



ANNUAL REPORT 2006-2007



**SHILCHAR
ELECTRONICS LIMITED**

**BOARD OF DIRECTORS**

Mr. J.C. Shah Chairman
 Mr. Alay J. Shah Managing Director
 Mr. Ashesh J. Shah
 Mr. O.P. Khanna
 Mr. Mukesh Patel
 Mr. Bhagirath Merchant
 Mr. Kirtikant P. Shah

BANKERS

Bank of Baroda
 Centurion Bank of Punjab Ltd.

AUDITORS

Naresh & Company
 Chartered Accountants
 2nd Floor, Citi Enclave
 Opp. Polo Ground
 Vadodara

REGISTERED OFFICE

Bil Road, Bil - 391 410
 Dist. Vadodara, (India)

**REGISTER & TRANSFER
AGENT**

MCS LIMITED
 Neelam Appartment,
 88, Sampatrao Colony,
 R. C. Dutt Road,
 Alkapuri,
 Baroda - 390 007.

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NOTICE

NOTICE IS HEREBY GIVEN THAT the Twenty First Annual General Meeting of SHILCHAR ELECTRONICS LTD., will be held on Saturday, the 22nd September, 2007 at 10:30 A.M. at the Registered office of the Company at Bil Road, Bil - 391 410, Dist. Vadodara to transact the following business :

Ordinary Business:

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2007, Balance Sheet as at that date and the reports of the Directors' and Auditors' thereon.
2. To declare a Dividend on equity shares of the Company for the year ended 31st March, 2007.
3. To appoint a director in place of Mr. Bhagirath Merchant, who retires by rotation and being eligible, offers him self for re-appointment.
4. To appoint a director in place of Mr. Mukesh D. Patel, who retires by rotation and being eligible, offers him self for re-appointment.
5. To appoint Auditors of the Company and to fix their remuneration.

Special Business:

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and 310 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 as amended and subject to such permissions, consents and approvals from various authorities, as may be required and subject to such conditions, if any, that may be imposed by any authority while granting their permissions, consents and approvals and which the Board of Directors (which term shall be deemed to include Remuneration Committee) is hereby authorized to accept, the Company hereby accords its consent and approval to the re-appointment of Mr. Alay J. Shah as Managing Director of the Company, not liable to retire by rotation, for a further period of three years with effect from 1st October, 2007 on the terms and conditions set out below:

1. Period of Appointment:

From 1st October, 2007 to 30th September, 2010.

2. Remuneration:

- (a) By way of Salary, perquisites and Allowance, aggregating to Rs. 1,69,450/- p.m. with such break-up and inclusive of salary, perquisites and allowances as may be agreed between the Managing Director and the Company.

Provided that the Board or any Committee thereof, be and is hereby authorized in its absolute discretion and from time to time, to fix within the limits prescribed under Schedule XIII [Section II.—Part II (B)] of the Companies Act, 1956, the remuneration payable to Mr. Alay J. Shah.



- (b) In addition to above mentioned remuneration, the Managing Director shall be entitled to the following perquisites and allowances, which shall not be included in computation of said ceiling limit for the remuneration:
- (b.1) Company's contribution to provident Fund and Superannuation Fund or Annuity Fund to the extent these either singly or together are not taxable under the Income-Tax Act, 1961.
 - (b.2) Gratuity payable as per the rules of the Company.
 - (b.3) Leave encashment at the end of the tenure.
 - (b.4) The provision for use of Company's car with driver for official use. However, use of car for private purposes shall be borne by Mr. Alay J. Shah.
 - (b.5) Company's telephone at his residence (including local and long distance official calls). However, personal long distance calls on telephone provided by the Company and use of car for private purposes shall be borne by Mr. Alay J. Shah.
 - (b.6) Reimbursement of all reasonable expenses including entertainment expenses incurred bonafide in connection with business of the Company.

3. Minimum Remuneration:

Notwithstanding anything to the contrary herein contained, where in any financial year, during the currency of tenure of Mr. Alay J. Shah, if the Company has no profits or its profits are inadequate, the Company will pay the minimum remuneration by way of salary, perquisites and allowances, as specified above, which shall be governed by the limits prescribed under Schedule XIII [Section II.—Part II (B)] of the Companies Act, 1956 and any amendments thereto.

