

SAMTEL INDIA LIMITED

SAMTEL INDIA LIMITED

BOARD OF DIRECTORS	O.P. Gupta (Chairman till 29.06.2001) Satish K. Kaura Managing Director (Elected as Chairman w.e.f. 31.07.2001) C.K. Hazari D. Ahuja D.P. Dass Om Wadhwa V.P. Hari Dr. R.N. Sharma (Appointed as Additional Director w.e.f. 31.07.2001)	
COMPANY SECRETARY	Sharda Trivedi	
AUDITORS	A.F. Ferguson Associates Chartered Accountants, New Delhi	
BANKERS	Punjab National Bank, New Delhi Standard Chartered Bank, New Delhi SBI Commercial & International Bank Ltd., Mumbai	
REGISTERED OFFICE	Plot No. SPA 503 RIICO Industrial Area Bhiwadi - 301 019 Distt. Alwar (Rajasthan)	
CORPORATE OFFICE	52, Community Centre New Friends Colony New Delhi - 110 065 Phone No. 6842791; Fax No. 6837534	
WORKS		
<u>Picture Tube Division</u>	Plot No. SPA 503 RIICO Industrial Area Bhiwadi - 301 019 Distt. Alwar (Rajasthan)	
<u>Multimedia Division</u>	Plot No. 12/1, Opp. Sector-37 Faridabad-121003 (Haryana) and R.S. No-5/3, Vadamangalam Village, Villianur Commune, Pondicherry.	
<u>Deflection Yoke Division</u>	Plot No. 6, Sector 2, Industrial Area Parwanoo - 173 220, Himachal Pradesh	
SALES OFFICES	4, Chandrashekharan Street Mandavali, Chennai - 600 028 25/4, Nicholson Road, Tarbund Secunderabad-500 003 203, Balarama Bandra Kurla Complex (Near Drive in Cinema) Bandra (E), Mumbai - 400 051	B-17, Sector 7 NOIDA-301 201 (U.P.) 28, Hara Chand Mallick Street Calcutta-700 005
REGISTRARS AND SHARE TRANSFER AGENTS	MCS Limited Sri Venkatesh Bhawan 212-A, Shahpur Jat New Delhi - 110 049 Phone No. 6494830, 6494831, Fax No. 6494152	

CHAIRMAN'S COMMUNIQUE

Many countries in the world have moved into a phase of economic slowdown in the past few months. This slowdown has adversely affected all the major economies including the Indian economy. GDP growth in India during the last financial year thus declined to 5.2% as against 5.9% growth in the previous financial year, mainly on account of a negative four percent growth in the Agriculture sector. The negative growth in the rural economy adversely affected the demand for manufactured goods which in turn led to a slowdown in Industrial activity in the country.

The Black and White television industry declined by 18% during the last financial year. Your company's picture tube division which manufactures picture tubes for the black and white TV Industry took further steps to restructure costs including manpower rationalisation and is now better positioned to meet the challenges ahead. The division is now profitable again.

The demand for color television sets which is catered to by the deflection yoke division of your company was itself impacted by the slowdown in the Indian economy in the second half of the financial year 2000-01 registering a modest growth of 5.5% during the year. Despite the slow down of the color television industry the deflection yoke division succeeded in increasing its sales of deflection yokes to 14.81 lac nos from 12.19 lac nos in the previous year. The division is expanding its product range by developing new deflection yokes and taking steps to expand its customer base both in the domestic and export markets to build volumes which should improve its profitability.

While the demand for personal computers (PCs) for which your company manufactures monitors witnessed a growth of 34% during the last financial year, your company's sales of color monitors grew by 66% to touch a level of 166 K Nos during the previous year. The division has expanded capacity by setting up its second unit at Pondicherry, a lower cost area, with a capacity of 240000 nos of monitors per annum on a single shift basis. However, there was a setback as prices of monitors crashed in the second half of the last financial year leading to build up of inventories with consequent affect on operating margins. In the current financial year, this division is taking steps to build up sales volumes to utilise the company's production capacity more fully by strengthening its marketing and distribution networks.

