

TWENTY FOURTH ANNUAL REPORT 2005-2006



SAMTEL INDIA LIMITED

BOARD OF DIRECTORS	:	Mr. Satish K. Kaura (Chairman & Managing Director) Mr. C.K. Hazari Mr. D.P. Dass Mr. Om Wadhwa Mr. V.P. Hari Dr. R.N. Sharma
AUDITORS	:	M/s A.F. Ferguson Associates Chartered Accountants New Delhi
COMPANY SECRETARY	:	Shamsher Singh
BANKERS	:	Punjab National Bank
REGISTERED OFFICE	:	Village Naya Nohra Kota Baran Road Tehsil Ladpura - 324 001 Distt. Kota (Rajasthan)
CORPORATE OFFICE	:	52, Community Centre New Friends Colony New Delhi - 110 065 Phone No. (011) 26842791, 26832886; Fax No. (011) 26837534
WORKS	:	<u>Picture Tube Division</u> Plot No. SPA-503 RIICO Industrial Area Bhiwadi - 301 019 Distt. Alwar (Rajasthan)
SALES OFFICES	:	B-17, Sector 7 NOIDA-301 201 (U.P.)
REGISTRARS AND SHARE TRANSFER AGENTS	:	MCS Limited Sri Venkatesh Bhawan, W-40, Okhla Industrial Area, Phase-II, New Delhi - 110 020. Tele. : 011-41406149, 41406151-52 Fax : 41709881

CHAIRMAN'S LETTER

Dear Shareholders,

Your Company has continued to face a changing business environment during the Financial Year 2005-06. After the closure of the manufacturing operations for Black and White picture tubes, the company has commenced trading activities in color picture tubes on a modest scale. In the current year, 6816 color picture tubes, valuing Rs. 12087 thousands were sold by your Company. In addition to this, during the current year, dividend of Rs. 14807 thousands was earned from the investments held in the name of the Company.

The Company ended the financial year with a gross turnover of Rs. 34372 thousands as against Rs. 392347 thousands in the previous year ended 31st March, 2005.

Indian TV Market

The demand for Black and White television sets has declined to levels well below one million sets per annum. In the coming years, we expect that these sets will become obsolete as consumers shift to purchasing cheap colour televisions. Moreover, with diminishing economies of scale, the component base for Black and White televisions has more or less collapsed and become non-operational.

The color picture tube (CPT) industry witnessed an accelerated downward adjustment of about 18-20% in CPT prices in a span of less than 12 months in the international markets. This resulted in the global CPT sector experiencing deep restructuring. Capacities totaling to around 25 million units ceased operations in high cost locations, resulting in the CPT demand and supply scenario becoming more balanced. The depletion of capacities is creating more opportunities for high quality cost-competitive players like Samtel.

In the domestic market too, Samtel has witnessed a noticeable growth in its market share, from about 38% earlier to about 50% currently. Consumer preferences in the domestic market are also exhibiting a clear shift in favour of higher-end, large and flat picture tubes, where Samtel is the market leader and in case of 29-inch flat CPTs, the only manufacturer.

Future Plans

After the closure of the manufacturing operation for Black and White picture tubes, the Company has plans to set-up a facility for manufacturing metal parts for color television picture tubes at Kota (Rajasthan) and plans to be in production by the end of this year.

I would like to place on record my sincere thanks to the Board of Directors of your company for their continued guidance to the management of the Company and their relentless focus on the highest standards of corporate governance. Before concluding, I would like to thank all the stakeholders for their continued support and encouragement.

Yours truly,



Satish K. Kaura

NOTICE

Notice is hereby given that the Twenty Fourth Annual General Meeting of the members of Samtel India Limited will be held on Wednesday the 27th day of September, 2006 at 11.00 a.m. at its Registered Office at Village Naya Nohra, Kota Baran Road, Tehsil Ladpura, Distt. Kota-324 001, Rajasthan, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2006 and the Balance Sheet as at that date and the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Dr. R.N. Sharma who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Om Wadhwa, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint 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.

Registered Office:
Village Naya Nohra,
Kota Baran Road, Tehsil Ladpura,
Distt. Kota, Rajasthan

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By Order of the Board
For Samtel India Limited

Sd/-
(Shamsher Singh)
Company Secretary

Date : 16th June, 2006

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. Shareholders are requested to kindly bring their copies of Annual Report to the meeting.
3. Register of Members and Share Transfer Books of the Company will remain closed from 19th September, 2006 to 27th September, 2006 (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, W-40, Okhla Industrial

Area, Phase-II, New Delhi 110020. Members who hold share in demat form are requested to update their particulars with their respective depository participant.