4. Entrusted Duties:

Subject to the supervision and control of the Board of Directors of the Company, the Chairman & Managing Director shall look after the day to day affairs and overall operations of the Company and shall carry out such other duties as may be entrusted to him by the Board of Directors from time to time.

5. Confidentiality :

Mr. Alay J. Shah will perform his duties truly and faithfully and comply with the directives given to him from time to time by the Board, and further not disclose to any person, firm or Company any confidential information.

6. Not Liable to Retire by Rotation:

During his tenure as Managing Director of the Company, the office of Mr. Alay J. Shah shall not be reckoned for the purpose of arriving Directors liable to retire by rotation.

7. Sitting Fees:

As long as Mr. Alay J. Shah functions as Managing Director, he will not be paid any sitting fees for attending the meetings of the Board of Directors or any committee(s) thereof.

**8. Re-imbursement of Expenses, Costs etc.:**

Mr. Alay J. shah shall be entitled to be paid / reimbursed all costs, charges and expenses as may be incurred by him for the purpose of or on behalf of the Company.

9. Termination:

Either party shall have liberty to terminate the aforesaid appointment, by giving six months notice in writing to the other.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take such steps including issuing a Letter of Appointment to Mr. Alay J. shah as they may think fit and necessary for the purpose of implementing this resolution."

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

"RESOLVED THAT pursuant to the provisions of section 21 of the Companies Act, 1956, and subject to the approval of the Central Government, the name of the Company be changed from its existing name "Shilchar Electronics Ltd." to " Shilchar Technologies Ltd., as approved by the Registrar of Companies, Gujarat.

FURTHER RESOLVED THAT the change of name of the Company so approved by the Central Govt. be replaced by the new name wherever old name appears including change in the name clause of the Memorandum of Association of the Company.

FURTHER RESOLVED THAT the Board of Directors of the Company be and are hereby authorised to do all the necessary and incidental acts/ deeds/ things as may be considered necessary, to put the aforesaid resolution into effect."

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

"RESOLVED THAT the regulations contained in the draft Articles of Association submitted to this meeting, and for the purpose of identification initialed by the Chairman thereof, be and are hereby approved and adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, all the existing articles thereof."

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to do all such incidental matters as they may think fit and expedient to give effect to this resolution ".

By order of the Board of Directors
For **SHILCHAR ELECTRONICS LIMITED**

Place : Vadodara
Date : 28th July, 2007

JITENDRA SHAH
CHAIRMAN

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ALSO ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The explanatory Statement, relating to Special Business mentioned in items no. 6 & 7 of the Notice, as required under Section 173 (2) of the Companies Act, 1956, is attached herewith.
3. The Register of members and Share Transfer Books of the company will remain closed from Thursday, 20th September, 2007 to Saturday, 22nd September, 2007 (both days inclusive).
4. Members are requested to intimate quoting their Folio number, the change of their address, along with PIN Code Number, if any, and PAN/GIR Number with IT Ward/Range/District immediately to the Company.
5. Members who are holding Equity Shares in identical order of names in more than one Folio are requested to write to the Company to enable them to consolidate their holdings in one Folio.
6. All requests for transfer of Equity Shares and allied matters along with the relevant transfer deeds and shares certificates should preferably be sent direct to the Company.
7. Members are requested to intimate the Company of queries, if any, regarding these accounts / notice at least ten days before the Annual General Meeting to enable the Management to keep the information ready at the meeting.
8. Shareholders are requested to indicate their bank account details viz. type of account, account number, banker's name and address to enable the Company to record the mandate and forward future Dividend Warrant / refund order, etc. in such name to the Shareholders to reduce the mal-practices of theft of Warrants / Orders. Such information may please be sent to the Registered Office of the Company.

ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956****Item No. 6**

- The Board of Directors at its meeting held on 12th May, 2007 has re-appointed Mr. Alay J. Shah as Managing Director of the Company for a period of three years, made effective from 1st October, 2007 at the revised terms of remuneration and perquisites as stated in the resolution at item no. 06. The Agreement recording the terms and conditions of appointment will be executed with Mr. Alay J. Shah, subject to necessary approval of the shareholders being sought herein.