Your company's profitability from operations remains a matter of concern. However with the anticipated growth in the sales volumes of deflection yokes and computer monitors and the cost restructuring achieved in the picture tube division in the past years, we expect that the company shall succeed in its efforts in generating operating profits from now onwards.

Your company has become a potentially sick company under section 23 of the Sick Industrial Companies Act, 1985 (SICA) as more than 50% of the peak net worth during the immediately preceding four financial years stands eroded as at the end of the year under review. The directors have decided to call a separate general meeting of the members of the company for considering such erosion in accordance with the provisions of Section 23 of the SICA, 1985.

Samtel has always endeavored to be a transparent and accountable corporate citizen. Your Board is focussed on good corporate governance and is continuously working towards achieving this objective.

I sincerely appreciate the support provided by you to the management of the company.

SATISH KAURA

NOTICE

Notice is hereby given that the Nineteenth Annual General Meeting of the Members of Samtel India Limited will be held on Monday, the 24th September, at 4.00 P.M. at Samtel Colony, SPA 501 'A', RIICO Industrial Area, Bhiwadi, Distt. Alwar, Rajasthan to transact the following businesses :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2001 and the Balance Sheet as at that date and the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Om Wadhwa who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. D.P. Dass who retires by rotation and being eligible offers himself for reappointment.
4. To appoint M/s A.F. Ferguson Associates, Chartered Accountants as Statutory Auditors, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT Dr. R.N. Sharma who was appointed as an Additional Director with effect from 31st July 2001 by the Board of Directors and who holds office under section 260 of the Companies Act, 1956, upto ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing under section 257 of the Companies Act, 1956, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation".

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

"RESOLVED THAT in accordance with the provisions contained in the Articles of Association and Section 81 (1A) and/or other applicable provisions of the Companies Act, 1956, ("the Act") and/or the provisions contained in the Securities and Exchange Board of India (Employee Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 ("the Guidelines") (including any statutory modification(s) or re-enactment of the act or the guidelines for the time being in force) and/or subject to such other approvals, permissions and sanctions as may be necessary and/or subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board") which term shall be deemed to include any committee including Compensation Committee which the Board may constitute to exercise its powers, including the power conferred by this resolution, the consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot and vesting at any time to or for the benefit of such person(s) who are in the permanent employment of the Company, including Directors of the company, whether working in India or out of India, or whether an existing shareholders of the company or not under a scheme "Employees Stock Option Scheme" (hereinafter referred to as "ESOS" or "Scheme") such number of equity shares and/or equity linked instruments (including options), equity shares issued through American Depository Receipt ("ADRs") and/or Global Depository Receipts ("GDRs") and/or any other instruments or securities (hereinafter collectively referred to as "Securities") of the Company which

could give rise to the issue of equity shares not exceeding 5% of the issued equity share capital of the company as on 31st March, 2001, at such price, in one or more tranches and on such terms and conditions as may be fixed or determined by the Board in accordance with the guidelines or other provisions of the law as may be prevailing at that time.

RESOLVED FURTHER THAT the said securities may be allotted directly to such Employees/Directors or in accordance with the scheme framed in that behalf through a trust or otherwise which may be set up in any permissible manner and that the scheme may also envisage for providing any financial assistance to the trust to enable the employee/trust to acquire, purchase or subscribe to the securities of the company.

RESOLVED FURTHER THAT the new Equity Shares to be issued and allotted by the company in the manner aforesaid shall rank pari-passu in all respects with the then Existing Equity Shares of the company except that they shall be entitled for dividend on pro-rata basis from the date of allotment till the end of the relevant financial year in which the new Equity Shares are allotted.

