



**SWITCHING TECHNOLOGIES GÜNTHER LIMITED**

**15th Annual Report and Accounts 2003**

# GÜNTHER / AMERICA

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# COMUS

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## Sensing the World's needs

Assembly and  
technology finely matched to  
offer both standard and custom  
switch and sensor products  
to industry

# GÜNTHER

W. GÜNTHER GmbH  
VIRNSBERGER STR. 51  
D. 90431 NÜRNBERG  
GERMANY

Telephone: (911) 65520  
Fax: (911) 6552239

Bauteile und Technologie wurden soweit in  
Einklang gebracht, daß sie sowohl für  
Standard-Schalter und  
Schalter-Sonderanfertigungen als auch für  
Sensor-Produkte auf dem Markt angeboten  
werden können

Les assemblages et la technologie ont été  
accordés pour qu'ils puissent être offerts sur  
le marché non seulement pour les  
interrupteurs standards et spéciaux mais  
encore pour les capteurs

Assemblaggi e tecnologia opportunamente  
uniti per offrire interruttori standard o custom  
e sensoristica per l'industria.

# ASSEMtech

ASSEMTECH EUROPE LIMITED  
RICEBRIDGE INDUSTRIAL ESTATE  
THORPE LE SOKEN  
ESSEX  
ENGLAND CO16 0HH

Telephone: (0255) 862236  
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# STG

SWITCHING TECHNOLOGIES  
GÜNTHER LIMITED  
Plots B9, B10 & C1, MEPZ  
Tambaram  
Chennai 600 045



## SWITCHING TECHNOLOGIES GÜNTHER LIMITED

BOARD OF DIRECTORS	:	<b>M. UTTAM REDDI</b> , <i>Chairman</i> <b>ELSON D. NOWELL</b> <b>KLAUS MORAWETZ</b> <b>ROBERT P. ROMANO</b> <b>C.VENKATARAMAN</b> (Alternate to ROBERT P.ROMANO) <b>R.S.IYER</b> (Alternate to KLAUS MORAWETZ)
GENERAL MANAGER (OPERATIONS)	:	<b>C. VENKATARAMAN</b>
BANKERS	:	<b>STATE BANK OF INDIA</b>
AUDITORS	:	<b>A.F.FERGUSON ASSOCIATES</b> <i>Chartered Accountants</i> No.5, Nandanam Extension 1st Street, Nandanam Chennai 600 035
SECRETARIAL CONSULTANT	:	<b>J.CHANDRASEKARAN</b> <i>Practicing Company Secretary</i>
REGISTERED OFFICE & WORKS	:	Plots B9, B10 & C1, Mádras Export Processing Zone Kadapperi, Tambaram Chennai 600 045 Phone : 91-44-22628093 91-44-22628198 Fax : 91-44-22628271 e-mail : stgltd@eth.net
REGISTRAR FOR ELECTRONIC CONNECTIVITY	:	<b>CAMEO CORPORATE SERVICES LTD</b> Subramanian Building 1, Club House Road, Chennai 600 002
REGISTRAR OF SHARES IN PHYSICAL MODE	:	<b>SECRETARIAL DEPARTMENT OF THE COMPANY</b>

SWITCHING TECHNOLOGIES GÜNTHER LIMITED



**SWITCHING TECHNOLOGIES GÜNTHER LIMITED**

Regd. Office: B9, B10 & C1, Madras Export Processing Zone, Tambaram, Chennai 600 045

**NOTICE TO THE MEMBERS**

NOTICE is hereby given that the 15th Annual General Meeting of the members of Switching Technologies Gunther Ltd. Will be held on Tuesday, the 30<sup>th</sup> September, 2003 at Arasampatti Restaurant, 15, Duarisamy Reddy Street, West Tambaram, Chennai 600 045 at 2.15 p.m. to transact the following business.

**AS ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Profit and Loss Account and Cash Flow Statement for the year ended 31<sup>st</sup> March, 2003 and the Balance Sheet as on that date and the Reports of the Directors' and Auditors' thereon.
2. To appoint a Director in the place of M Klaus Morawetz who retires by rotation at this Annual General Meeting and being eligible, offers himself for reappointment
3. To appoint Auditors and to fix their remuneration.

M/s A.F Ferguson Associates, Chartered Accountants, Chennai, Auditors of the Company hold office till the conclusion of this Annual General Meeting and are eligible for re-appointment.

**AS SPECIAL BUSINESS**

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

"Resolved that pursuant to Section 94 and other applicable provisions, if any, of the Companies Act, 1956, the Authorised Share Capital of the Company be increased from Rs 50,000,000/- (Rupees 50 million) consisting of 5,000,000 Equity Shares of Rs 10/- each to Rs 120,000,000/- (Rupees 120 million) consisting of 12,000,000 Equity Shares of Rs 10/- each."