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- Shri Alay J. Shah has been associated with the Company as one of the Promoter Directors since its incorporation. He is a science graduate with specialization in electronics and possesses more than 15 years of experience in the various areas of business including production, finance and marketing. He has been holding Directorships in other companies namely, M/s. E Cube India Solutions Ltd. Moreover, he is also holding membership in Share Transfer Committee of the Company and attends meetings of the Audit Committee as Invitee.
- Mr. Alay J. Shah has been shouldering the responsibility of Managing Director since 1991 and with his zeal and hard working, put the Company on a path of success. Apart from looking after and monitoring day to day affairs, he has been playing pivotal role in timely execution of expansion programme undertaken by the Company during the previous year. Considering his untiring efforts in the operations vice versa the remuneration presently drawn by him, it was thought fit by the Board and Remuneration Committee to make his re-appointment with suitable revision in terms of remuneration and accordingly, his re-appointment was made as Managing Director of the Company for a further period of three years, subject to the terms of remuneration and other conditions as detailed out in the resolution set out at Item No. 5 of this Notice and re-produced herein below.
- The aforesaid appointment of Mr. Alay J. Shah as Managing Director is subject to the approval of shareholders. In terms of provisions contained in section II—Part II (B) of Schedule XIII of the Companies Act, 1956, the relevant details regarding the performance of the Company and of the appointee are furnished hereunder:

General Information:

1) Nature of Industry :	Design and manufacturing of Transformers having application in Power Industry. The Factory / Works of the Company is situated at Bil Road, Bil-391 410, Dist. Vadodara, in the State of Gujarat.
2) Date of Commencement of Commercial Production :	April 1986
3) Financial Performance for : the Financial Year ended 31.03.2007	Turnover : Rs.57,87,08,986/- Profit Before Tax: Rs.3,61,55,055/- Net Profit before Tax: Rs. 2,33,37,640/- Debt Equity: 1.85 Current Ratio: 2.29 Net Worth: Rs.15,60,08,139/-
4) Export Performance :	For the year ended on 31.03.2007, the Company has achieved export turnover FOB value of Rs. 384.30 Lacs
5) Foreign Investment or Collaboration :	The Company has NRI shareholdings to the extent of 26.15% its paid up capital.

**Information about the Appointee:****Background Details:**

- Mr Alay J. Shah has been associated with the management of the Company since its inception. He has been holding the position of Managing Director since 1998 and onwards. He is a Science Graduate having more than 15 years of Techno-Commercial experience and good exposure in all areas of activities right from the shop floor to the top management level.

Reorganization of Awards:

- The Factory unit of the Company has been registered for ISO 9002 certification.

Job Profile and His Suitability:

- As a Managing Director, he is responsible for the day to day management of the Company and assisted by Senior Executives. He is working under the Superintendence and control of the Board of Directors. He is responsible for all the day to day activities of the Company.

Remuneration Proposed:

- (a) By way of Salary, perquisites and Allowance, aggregating to Rs.1,69,450/- p.m. with such break-up and inclusive of salary, perquisites and allowances as may be agreed between the Chairman & Managing Director and the Company.

Provided that the Board or any Committee thereof, be and is hereby authorized in its absolute discretion and from time to time, to fix within the limits prescribed under Schedule XIII [Section II.—Part II (B)] of the Companies Act, 1956, the remuneration payable to Mr. Alay J. Shah.

- (b) In addition to above mentioned remuneration, the Managing Director shall be entitled to the following perquisites and allowances, which shall not be included in computation of said ceiling limit for the remuneration:
 - (b.1) Company's contribution to provident Fund and Superannuation Fund or Annuity Fund to the extent these either singly or together are not taxable under the Income-Tax Act, 1961.
 - (b.2) Gratuity payable as per the rules of the Company.
 - (b.3) Leave encashment at the end of the tenure.
 - (b.4) The provision for use of Company's car with driver for official use. However, use of car for private purposes shall be borne by Mr. Alay J. Shah.
 - (b.5) Company's telephone at his residence (including local and long distance official calls). However,



personal long distance calls on telephone provided by the Company and use of car for private purposes shall be borne by Mr. Alay J. Shah.

