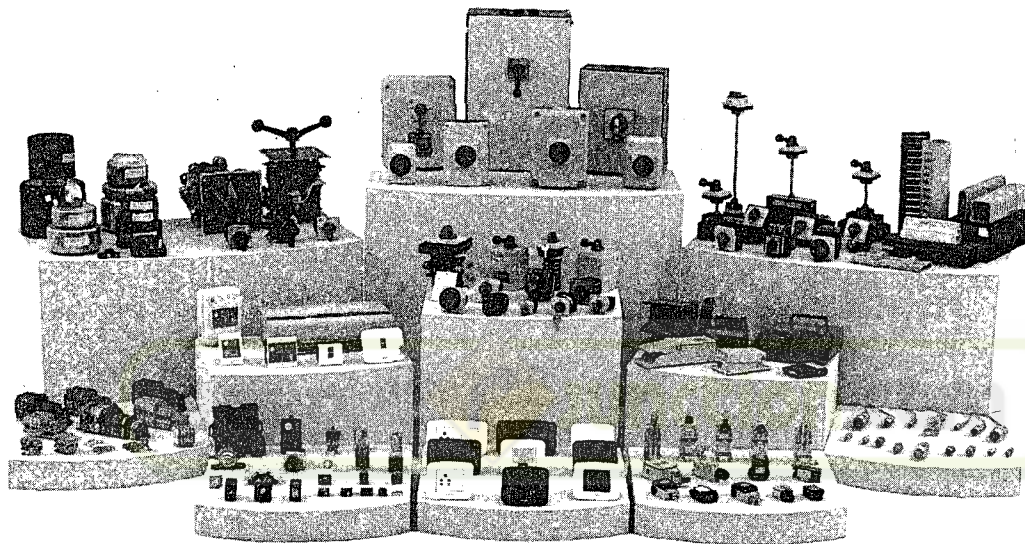


salzer



Switch on to the Best...

Salzer Electronics Limited
2006 - 2007 Annual Report

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22nd ANNUAL GENERAL MEETING

Day : Saturday
 Date : 25.08.2007
 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
 Mr. Ajit Singh
 Mr. T.S. Venkatesan

**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.

Internal Auditors

M/s. Swamy & Ravi,
 Chartered Accountants,
 N S R Road, Saibaba Colony, Coimbatore - 641 011.

**Registrars &
Share Transfer Agents
(Physical & Demat)**

GNSA Investor Services Pvt.Ltd
 No.11, G R Mansion, Srinivasan Road,
 Pandya Bazar, T.Nagar, Chennai - 600 017

Listing Arrangements

The Stock Exchange, Mumbai,
 Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.

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

Registered Office

Samichettipalayam (PO),
 Jothipuram (Via), Coimbatore - 641 047.

SALZER ELECTRONICS LIMITED**salzer**

Highlights

- ❖ Formed in 1985, we have more than 20 years track record of success.
- ❖ ISO 9001 – 2000 – certified company – consistently maintained for the last 11 years.
- ❖ All our Products are internationally certified by UL(Underwriters Laboratories Inc), CSA (Canadian Standards Association), VDE (Association of German Electrical Technologists) and CE (Conformite Europeane) recognition of our Quality.
- ❖ Market Leader in Rotary Switches business with 40% market share.
- ❖ Largest producer of Rotary Switches & Cable Ducts (Wiring Channels) in ASIA.
- ❖ One among the first few companies to comply with RoHS Directive for European markets.
- ❖ Collaboration with M/s.Plitron Manufacturing Inc., Toronto, Canada for Toroidal Transformers.
- ❖ More than 20% of the production is exported. Another 20% sales have deemed Exports status.
- ❖ Salzer is the only approved supplier for Nuclear Power Corporation for Rotary Switches.
- ❖ Largest Supplier to Indian Railways.
- ❖ Marketing Tie-up with M/s.L&T Ltd, for the Indian Market – Gives access to more than 300 Dealers through the length and breadth of India.
- ❖ Association with M/s.Crompton Greaves Limited for Exports – Salzer products are available in more than 35 countries.
- ❖ In house R&D team of more than 15 Engineers. R&D Center recognized by the Ministry of Science & Technology, Department of Scientific and Industrial Research, Govt. Of India.
- ❖ Fully equipped Modern Tool Room facility available in house. This helps in quick development of new products.
- ❖ Hi-tech Type-testing Laboratory for testing of product upto 200 amperes has been created in the factory.

