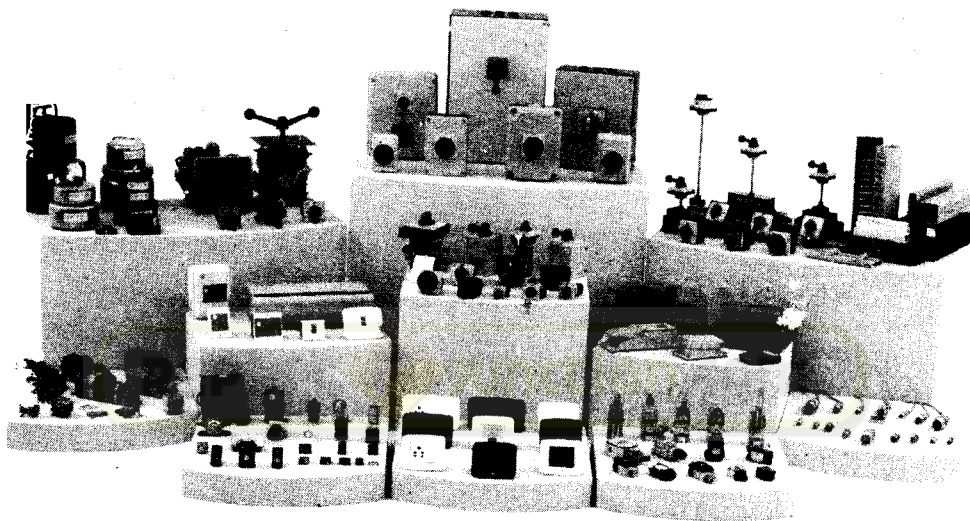


# salzer



## 21<sup>st</sup> Annual Report 2005-2006

[www.salzergroup.com](http://www.salzergroup.com)

# Salzer Electronics Limited

[www.reportjunction.com](http://www.reportjunction.com)

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## **21<sup>st</sup> ANNUAL GENERAL MEETING**

Day	:	Saturday
Date	:	09.09.2006
Time	:	11.30 A.M.
Venue	:	Hotel Sree Annapoorna, R.S.Puram, Coimbatore - 641 002

## **SALZER ELECTRONICS LIMITED**

**salzer**

### **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 M 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. CANARA BANK,  
 Industrial Finance Branch, R.S.Puram, Coimbatore - 641 002.

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  
 G R MANSION, No.11, Srinivasan Road,  
 Pandya Bazar, T.Nagar, Chennai - 600 017

#### **Listing Arrangements**

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

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 21<sup>st</sup> ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 21<sup>st</sup> Annual General Meeting of the Shareholders of the Company will be held on Saturday the 9<sup>th</sup> September, 2006 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, 2006 and the Balance Sheet as at March 31, 2006 and the Auditor's Report thereon.
2. To declare a final Dividend on equity shares for the year 2005-2006.
3. To appoint a Director in the place of Mr.N.Jayabal, who retires by rotation, and being eligible offers himself for re-appointment.
4. 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.
5. To appoint a Director in the place of Mr.Kantilal V Vakharia, who retires by rotation, and being eligible offers himself for re-appointment.
6. To appoint a Director in the place of Mr. Howard M Gladstone, who retires by rotation, and being eligible offers himself for reappointment.
7. To appoint Auditors 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

(Sd/-) **R.DORAISWAMY**

Managing Director

Place : Coimbatore

Date : 26.07.2006

**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 1<sup>st</sup>, 2006 to September 9<sup>th</sup>, 2006 (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, G R Mansion, No.11, Srinivasan Road, Pandya Bazar, T.Nagar, Chennai - 600 017.*
6. 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.

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

7. The Company has, pursuant to Section 205 of the Companies Act, 1956 to transfer the dividend amount lying unclaimed, more than 7 years from the date of declaration to the Investor Education and Protection Fund of the Central Government. Members, who have not encashed the Dividend Warrants for the year 1999-2000, 2000-2001, 2001-2002, 2002-2003 & 2004-2005 are requested to make their claim to the company and / or share transfer agent of the company.

8. Bank mandate for Dividend or Electronic Clearing Services (ECS)

Members are requested to intimate their Bank Account Number details for incorporating the same in Warrants / Cheques / Demand Drafts and enclose the ECS form as the case may be to our Registrars and Share Transfer Agents **M/s.GNSA Investors Services Pvt. Ltd, G R MANSION, No.11, Srinivasan Road, Pandya Bazar, T.Nagar, Chennai - 600 017.**

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

**Mr.N.JAYABAL:**

Mr.N.Jayabal, aged 62, is an Electrical Engineer, having wide overseas experience for about 27 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:**

Mr.Nirmal Kumar M Chandria, aged 46 years, is an Industrialist and Promoter of a Company in Aluminium Sector and associated himself with leading industries.

**Mr.KANTILAL V VAKHARIA:**

Mr.Kantilal V Vakharia, aged 78 years, has rich experience of over 42 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 Service Ltd. M/s.Everest Yarn Agency Pvt. Ltd., M/s. Vakharia Leasing & Finance Co. Pvt Ltd., and Partner in M/s.Teekay International.