6. Appointment/ Re-appointment of Directors:

At the ensuing Annual General Meeting, Dr. R.N. Sharma and Shri Om Wadhwa, Directors shall be retiring by rotation and being eligible, offer themselves for reappointment. The information or details to be provided for the aforesaid Directors under Corporate Governance code are as under:

- (a) R.N. Sharma, aged 82 years, has had a long and distinguished career as Chairman of Coal India Limited. He is on the Board of M/s. Eastern Corporate Links Services (P) Ltd., Datt Steels Ltd. and Eastern Signpacks Ltd. He is also a Chairman of the Audit Committee of your Company.
- (b) Shri Om Wadhwa, aged 76 years, has been one of the Directors of the Company since 1987. He is a renowned industrialist having his own business of manufacturing and export of electronic components. He is an MBA from a US University. He is Chairman of J.V. Electronics (P) Ltd. He is a Director in Olympia Electronics (P) Ltd., Metores Corporation (P) Ltd., Olympia Service Centre (I) (P) Ltd. and Kidstuff Promos & Events (P) Ltd. He is also a member of the Audit Committee of your company.

- 7. Any queries relating to Accounts must be sent to the Company at least 10 days before the date of the meeting.

Inspection of Documents

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

Registered Office:
Village Naya Nohra
Kota Baran Road
Tehsil Ladpura Distt. Kota (Rajasthan)

By Order of the Board
For Samtel India Limited

Sd/-
(Shamsher Singh)
Company Secretary

Date : 16th June, 2006

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

PERFORMANCE REVIEW AND OUTLOOK

The Company ended the financial year with a gross turnover of Rs. 34372 thousands as against Rs. 392347 thousands in the previous year ended 31st March, 2005. The Company registered a net loss of Rs. 457 thousands during the year under review as against a net loss of Rs. 558 thousands during the previous year ended 31st March, 2005.

The Company's operations for manufacturing of Black and White television picture tubes had become commercially unviable in view of the continuing declining demand and non-availability of raw materials. The manufacturing operations were initially suspended in the first quarter of the financial year 2005-06 and were closed with effect from November, 2005 as there was no improvement in the business conditions. Accordingly, steps were initiated by the Company to dispose off the assets of the Black and White television picture tubes operations of the Company subject to requisite approvals.

The Company commenced trading operations of picture tubes for color television sets during the current year. 6816 color picture tubes valuing Rs. 12087 thousands were sold during the current year. The Company has decided to set-up a facility for manufacturing metal parts for tubes for color television sets in the ensuing year.

BALANCE SHEET ANALYSIS

A. Loans:

Finance lease liability of Rs. 454 thousands was paid during the year. No loan was outstanding as on 31st March, 2006.

B. Fixed Assets:

The net fixed assets at the end of the year were Rs. 2078 thousands as on 31st March, 2006.

C. Current Assets:

The total current assets increased from Rs. 123123 thousands to Rs. 133077 thousands. This includes reduction in Sundry debtors from Rs. 3891 thousands to 1521 thousands. Cash and bank balances from Rs. 9852 thousands to Rs. 5779 thousands. Loans and advances reduced from Rs. 84999 thousands to Rs. 71611 thousands excluding Rs. 22516 thousands recoverable against sale of long term investment.

Other current assets increased from Rs. 2112 thousands to 31650 thousands.

Internal Control System and their Adequacy

The Company has in place a internal audit and control system. The Company has an independent Audit Committee which plays an oversight role. For more information on the functions of the Audit Committee on internal control and adequacy refer to the chapter on Corporate Governance in this Annual Report.

Risks and Concerns

Due to closure of the manufacturing operations of Black and White television picture tubes, the Company has planned to enter new lines of business. It has already commenced trading in color television tubes. In the current year, 6816 color picture tubes valuing Rs. 12087 thousands were sold. The management has taken a decision to establish a facility for manufacturing metal parts for picture tubes for color television. The Company is setting up its operations at Kota in Rajasthan next to the manufacturing facilities of making glass for color tubes by Samcor Glass Limited, a group Company. Samtel Color Limited, another group Company, has a line for manufacturing color picture tubes at Kota. Metal parts manufactured for picture tubes for color television will be supplied to Samtel Color Limited. Besides this, the Company has investments which are yielding good returns. In the current year, dividend of Rs. 14807 thousands was earned.