SALZER ELECTRONICS LIMITED**salzer****GREEN COMPANY**

RoHS Compliance – Salzer is one among the first few companies to comply with RoHS Directive. Presently All products manufactured by Salzer complies with European Directive for RoHS (Restriction Use of Hazardous Substances).

To protect human health and preserve the environment, the European Union adopted the RoHS Directive 2002/95/EC on January 27, 2003, limiting the use of dangerous substances in certain kinds of Electrical and Electronic Equipment (EEE) available in the European market from 1st July 2006. The Hazardous Substances are: Lead, Mercury, Cadmium, Hexavalent chromium, Polybrominated biphenyls (PBB), Polybrominated diphenyl ethers (PBDE)

Business effects: Only a very small part of our offering is directly covered by the Directive, but a wider part is indirectly affected like the components that are finally built-into equipment/finished products that are covered within the scope of the Directive.

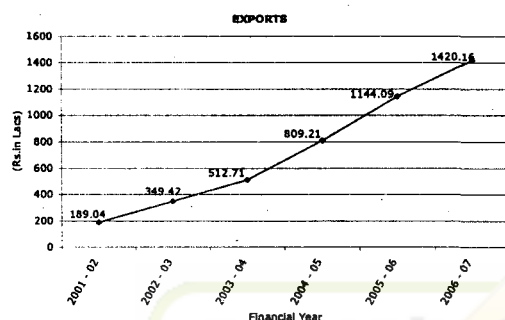
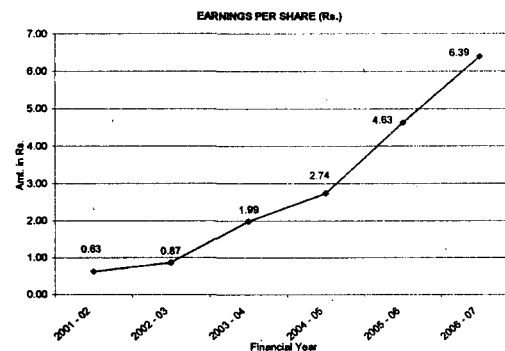
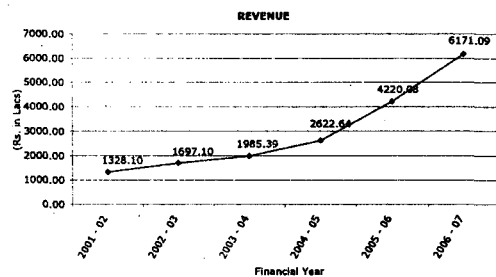
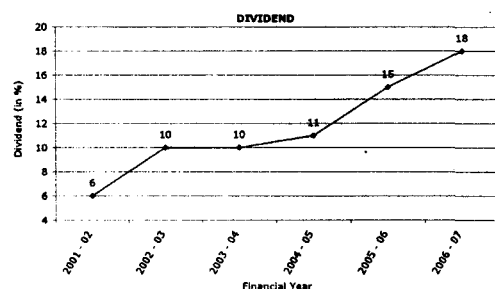
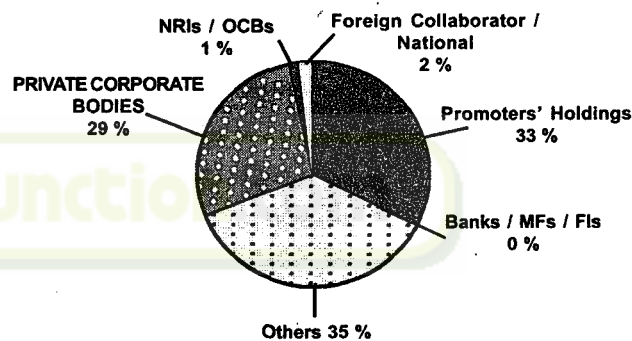
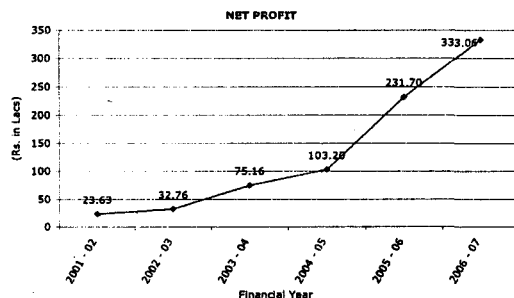
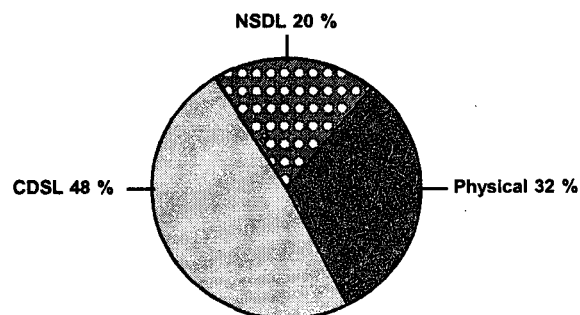
Complying with this Directive is a condition of access to European markets: the Directive has been or will be transcribed into applicable law in every Member State, to be applied without modification. No product that comes under the scope of the Directive and containing one of the six identified substances can be put on the market in Europe after July 1, 2006, regardless of where it is made. If however the product was already on the market prior to this date, it is unaffected by these measures and can therefore continue to be sold.