RESOVLED FURTHER THAT for the purpose of giving effect to any creation, offer, issue, allotment, vesting or listing of securities the Board be and is hereby authorised on behalf of the company to evolve, decide upon and bring into effect the scheme and make such modifications, changes, variations, alterations or revisions in the said scheme from time to time or to suspend, withdraw or revive the scheme from time to time as may be specified by any statutory authority and to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit or necessary or desirable for such purpose and with power on behalf of the company to settle any questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the Members of the Company.

Registered Office :
Plot No. SPA 503
RIICO Industrial Area
Bhiwadi - 301019

By Order of the Board

Dated : 31st July, 2001

Sd/-
Sharda Trivedi
Company Secretary

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NOTES

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and such a proxy need not be a member. The instrument appointing proxy should, however, be deposited at the Registered Office/Corporate Office of the Company not less than forty eight hours before the commencement of the meeting.
2. Members/Proxies should bring the Attendance Slip duly filled in for attending the Meeting.
3. Register of Members and Share Transfer Books of the Company will remain closed from September 17th, 2001 to September 24th, 2001 (both days inclusive).
4. All documents referred to in the accompanying Notice are open for inspection at the Registered Office/Corporate office of the Company during office hours on all working days, except Saturdays, and holidays, between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.
5. Members are requested to notify promptly any change in their addresses to the Company's Registered Office or to the Share Transfer Agent M/s MCS Ltd., Shri Venkatesh Bhawan, 212-A Shahpur Jat, New Delhi-110049.
6. Pursuant to the provision of section 205A of the Companies Act, 1956 as amended, dividend for the financial year ended 31st March, 1996 and thereafter, which remains unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund of the Central Government. The Shareholders who have not claimed dividend so far for the financial year ended 31st March, 1996 are requested to make their claim to the Company. It may also be noted that once the unclaimed dividend is transferred to the Central Government, as above, no claim shall lie in respect thereof.
7. Appointment/Re-appointment of Directors :

At the ensuing Annual General meeting, Mr. Om Wadhwa, Director and Mr. D.P. Dass, shall be retiring by rotation and being eligible, offer themselves for reappointment. Mr. Satish K Kaura, Managing Director has been elected as Chairman of the Company with effect from 31st July, 2001. The information or details as required to be provided for the aforesaid Directors/Managing Director under Corporate Governance code are as under :

- (a) Mr. Om Wadhwa, aged 70 years, has been one of the foremost Director of the Company since 1987. He is a renowned Industrialist having his own business of manufacturing and export of electronic components. He is a MBA from US University. He is presently in the Board of Electronics Components Industries Association (ELCINA) and has also served as President. He is Chairman of JV Electronics Pvt. Ltd and Olympia Electronics Ltd.
 - (b) Mr. D.P. Dass, aged 62 years, has been one of the foremost Director of the Company since 1983. He is a distinguished lawyer having his own law consultancy firm in India and overseas.
 - (c) Dr. R.N. Sharma, aged 77 years has had a long and distinguished career as a Chairman of Coal India Limited. He has retired as Director of Tata Iron & Steel Company Limited.
 - (d) Mr. Satish K Kaura, aged 57 years, graduated from IIT Kanpur and has Masters in Electronics from Carleton University, Canada. Having gained valuable experience in North America, he returned to India in 1973 to set up the Samtel Group of Companies. He has been the past President of the Board of Electronics Components Industries Association (ELCINA) and CII (Northern Region). He was given the distinguished Alumni Award by IIT, Kanpur in 1989 in recognition of his outstanding entrepreneurial efforts. ELCINA honoured Mr Satish K Kaura with the 'Electronics Man of the Year' award in 1988 and CETMA conferred on him 'Man of Electronics Award' for the year 1996. He is also a Managing Director/Director in other companies viz. Samcor Glass Limited, Samtel Color Limited, Centurion Bank Limited, Paramount Capfin Leasing (P) Limited, Blue Bell Trade Links (P) Limited, Parsec Technologies India (P) Limited, and Samtel Display Limited.
8. Shareholders are requested to kindly bring their copies of Annual Report to the meeting.
 9. Any queries relating to Accounts must be sent to the Company atleast 10 days before the date of the meeting.