COMPLIANCE REPORT ON CORPORATE GOVERNANCE

(Clause 49 of the Listing Agreement)

Company's Philosophy on Corporate Governance:

Samtel India Limited is highly committed to upholding corporate governance values and has been practising the principles of good corporate governance over the years. Samtel is an organisation that strives for excellence with the objective of enhancing shareholder value. In achieving this overriding objective, it has always endeavoured to be a transparent and an accountable corporate citizen. Samtel India is led by a strong and highly independent Board, which provides it strong oversight and strategic counsel. The Company has established systems and procedures to ensure that the Board of the Company is well-informed and well-equipped to fulfil its oversight responsibilities and to provide management the strategic direction it needs to create long-term shareholder value.

SEBI, through circulars dated 29th October, 2004 and 29th March, 2005, has made amendments to the existing Clause 49 and has mandated listed companies to comply with the proposed Clause 49 by 31st December, 2005. Samtel India is already complying changes in Clause 49 and has put in place systems and procedures to be fully compliant with the new provisions.

This chapter, along with the chapters on Management Discussion and Analysis and Additional Shareholders Information, reports Samtel India's compliance with the mandated Clause 49 and highlights the extent of its compliance with the Clause 49.

Size and Composition of the Board:

The Board of Directors of the Company comprises of six Directors, out of which five Directors are Non-Executive and Independent. The Non-Executive Directors are proficient in their own fields and bring with them decades of experience in the areas of finance, technology, legal and general management.

The Board comprises of more than 50% of Non-Executive and Independent Directors. The composition of the Board is in conformity with the amendments in the listing agreement.

Mr. Satish K. Kaura, Promoter, Chairman & Managing Director, is the only Executive Director of the Company who is responsible for overall management of the Company.

Number of Board Meetings Held:

The Board of Directors of the Company met four times during the financial period April 1, 2005 to March 31, 2006. The Board Meetings were held on June 23, 2005, July 28, 2005, November 22, 2005 and January 30, 2006. The Annual General Meeting of the Company was held on September 20, 2005 at SPA-501 'A', RIICO Industrial Area, Bhiwadi, Distt. Alwar, Rajasthan.

Attendance of Each Director at Board Meeting and the Last Annual General Meeting :

The attendance at the various meetings of the Board of Directors and the last Annual General Meeting were as follows:

Name of Directors	No. of Board meetings held	No. of Board meetings attended	Whether attended Last AGM
Mr. Satish K. Kaura	4	4	No
Mr. C.K. Hazari	4	4	Yes
Mr. Om Wadhwa	4	4	Yes
Mr. D.P. Dass	4	4	No
Mr. V.P. Hari	4	2	No
Dr. R.N. Sharma	4	3	No

Number of Directorship in Other Public Limited Companies:

Name	Status	No of Directorship held in other public limited companies	No of Committee positions held in public limited companies	
			Chairman	Member
Mr. Satish K. Kaura	Executive Promoter Director	5	2	3
Mr. C.K. Hazari	Non-Executive, Independent Director	3	3	4
Mr. Om Wadhwa	Non-Executive, Independent Director	—	—	1
Mr. D.P. Dass	Non-Executive, Independent Director	—	—	—
Mr. V.P. Hari	Non-Executive, Independent Director	—	—	—
Dr. R.N. Sharma	Non-Executive, Independent Director	2	—	1

The Independent Directors on Samtel India's Board:

- Apart from receiving Director's remuneration, do not have any material pecuniary relationships or transactions with the Company, its promoters, its Directors, its senior management or its subsidiaries and associates which may affect independence of the Director.
- Are not related to promoters or persons occupying management positions at the Board level or at one level below the Board.
- Have not been an executive of the Company in the immediately preceding three financial years.
- Are not partners or executives or were not partners or an executive during the preceding three years of the:
 - Statutory audit firm or the internal audit firm that is associated with the Company.
 - Legal firm(s) and consulting firm(s) that have a material association with the Company.
- Are not material suppliers, service providers or customers or lessors or lessees of the Company, which may affect independence of the Director.
- Are not substantial shareholders of the Company i.e. do not own two percent or more of the block of voting shares.

As stipulated in the Clause 49 of the listing agreement, none of the Directors is a member of more than Ten (10) Board-level committees, or a Chairman of more than five (5) such committees.

