.

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 continuously taken up. Your company have Three Wind Mills - 225 KW (1 No.) and 250 KW (2 Nos) at Kethanoor, Palladam Taluk and power is being generated by harnessing the natural resource - Wind. The wind mills have generated 13.71 lakhs units of power during the year under review and provided an income of Rs.39.82 Lacs to the Company.

INFORMATION UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES PARTICULARS OF EMPLOYEES) AMENDMENT RULES 2002.

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

SALZER ELECTRONICS LIMITED

DIRECTORS

During the year under review Mr.Howard M Gladstone, Mr.Kantilal V Vakharia, Mr.R.Dhamodharaswamy, Mr.Nirmalkumar M Chandria and Mr.N.Jayabal, 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 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, 2004 and of the profit / Loss Accounts 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

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 reappointment.

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 31.03.2004.

INDUSTRIAL RELATIONS

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

LISTING ARRANGEMENTS

The Company's shares are listed in Coimbatore and Mumbai Stock Exchanges. Voluntary delisting of shares from The Madras Stock Exchange Ltd, as approved by the shareholders at their last Annual General Meeting held on 27.09.2003 is under progress.

DEMATERIALISATION OF YOUR COMPANY'S SHARES

The Shares of your Company are dematerialised on National Securities Depository Ltd and Central Depository Services (India) Ltd, under ISIN No. 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, M/s. Plitron Manufacturing Inc, 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 : 24.07.2004

(Sd/-) **P.S.SANTHANAKRISHNAN**
CHAIRMAN

SALZER ELECTRONICS LIMITED**ANNEXURE - I 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 Switchgear 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:
 - * Radio Frequency Remote Switches
 - * Electronic Control Human body Movement Detectors
 - * Electronic Control Single Phase Starters for Capacitor Start Motors.
 - * Automobile Accessories
 - * Modular Switches
 - * Shock Protector

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. During the year under review the following expenditures were incurred with regard to R & D :

Capital Expenditure as additions to	
Machines, Tools, Dies etc.,	- Rs.60.00 Lakhs
New Products and Process development	- Rs.68.15 Lakhs
Salary and other expenses for R&D personnel	- Rs.5.12 Lakhs
4. 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 : Rs.173.77 Lakhs
(Direct export Rs.173.77 lakhs, Merchant export Rs.338.94 lakhs)
- b. Foreign Exchange used : Rs.3.16 Lakhs