Explanatory Statement under Section 173(2) of the Companies Act, 1956**ITEM NO. 5**

In the meeting of the Board of Directors of the Company held on 31st July, 2001 Dr. R.N. Sharma has been appointed as an Additional Director with effect from 31st July, 2001. Pursuant to section 260 of the Companies Act, 1956, his term shall be expiring on 24th September, 2001 i.e. Date of Annual General Meeting. The Company has received notice under section 257 of the Companies Act, 1956 proposing the appointment of Dr. R.N. Sharma, as a Director of the Company liable to retire by rotation.

None of the Directors, except Dr. R.N. Sharma, may be deemed to be interested or concerned in the resolution.

ITEM NO.6

The exponential growth of the Company in the past has in large measure been possible owing to the whole hearted support, commitment and team work of its employees. The Company has been desirous of finding means to allow its employees to participate in its growth, through an appropriate mechanism.

Stock options have long been recognised internationally, as an effective instrument, to align the interest of employees with those of the company, and its shareholders, provide an opportunity to employees to share in the growth of the company, and create long term wealth in the hands of the employees. Stock option create a common sense of ownership between the company and its employees, paving the way for a unified approach to the common objective of an enhancing overall shareholders value.

Stock Options provide for tax efficient, performance linked rewards to employees, and serve as an important means, to attract retain and motivate the best available talent of the company.

The Securities and Exchange Board of India (SEBI) has now introduced a comprehensive an internationally comparable set of regulations known as SEBI (Employees Stock Option Scheme and Employees Stock Purchase System) Guidelines, 1999. The New regulations have removed the constraints imposed by the earlier laws and have provided a conducive environment for the implementation of an employee stock option plan.

The Company proposes to introduce the Stock Option Scheme for the benefit of the permanent employees of the company, group companies, its directors and/or such other persons or entities as may be prescribed by SEBI from time to time, and in accordance with the provisions of prevailing regulations.

SALIENT FEATURES OF THE SCHEME**Shares subject to the Scheme**

The maximum number of options granted to any eligible employee in a financial year shall not exceed 1% of the issued equity shares of the company at the time of grant of the option and the aggregate of all such options granted to all the eligible employees shall not exceed 5% of the aggregate number of equity shares.

Administration of the Scheme

The Scheme shall be administered by the Committee and unless otherwise expressly provided in the scheme or applicable laws, all decisions, determinations and interpretations of the committee with respect to the scheme or award confirmation or vesting confirmation shall be final, conclusive and binding upon all the persons including the company, participants, shareholders and employees.

Eligibility for grant of Option

Eligible employee means a permanent employee or a whole time Director of the Company. In determining the eligible employee to receive an option as well as in determining the number of options to be granted to a participant, the committee may consider the positions and responsibilities of the eligible employee's service and accomplishments, performance, merit, present and potential contribution and conduct of the eligible employee and such other factors as a committee may deem relevant.

Vesting of Option

The options granted to the participant may vest at one time or at various points of time subject to terms and conditions as stipulated in the award confirmation which may include satisfactory performance of the employee and their continued employment with Company unless such employment is discontinued on account of death, permanent/total disability or on retirement. Provided, however, there shall be a minimum period of one year between the grant of options and vesting of options. Unless earlier vested, expired, surrendered, forfeited or otherwise terminated each option shall expire in its entirety upon the sixth anniversary of the date of grant of option.

Exercise of Option

The Committee shall prescribe the period and the exercise period (in terms of number of days / years). Each exercise of the option is permitted during each relevant exercise period and if not exercised in whole or in part, as the case may be, the same shall lapse upon the expiry of the relevant exercise period.

Offer price, Payment Schedule, Lock in Period and Rights of Shareholder

The Committee shall decide the offer price for every option under the scheme. The Shares subscribed under the scheme shall be subject to the Lock in Period as determined by the Company from the date of transfer thereof upon exercise by the employee.