- (b.6) Reimbursement of all reasonable expenses including entertainment expenses incurred bonafide in connection with business of the Company.

Minimum Remuneration:

- Not withstanding anything to the contrary herein contained, where in any financial year, during the currency of tenure of Mr. Alay J. Shah, if the Company has no profits or its profits are in-adequate, the Company will pay the minimum remuneration by way of salary, perquisites and allowances, as specified above, which shall be governed by the limits prescribed under Schedule XIII [Section II.—Part II (B)] of the Companies Act, 1956 and any amendments thereto.

Comparative Remuneration, Profile with respect of Industry:

- The proposed remuneration is in commensurate to the size of units in the industry.

Pecuniary Relationship:

- Mr. Alay J. Shah is the younger son of Mr. Jitendra Shah, Chairman and brother of Mr. Ashesh J. Shah, who are among the core Promoters of the Company.

Other Information:

Reason for inadequacy of profits, steps taken for improvement and expected increased in productivity:

- The main reasons for inadequacy of profits are higher cost towards increasing raw material prices & depleted margins due to intensified global competition. Effective steps are taken to improve the performance of the Company by reducing cost of production and by strengthening existing manufacturing facilities by deploying automatised equipments. This would help the Company to achieve better economies of scale, larger volumes and improved profitability.
- Mr. Alay J. Shah himself and Mr. Jitendra Shah, Chairman and Mr. Ashesh Shah, Director who are relatives of Mr. Alay J. Shah are only deemed to be considered as interested directors.
- The particulars set above may be treated as an abstract of the terms of appointment of Mr. Alay J. Shah as Managing Director of the Company as required to be given under the provisions of section 302(2) of the Companies Act, 1956.
- The Board of Directors feels that aforesaid re-appointment of Mr. Alay J. Shah as Managing Director is in the interest of the Company and therefore, recommends the resolution set out at item no. 6 of this notice.



Item no. 7

- The existing name of the Company, particularly while bidding for the tenders of Power and Electric Companies, creates confusion among authorities since the name of the Company refers "Electronics" while the Company manufactures and deals in "Transformers" and some times, this results in loosing the inquiry / tender. Hence, for sake of clarity, it is proposed to change the name the Company to "SHILCHAR TEHCNOLOGIES LIMITED". The word technology is used in wide connection and would enable the Company to grab any business opportunities that may come across during the course of its operations.
- Accordingly, in their Board Meeting held on 12th May, 2007, the Board of Directors had resolved to make necessary application to the Office of the Registrar of Companies, Gujarat for seeking the availability of the aforesaid name. The said office of ROC has made available the proposed name "Shilchar Technologies Ltd." vide their Letter dated 24th May, 2007.
- In accordance with the provisions of Section 21 of the Companies Act, 1956, the name of the Company can be changed by passing Special Resolution by share holders and subsequently, by obtaining approval of Central Government (powers conferred to the regional offices of ROC) for change of name of the Company.
- Your Directors are of the view that the proposed new name will provide more clarity and reflect its true nature of business and therefore, recommend the passing of the resolution in the interest of the Company.
- None of the directors is directly or indirectly, interested or concerned in the aforesaid resolution.

Item no. 8

- Since after the maiden public issue of the Company in the year 1995 the Company's Articles of Association have not been substantially altered. Many changes taken place in the provisions of the Companies Act, 1956 as well as the listing agreements entered into by the Company with the stock exchanges. Your Directors have therefore considered it desirable to adopt new set of Articles of Association which would be in conformity with the latest provisions of the Act and the various Rules made there under and also in compliance with the current listing agreements.
- A copy of the draft of the new Articles of Association is available for inspection of the members at the Company's registered Office on any working day during business hours. All the Directors may be deemed to be interested or concerned in the adoption of new Articles of Association to the extent of the amendments proposed to the existing provisions relating to the remuneration of Directors.

By order of the Board of Directors
For **SHILCHAR ELECTRONICS LIMITED**

Place : Vadodara
Date : 28th July, 2007

JITENDRA SHAH
CHAIRMAN