Some exemptions have been granted because, to date, no substitute materials are available. For example: lead in the glass used for cathode ray tubes.

The list of exemptions will be modified to adapt to scientific and technical progress.

The RoHS Directive applies to the equipment in the following categories:

- Large household appliances
- Small household appliances
- IT and telecommunications equipment
- Consumer equipment
- Lighting equipment (including electric light bulbs and household light fixtures)
- Electrical and electronic tools, except large-scale stationary industrial tools
- Toys, leisure and sports equipment
- Automatic dispensers

SALZER ELECTRONICS LIMITED**salzer****DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2007****DEMATERIALISATION OF SHARES IN %**

SALZER ELECTRONICS LIMITED**salzer****FINANCIAL HIGHLIGHTS**

Particulars	Rs. in Lakhs					
	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Revenue	6171.09	4220.08	2622.64	1985.39	1697.10	1328.10
Earnings before Depreciation, Interest and Taxation	912.76	719.86	386.24	296.63	211.03	199.82
Interest , Depreciation and Provisions for Taxation	579.70	488.16	282.74	221.48	178.27	176.19
Profit after taxation	333.06	231.70	103.50	75.16	32.76	23.63
Equity Dividend %	18.00	15.00	11.00	10.00	10.00	6.00
Dividend Payout	93.78	57.36	41.56	37.78	37.78	22.67
Equity Share capital	521.00	500.00	377.83	377.83	377.83	377.83
Reserves and Surplus	2312.13	2039.26	1040.15	1086.67	1054.14	1063.99
Networth	2833.13	2515.00	1415.22	1433.49	1397.58	1404.06
Earning Per share (Rs.)	6.39	4.63	2.74	1.99	0.87	0.68
Book Value Per share (Rs.)	54.38	50.30	37.46	37.94	36.99	37.16
Debt Equity Ratio	1.80:1	1.86:1	2.37:1	1:1	0.75:1	0.06:1
Netprofit Margin %	5.40	5.49	3.97	3.79	1.93	1.77
Return on Networth %	11.76	9.20	7.31	5.24	2.34	1.68

SALZER ELECTRONICS LIMITED**salzer****NOTICE OF THE 22nd ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 22nd Annual General Meeting of the Shareholders of the Company will be held on Saturday the 25th August, 2007 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, 2007 and the Balance Sheet as at March 31, 2007 and the Auditor's Report thereon.
2. To declare a dividend on equity shares for the year 2006-2007.
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.Dhamodharaswamy, 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 Statutory Auditors and fix their remuneration - M/s.JDS Associates, the retiring Statutory Auditors are eligible for re-appointment.

SPECIAL BUSINESS :

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

RESOLVED THAT pursuant to Sec.257 of the Companies Act, 1956, Mr.Ajit Singh, who was inducted into the Board as an Additional Director 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.

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

RESOLVED THAT pursuant to Sec.257 of the Companies Act, 1956, Mr.T.S.Venkatesan, who was inducted into the Board as an Additional Director 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.

11. **To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:**

RESOLVED THAT the following articles be added after Article 48(A) relating to power to the company in general meeting to issue shares to the employees under the Employees Stock Options Scheme / Employees Stock Purchase Scheme and issue of Sweat Equity.