During the Lock in Period the employee shall be entitled to all the rights and benefits as a shareholder under the Memorandum and Articles of Association of the Company but subject to the provisions of the scheme.

Effective and Expiry Dates

The scheme shall be effective as of the date of its approval by the Shareholder of the Company and expire on such date as may be notified by the Board of Directors of the Company.

The Company will conform to the accounting policies in relevant Clause of the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 and/or such other guidelines as may be applicable from time to time.

As the scheme will entail further shares to be offered to persons other than existing shareholders of the Company, consent of the members is sought pursuant to the provisions of Section 81 (1A) and all other applicable provisions if any of the Act. The Board/Committee shall have the absolute authority to vary or modify the terms herein in accordance with any guidelines or regulations that may be issued by any appropriate authority unless such variation, modification or alteration is detrimental to the interests of the employees (including whole time Directors).

None of the Directors of the Company is, in any way concerned or interested in the resolution, except to the extent of the Securities that may be offered to them under the scheme.

Your Directors, therefore, recommend the resolution to be passed as a Special Resolution by the Members.

Inspection of Documents

The material documents referred to hereinabove will be open for inspection by the Members at the Regd. Office of the Company on all working days from the date hereof upto the date of meeting during business hours.

Registered Office :
Plot No. SPA 503
RIICO Industrial Area
Bhiwadi-301019

Dated : 31st July, 2001

By Order of the Board

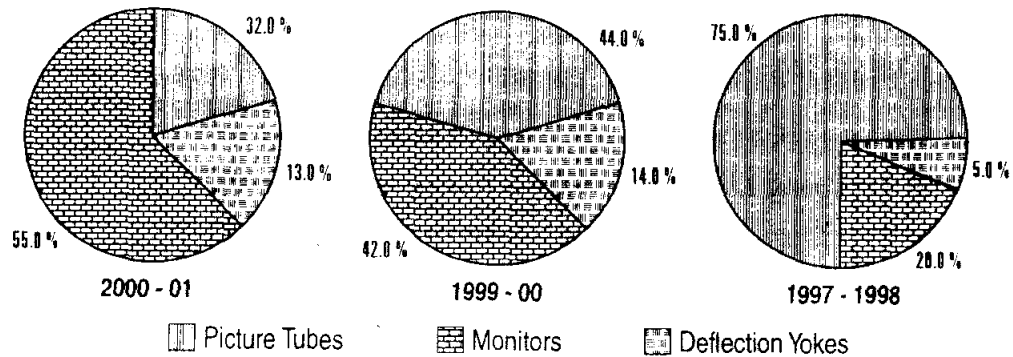
Sd/-
Sharda Trivedi
Company Secretary

BUSINESS ANALYSIS

Your Company has three business divisions namely, Picture Tube Division, Multi-Media Division and Deflection Yoke Division manufacturing Picture Tubes for Black & White television Industry, Computer Monitors and Deflection Yokes for Color TV Picture Tube Industry, respectively.

Your Company's sales turnover mix continues to change with the share of the Multimedia division and deflection yoke division growing whereas the share of Picture tube division continues to decline.

BUSINESS MIX



PERFORMANCE REVIEW AND OUTLOOK

A brief review of the operations of Picture tube division, Multimedia division and Deflection yoke division is given below.

Picture Tube Division

The Picture tube division manufactures picture tubes for black & white televisions and monochrome monitors at Bhiwadi, Rajasthan.

The market for black & white television sets declined by 18% during the year to 4.4 million Nos. from 5.4 million Nos. per annum in the previous year. Declining demand and excess black & white tube manufacturing capacity in the country has created severe competition resulting in decline in quantities sold during the year.

The sales of the Picture tube division, therefore declined to Rs. 61 crores during the year in comparison with previous year sale of Rs. 73 crores. In order to meet the situation to reduce losses created by the falling demand & margin of profit, the division took cost reduction measures including manpower rationalisation.