**Mr.HOWARD M GLADSTONE:**

Mr.Howard M Gladstone, aged 58 years, an entrepreneur is a Director on the Board of your company for the last 10 years. He is the President of M/s.Plitron Manufacturing Inc., Canada, the Collaborator.

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

Your Directors have pleasure in presenting this 21<sup>st</sup> Annual Report together with the Audited Accounts of the Company for the year ended March 31, 2006

**FINANCIAL RESULTS :**

	Year ended 31.03.2006 (Rs. in Lakhs)	Year ended 31.03.2005 (Rs. in Lakhs)
Profit before Interest & Depreciation	663.36	386.24
Less : Interest & Financial charges	165.77	95.06
Depreciation	209.99	165.36
	<u>375.76</u>	<u>260.42</u>
Profit after Interest & Depreciation	287.90	125.82
Add: Previous Year's Surplus B/f	289.26	243.15
Excess provision for previous year written back	2.07	—
	<u>579.23</u>	<u>368.97</u>
Less : Transfer to General Reserve	10.00	10.00
Provision for tax	24.10	12.00
Deferred Tax	29.79	10.32
FBT	2.30	—
Dividend		
Interim dividend	30.23	—
Proposed final dividend	<u>27.13</u>	<u>41.56</u>
	57.36	41.56
Dividend Tax on		
Interim dividend	4.24	—
Proposed final dividend	<u>3.80</u>	<u>5.83</u>
	<u>8.04</u>	<u>5.83</u>
	131.59	79.71
Balance c/f to Balance Sheet	<u>447.64</u>	<u>289.26</u>

**OPERATIONS**

During the year under review, the performance of your company had progressed well and achieved a turn over of Rs.4082.48 lakhs as against the turnover of Rs.2504.98 lakhs during the last year, registering a growth of 63%. Your company has also registered a growth of around 42% in its export performance by achieving a export turnover of Rs.511.36 as direct exports and Rs.632.73 lakhs as merchant export, aggregating to Rs.1144.09 lakhs during the year under review as compared to Rs.809.21 lakhs during 2004 – 05.

**DIVIDEND**

Taking into account the progressive market trends and performance of the company during the first three quarters of the fiscal 2005 – 06, your Directors had declared an interim dividend of 8% (Re.0.80 per equity share of Rs.10/- each) at their meeting held on 28.01.2006 and paid Rs.30.23 lakhs as interim dividend to the eligible shareholders whose name appeared on the register of members as on the record date viz., 14.02.2006.

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

On finalisation of the annual accounts for 2005-06 and taking into account the resultant net profit for the year under review, your Directors have decided to recommend an additional dividend @ 7% (Re.0.70 per equity share of Rs.10/- each) as final dividend for the year ended 2005-06, subject to the approval of the shareholders. The dividend, when declared will be payable to all the eligible shareholders, whose name appeared on the register of members as on 09.09.2006. Thus, with the final dividend now recommended, when declared, the aggregate dividend for the year 2005 - 06 will work out to 15% (Rs.1.50 per equity share of Rs.10/- each).

**SUBSIDIARY COMPANY**

The Annual Report along with the Audited Accounts of M/s. Salzer Exports Limited, subsidiary Company for the period ended 31st March, 2006, is annexed hereto in terms of Section 212 of the Companies Act, 1956.

**FURTHER CAPITAL RAISED DURING THE YEAR**

With your approval at the Extraordinary General body meeting held on 16.02.2006, your company had raised further capital to the extent of Rs.991.90 lakhs by issue of 12,21,667 equity shares of Rs.10/- each and 500000 share warrants of Rs.10/- each convertible into equity shares at a later date i.e, within 18 months, at an issue price of Rs.78/- per share and share warrant on preferential basis to meet its resource requirements for its expansion in the product lines of Higher KVA Toroidal Transformers, Terminal Connectors, Modular Switches, Rotary Switches (new range like Rear Access Termination Switches and Smart Switches), Load break switches, Cable ducts with new variants having good market potentials. Your company has since allotted the subject equity shares and share warrants to the strategic investors on 03.03.2006 and also filed necessary application with the Bombay Stock Exchange Ltd, Mumbai and The Coimbatore Stock Exchange, Coimbatore, for final listing approval and the listing approval is expected shortly. The strategic investors, who have subscribed to the further issue of equity shares, will be eligible for the dividend when declared for the year under review on pro-rata basis i.e., from the date of allotment of shares.