- 48B. The Company may, from time to time, frame a scheme by name, Employees Stock Options Scheme in consonance with the SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines and applicable Provisions of the Companies Act, 1956, Rules and other Regulations being issued thereof, as amended / modified / revised and in force, from time to time and offer, with the approval of the shareholders, stock options to the permanent employees, a director of the company, whether whole time director or not and employees of the subsidiary company, in India or out of India or of a holding company of the company with the rights (but not an obligation) to subscribe at a later date, securities offered by the company.
- 48C. For Administration and Management of the Stock Options, a Committee by name, Compensation Committee of the Board of Directors may be constituted by the Board of Directors of the Company. Such committee would consist of majority of the Independent Directors.
- 48D. The Compensation Committee shall, inter alia, formulate the detailed terms and conditions of the Employees Stock Option Scheme including (a) the quantum of the options to be granted under an Employees Stock Option Scheme/ Employees Stock Purchase Scheme per employee and in aggregate, (b) the conditions under which options vested in the employees may lapse in case of termination of employment for misconduct (c) the exercise period within which the employee should exercise the options and that option would lapse on failure to exercise the options within the exercise period (d) the specified time period within which the employee shall exercise the vested options in the event of the termination or resignation of an employee (e) the right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period and (f) such other functions as specified in the Guidelines and reference to the terms and conditions specified by the Board of Directors from time to time.

SALZER ELECTRONICS LIMITED**salzer**

- 48E. The Company may, from time to time, frame a scheme by name, Employees Stock Purchase Scheme in consonance with the SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines and applicable Provisions of the Companies Act, 1956, Rules and other Regulations being issued and in force from time to time thereof and offer, with the approval of the shareholders, shares to the permanent employees, a director of the company, whether whole time director or not and employees of the subsidiary company, in India or out of India or of a holding company of the company with the rights (but not an obligation) to subscribe at a later date, securities offered by the company.
- 48F. The Company may, from time to time, issue and allot sweat equity shares to the permanent employees, a director of the company, whether whole time director or not and employees of the subsidiary company, in India or out of India or of a holding company of the company with the rights (but not an obligation) to subscribe at a later date, securities offered by the company for providing their intellectuals or technical know how to the company, contributions made by them for the growth and development of the company, in accordance with SEBI (Issue of Sweat Equity) Regulations, 2002 and applicable Provisions of the Companies Act, 1956 and other allied Rules and Regulations, thereof, as amended or modified or revised and in force from time to time.

For and On behalf of the Board

Place : Coimbatore

(Sd/-) R.DORAISWAMY

Date : 28.06.2007

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 14th August, 2007 to 25th August 2007 (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 Registrar and Share Transfer Agent M/s. GNSA Investor Services Private Limited, No.11, G R Mansion, Srinivasan Road, Pandya Bazar, T.Nagar, Chennai – 600 017.
6. The Shares of your Company are dematerialised in Central Depository Services (India) Ltd (CDSL) and National Securities Depository Ltd (NSDL) under ISIN No.: **INE457F01013**. The shareholders have the option to hold their shares either in physical form or in dematerialised form.
7. The Company has, pursuant to Section 205 of the Companies Act, 1956 to transfer the dividend amount, lying unclaimed for 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 & 2005-2006 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, No.11, G R MANSION, Srinivasan Road, Pandya Bazar, T.Nagar, Chennai – 600 017.

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

Mr.P.S.SANTHANAKRISHNAN :

Mr.P.S.Santhanakrishnan, is a former Chairman of the State Bank of Mysore and is having a vast and wide experience in financial aspects. He is a Non-executive, part time Chairman of the Salzer Electronics Limited for the last Seventeen years and with his vast experience in the financial aspects and expertise, he has been contributing for the growth of the company all these years in all its sphere. He is a Director of M/s.Ruchi Soya Limited, Mumbai, M/s.National Steel Limited, Indore, M/s.Ruchi Strips & Alloys Limited, Indore, M/s.Ruchi Infrastructure & Fin Ltd Mumbai, M/s. M.P.Glychem Industries Limited, Indore.

Mr.R.DAMODHARASWAMY :

Mr. R.Damodharaswamy, 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 M/s.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.