Multimedia Division

The Multimedia Division is engaged in manufacture of Color and Monochrome Monitors at Faridabad, Haryana. The division has set up its second unit at Pondicherry to cater to the customers located in Southern India.

The sale of Multimedia division increased to Rs. 105 crores from Rs. 68 crores in the previous year registering a growth of 55%. This was achieved mainly due to growth in color monitor segment where its volume grew by 66% as against market growth of 36%. This growth was achieved by aggressive marketing in both the OEM segment and the retail market.

The monitor market increased to 1.75 million nos per annum from 1.3 million nos per annum in the previous year registering a growth of 35%. While the first half of the year showed substantial growth, the sales in the second half of the financial year witnessed unexpectedly, a sharp slowdown. This sudden development led to the build up of inventories with all major players resulting in declining prices and operating margins in the second half of the year.

Deflection Yoke Division

This division manufactures deflection yokes for use in colour picture tubes at Parwanoo, Himachal Pradesh. A major part of production is sold to Samtel Color Limited, an associated Company.

The color picture tube market did not witness any significant growth during the year under review. The division was, however, able to increase its volumes to 14.81 lakh nos from 12.19 lakh nos, with sales recording an increase to Rs. 25 crores as against Rs. 23 crores in the earlier year.

OUTLOOK

Picture Tube Division

The market for Black and White TVs is expected to decline further during the year 2001-2002 by 10% to 4 million nos. due to falling demand. Serious efforts to explore new markets abroad including Russia and China are continuing to utilise the existing manufacturing capacity better.

Multimedia Division

The monitor market is expected to continue to grow at 25%-30% per annum for the next few years, driven primarily by growth in Internet, service sector and e-commerce. The Company's brand has emerged as one of the three top brands on which this division depends for sale of its products. It shall continue to focus on building volumes by further strengthening its marketing and distribution networks. Operating margins are showing signs of improvement.

Deflection Yoke Division

The color picture tube market on which this division depends for sales of its products, after depletion of accumulated inventories built up with color TV manufacturers in the previous year 2000-2001 is expected to show modest growth estimated at apprx. 10%.

This division in order to widen its product range has developed deflection yokes for 20" color picture tubes which is expected to generate additional volumes. It has also succeeded in obtaining product approvals for exports from a major customer in South East Asia which should generate more export orders.

The division has also been successful in expanding customer base and has got product approvals from major domestic customers. It, therefore, anticipates substantial growth in volumes and expects to continue to generate operating profits.

BALANCE SHEET ANALYSIS

Loans

A. Debentures

1. The Company has fully repaid debentures of Rs. 109.25 lacs during the year including prepayment of third instalment of 15% secured redeemable non convertible debentures of employees rights issue.
2. The Company received the balance subscription of Rs. 234 lacs during the year against the private placement of non-convertible secured debentures of Rs. 525 lacs issued in the previous year.
Out of the aforesaid debentures the company repaid a sum of Rs. 75 lacs due during the year reducing the balance at the end of the year to Rs. 450 lacs.

Term Loans

Term loans of Rs. 385 lacs were repaid during the year to the Financial Institutions. The balance stands at Rs. 795 lacs as on 31st March, 2001.

Other Loans (Unsecured)

The Company raised unsecured loans and Inter Corporate deposits of Rs. 605 lacs (net) during the year for meeting its working capital requirements. The balance at the end of financial year was Rs. 1768 lacs.

B. Fixed Assets

The Company has set up its second unit at Pondicherry to manufacture 240000 nos. of color monitor per annum on a single shift basis with a capital outlay of Rs. 105 lacs as referred to earlier.

C. Current Assets

The Current Assets as at 31st March, 2001 reduced from Rs. 4422 lacs in the previous year to Rs. 3966 lacs showing a fall of 10% during the year. This was achieved by better inventory management and strict monitoring and control over receivables.

The Current Assets turnover improved to 4.79 times as compared to 3.71 times in the previous year.