**Source of fund raised during the year under report:**

Funds raised through further issue of equity on preferential basis - **Rs.991.90 lakhs**

**Utilisation of funds during the year under report:**

Buildings	- Rs. 75.00 lakhs	
Plant & Machinery	- Rs. 60.00 lakhs	
Dies & Tools	- Rs. 75.00 lakhs	
Consultation fee	- Rs. 35.00 lakhs	
Replacement of Bank loan	- <b><u>Rs.150.00 lakhs</u></b>	- <b><u>Rs.395.00 lakhs</u></b>

Balance kept under deposit as on 31.03.2006 and will be used for expansion project during 2006-07 - **Rs.596.90 lakhs**

**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 continuously to improve its quality and achieve customer satisfaction by upgrading its processes and manufacturing facilities. Besides your company has been negotiating with all large UPS manufacturers in India for supply of special application Toroidal Transformers of higher KVA. A new separate line for manufacturing the same has also been set-up.

Your company has also designed and developed the complete range of Terminal Connectors including 145 products during this year and has also got VDE certification mark (German standards certification) for this product.

Your company is also contemplating to diversify for manufacture of wires and cables in association with M/s.Larson & Toubro Ltd in view of the products high potential and the association of M/s.Larson & Toubro will improve the turn over and profitability of the company through this product.



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

Besides, the company is also contemplating to diversify into IT industry by providing IT enabled services and Back Office Processes through the association of its Joint Venture Company in USA.

Your Directors are confident that the efforts being contemplated by the company on the above lines would further improve the market share and its presence both in domestic and international markets, which in turn will improve the turnover and profitability of the company.

**ESTABLISHMENT OF A JV / WOS IN USA**

As already reported in our last Annual Report, the joint venture company viz., Salzer Global Services, LLC (a limited liability company) in the State of New Hampshire, is taking all efforts to further the presence of your company in the international markets consistently. It has also acquired 50% control of M/s.Global Technicaltalent Inc, a company providing IT enabled services to the leading companies in IT industry in USA viz., IBM, Novell, GE, Microsoft, TD Waterhouse, Liberty Life, GEICO. In view of the prevailing encouraging trend, your Directors are confident that this JV Company in USA would help to increase the profitability of your company in the years to come.

**MANAGEMENT DISCUSSION AND ANALYSIS OF RISKS****A. INDUSTRIAL SCENARIO AND OPPORTUNITIES:**

Yours company is in electrical equipment industry manufacturing electrical and electronics switches, switchgears and its allied products. The nature of the industry is both consumer and industrial oriented. Having already established its presence both in domestic and international markets qualitatively, your company is taking every effort continuously to improve upon the utilities of the product and its sustainability in markets with its marketing associates viz., M/s.Larson & Toubro and M/s.Crompton and Greaves Ltd.

**B. THREATS AND RISKS:**

Your company is facing stiff competition both in domestic and international market in view of the globalization of economy and unlimited growth of competitors from un-organized sector. Further, the products of the company being in low tension and low technology electrical switch gear products, are highly competitive and your company has to be strategically aggressive to sustain its position, which may increase the selling and distribution over heads and thereby reducing the margin of contributions. Your company is taking all out efforts to improve the turnover and profitability of the company on a continuous basis and in this direction contemplating to expand its present manufacturing line for manufacture of higher variants of some of the existing products such as Toroidal Transformers, Terminal Connectors, Cable ducts, in the coming years.

Besides, your company is also contemplating to diversify in the manufacture of wires and cables in view of its high and good potentialities with the association of M/s.Larson & Toubro. Further, your company is also envisaging to diversify into IT industry for providing IT enabled services and Back Office Processes with its associates, joint venture company in USA, and also in the generation of energy and energy saving equipments.

Your Directors are confident that the above efforts of the company would provide optimum competitiveness to achieve the improved results in the coming years.

**RESEARCH & DEVELOPMENT**

Yours company's in-house Research and Development department is fully equipped with qualified people to continuously improve upon the process specifications and techniques for optimum utilization of resources, consistency in quality comparable to the international standards, maintaining the international quality standard certifications consistently, utilities of its existing products and development of new higher variants of the existing products as well as new high-tech products to meet the customers requirements.

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 its validity upto 31.03.2007.



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

Your company, though not a power intensive one, is taking every possible efforts and measures to conserve the energy. Your company is having Four Wind Mills to generate power to the extent of 1.2 MW capacity in aggregate and the power being generated through harnessing the natural resources - Wind. During the year under review your company has generated 19.94 lakhs units of power through its wind mills and provided an income of Rs.69.55 Lacs.

**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 applicable, as no employee was in receipt of remuneration to the extent laid down therein.

**DIRECTORS**

During the year under review Mr.N.Jayabal, Mr.Nirmal Kumar M Chandria, Mr.Kantilal V Vakharia and Mr.Howard M Gladstone, Directors of the company are retiring 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 is 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:

- (i). that all applicable accounting standards have been followed in the preparation of annual accounts and that there are no material departure.
- (ii). 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, 2006 and of the profit / Loss account of the Company for the year ended on that date;
- (iii). 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,
- (iv). 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 are eligible for the re-appointment.

**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 there under during the year under review and did not have any fixed deposit as at 31.03.2006.

**INDUSTRIAL RELATIONS**

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

**LISTING ARRANGEMENTS**

The Company's Shares are listed in Coimbatore and Bombay 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, 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, Canada (Collaborators) 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 : 26.07.2006

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