INFORMATION SUPPLIED TO THE BOARD

The Board is presented with the agenda for each Board Meeting along with explanatory notes well in advance of the Board meeting. All Board members are free to suggest any item they consider important to the agenda. The Board has unfettered and complete access to all information within the Company. Whenever necessary, senior executives of the Company are invited to the Board meeting to provide additional insights on the matter being discussed. The information regularly supplied to the Board inter alia includes:

- Annual operating plans and budgets and any updates thereof.
- Capital budgets and any updates thereof.
- Quarterly results for the Company and operating divisions and business segments.
- Minutes of the meetings of the Audit Committee and other Committees of the Board.
- Information on recruitment and remuneration of senior officers just below the level of Board, including the appointment or removal of Chief Financial Officer and Company Secretary.
- Materially important show cause, demand, prosecution notices and penalty notices.

- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- Details of any joint venture or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- Significant labour problems and their proposed solutions. Any significant development in human resources/ industrial relations front like signing of wage agreement, implementation of voluntary retirement scheme, etc.
- Sale of material nature of investments, subsidiaries, assets, which is not in the normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholders services such as non-payment of dividend, delay in share transfer, etc.
- Details of investment of surplus funds available with the Company.

The Company has established procedures to enable its Board to periodically review compliance reports of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances.

Code of Conduct:

The Board has laid down the Code of Conduct for all Board members and senior management of the Company. The same has also been posted on the website of the Company.

Remuneration of Directors:

The Company is not paying any remuneration to the Directors, except sitting fees for attending Board/ Committee meetings to the Non-Executive Directors. The Company does not pay remuneration to its Chairman and Managing Director.

Pecuniary Relationship or Transaction Between Non-Executive Directors and the Company:

Company did not have any pecuniary relationship with any of the Non-Executive Directors and also did not enter into any transactions with Non-Executive Directors.

None of the Employees are Related to Any of the Directors

Details of the shareholding of independent Directors as on 31st March, 2006 are given in the table below. None of the Directors hold any stock options.

EQUITY SHARES AND CONVERTIBLE INSTRUMENTS HELD BY INDEPENDENT DIRECTORS

Name of the Director	Category/Status of Directorship	Number of Shares held	Number of Convertible instruments held
Mr. C.K. Hazari	Independent Director	1400	—
Mr. Om Wadhwa	Independent Director	—	—
Mr. V.P. Hari	Independent Director	2612	—
Dr. R.N. Sharma	Independent Director	—	—
Mr. D.P. Dass	Independent Director	—	—

Board Committees:

The Company has constituted two Committees of Directors, namely, Audit Committee and Share Transfer & Grievance Committee to deal with matters which need urgent decisions and monitoring of the activities falling within their terms of reference. Each of these Committees have their respective charters approved by the Board. The minutes of the Meetings are recorded and placed before the Board for its information.

Audit Committee:

The Audit Committee of the Company Comprises of the following Three Directors:

Name of the Director	Designation	Status
1. Dr. R.N. Sharma.	Chairman	Independent, Non-Executive Director
2. Mr. C.K.Hazari	Member	Independent, Non-Executive Director
3. Mr. Om Wadhwa	Member	Independent, Non-Executive Director

The members of the Committee met on the following dates during the financial period April 1, 2005 to March 31, 2006:

- June 23, 2005
- July 28, 2005
- November 22, 2005
- January 30, 2006

The attendance of members at the meetings is as follows:

Name of the member	No. of Meetings held	Attended
Dr. R.N. Sharma	4	3
Mr. C.K. Hazari	4	4
Mr. Om Wadhwa	4	4

The Company Secretary, Mr. Shamsher Singh is the Secretary of the Committee.

The terms of reference of the Audit Committee:

The terms of reference of the Audit Committee as stipulated by the Board are in accordance with all the items listed in Clause 49 of the Listing Agreement as follows:

Financial Statements:

- To review the financial reporting process and the disclosures of financial information to ensure that the financial statement reflects a true and fair position and complies with all disclosure requirements.
- To review with the management, the quarterly statements before submission to the Board for approval.
- To review with the management, annual financial statements before recommending to the Board of Directors for approval, focusing primarily on:
 - Matters required to be included in the Directors Responsibility Statement as per Section 217 (2AA) of the Companies Act, 1956.
 - Change in Accounting Policies and practices.
 - Major accounting entries based on exercise of judgement by management.
 - Qualification in draft audit report.
 - Significant adjustments arising out of audit.