SALZER ELECTRONICS LIMITED**salzer****Mr.P.K.SHAH :**

Mr.P.K.Shah, is basically a business man and financier for the last more than 3 decades in Bangalore. He is associated with Salzer Electronics Limited for the last 19 years and his business acumen and expertise in financial aspects contributed for the growth of the company all these years. He is a Director of M/s.Sasta Business form Pvt. Ltd. He is also a Partner of M/s.Suk Electronics and Proprietor of M/s.Jayashree Industrial Accessories.

Mr.L.VENKATAPATHY :

Mr.L. Venkatapathy was the Chief Executive Officer of one of the leading Textile Machinery Manufacturer in the South viz., Textool Company Ltd, Coimbatore. He is associated with Salzer Electronics Limited for the last 19 years as a Director. He has a vast expertise in General Management and Administration as well as in depth knowledge in finance, which helped the company in its growth. He is a Director of M/s.Subashree Developers & Builders Ltd, Coimbatore and M/s.Western Electronics Pvt. Ltd, Coimbatore.

Mr.V.SANKARAN

Mr.Sankaran holds a Master's Degree in Commerce and is an Associate Member of both the Institute of Cost & Works Accountants of India and the Institute of Company Secretaries of India. He also holds a Postgraduate Diploma in Management Accounting from Jannalal Bajaj Institute of Management Studies, Bombay (University of Bombay).

Mr.Sankaran is well known in the Financial Services Industry. He has over 35 years of experience in reputed companies in various areas of Finance and General Management. He has held the position of Co-Chairman of Equipment leasing Association (India) Ltd and he was the Convener of Chennai Chapter of Association of Merchant Bankers of India.

Mr.Sankaran is a director of M/s.Salzer Electronics Limited, M/s.Munoth Financial Services Ltd and M/s.Munoth Communications Ltd.

Mr. AJIT SINGH

Mr.Ajit Singh, basically an Electrical Engineering Graduate from IIT, Kharagpur with wide experience of about 32 years to his credit. He joined M/s.L & T Ltd, an Engineering Giant of our country, during 1975 and grown along with the organization and held various positions in M/s.L & T Ltd. Presently, Mr.Ajit Singh is Vice President (Electrical Standard Products) of M/s. L & T Ltd, since June 2006.

Mr. T.S.VENKATESAN

Mr.T.S.Venkatesan, is basically a Commerce Graduate from University of Madras and an associate member of the Institute of Cost and Works Accountants of India (AICWA). He has joined M/s. Engineering Construction Corporation Ltd, a subsidiary of M/s.L & T Ltd, an Engineering Giant of our country, which has been subsequently merged with M/s. L & T Ltd in April 1991 and has grown along with the organization by holding various positions in M/s.L & T Ltd. He has got wide experience and expertise in Finance and Accounts as well as Management. Presently, he is working as a General Manager (Corporate M&A Cell) since November 2006. He had also served as a member of the Expert Committee of Madras Chamber of Commerce and the Construction Federation of India.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.**Item Nos: 9 & 10**

With the approval of the shareholders at their Extraordinary General Meeting on 28.03.2007, the company has issued and allotted 915808 equity shares of Rs.10/- i.e., 14.95% stake holding to M/s.L & T Capital Company Ltd, an investment arm of M/s.L & T Ltd, Mumbai. M/s.L & T Capital Company Ltd subscribed for the equity stake of the company through preferential basis on private placement, on the understanding that M/s.L & T Capital Company Ltd is entitled to have their nominees on the Board of Directors of the Company. Accordingly, M/s.L & T Capital Company Ltd has nominated Mr.Ajit Singh, Vice President (Electrical Standard Products) and Mr.T.S.Venkatesan, General Manager (Corporate M & A Cell) of M/s.L & T Limited.

Accordingly, pursuant to provision of Sec.260 of the Companies Act, 1956 and Article 78 of the Articles of Association of the company, your company has inducted Mr.Ajit Singh and Mr.T.S.Venkatesan, as additional Directors on the Board of Directors of the company in its meeting held on 28.03.2007.

Mr.Ajit Singh, basically an Electrical Engineering Graduate from IIT, Kharagpur with wide experience of about 32 years to his credit. He joined M/s.L & T Ltd, an Engineering Giant of our country, during 1975 and grown along with the organization and held various positions in M/s.L & T Ltd. Presently, Mr.Ajit Singh is Vice President (Electrical Standard Products) of M/s. L & T Ltd, since June 2006.