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

"Resolved that Clause V of the Memorandum of Association of the Company be altered by substituting the following clause for the existing clause ✓

The Share capital of the Company is Rs 120,000,000/- (Rupees 120 million) consisting of 12,000,000 Equity Shares of Rs 10/- each. Subject to the provisions of the Act,

The Company has the power from time to time to increase or reduce its capital and to issue any shares in the original or new capital as equity or preference shares and to attach to any class or classes of such shares, any preferences, rights, privileges, or priorities in payment of dividends or distribution of assets or otherwise over any other shares or to subject the same to any restrictions or limitations of conditions and to vary the regulations of the company as far as necessary to give effect to the same and upon the sub-division of a share to apportion the right to participate in profits in any manner

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

"Resolved that pursuant to the provisions of Section 31 and other applicable provisions of the Companies Act, 1956, the Articles of Association of the Company be altered by substituting the existing Article 3 with the following Article

The Authorised Share Capital of the Company is Rs 120,000,000/- (Rupees 120 million) divided into 12,000,000 Equity shares of Rs 10/- each.

7. To consider and if thought fit to pass either with or without modification, the following Resolution as a Special Resolution

"Resolved that subject to the approval from SEBI and Reserve Bank of India and other Government authorities, consent under Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, be and is hereby given to the Board of Directors to purchase from W.Gunther GmbH, collaborator of the company for the machinery given on lease on free of charge basis, at fair market value of to be negotiated between the company and the Collaborator and to issue equity shares of the company for the said value at a price to be determined in accordance with the Guidelines issued by SEBI for preferential issue of Rs 10/- per share, whichever is higher and subject to such terms and conditions that may be imposed by the government authorities while according approval for the issue"

SWITCHING TECHNOLOGIES GÜNTHER LIMITED



8. To consider and if thought fit to pass either with or without modification the following Resolution as a Special Resolution  
 "Resolved that subject to the approval from SEBI and Reserve Bank of India and other Government authorities, consent under Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, be and is hereby given to the Board of Directors to issue not exceeding 1,000,000 equity shares of Rs 10/- each at a price to be determined in accordance with the Guidelines issued by SEBI for preferential issue or at a Rs 10/- per share, whichever is higher and subject to such terms and conditions that may be imposed by the government authorities while according approval for the issue"
9. To consider and if thought fit to pass either with or without modification the following Resolution as an Ordinary Resolution  
 "Resolved that Mr. C. Venkatraman be and is appointed as a Director of the Company"
10. To consider and if thought fit to pass either with or without modification the following Resolution as an Ordinary Resolution  
 "Resolved that in terms of Section 269 and other applicable provisions of the Companies Act, 1956, Mr C Venkataraman be and is appointed as a Wholetime Director of the Company subject to the following terms and conditions
  1. His appointment will be valid for a period of two years w.e.f. 18<sup>th</sup> August, 2003
  2. He shall be responsible for the management of the operations of the Company, subject to the superintendence, direction and control of the Board of Directors
  3. He shall be paid the following remuneration
    - a. Salary Rs 10582 per month
    - b. Allowances Rs 2525 per month
    - c. Leased accommodation at a rent not exceeding Rs - per month or House Rent Allowance of Rs 2744 per month in lieu of leased accommodation
    - d. Provident Fund, Superannuation and Gratuity – As per the rules of the Company
    - e. Medical Reimbursement - Rs 15000 per annum for self and family
    - f. Leave Travel Assistance – As per the rules of the Company
    - g. Encashment of Leave – As per the rules of the Company

For and on behalf of the Board

Place : Chennai  
 Date : 10th July 2003

**M. UTTAM REDDI**  
 Chairman

**ANNEXURE TO THE NOTICE**

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL, TO VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTMENT THE PROXY TO BE VALID, SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE TIME FIXED FOR HOLDING THE MEETING.
2. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 is annexed herewith
3. Members / Proxies attending the Annual General Meeting are requested to occupy their seats at least fifteen minutes before the scheduled time for the commencement of the meeting to avoid interruptions in the proceedings. Please also avoid being accompanied by non-members and children.
4. Members / Proxies should bring the Attendance Slips sent herewith duly filled in for attending the meeting and hand it over at the entrance.
5. Members are requested to bring their copies of the Annual Report to the meeting.
6. Members seeking any information with regard to accounts are requested to write to the Company at least 15 days in advance so as to enable the company to keep the information ready
7. Members are requested to immediately intimate any change in their address registered with the Company quoting their respective Folio Number(s).

## SWITCHING TECHNOLOGIES GÜNTHER LIMITED



8. Members who have multiple folios in identical names or joint names in the same order are requested to intimate to the Company these folios to enable the Company to consolidate all such shareholdings into one folio.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956**  
(Annexure to Notice dated 10<sup>th</sup> July, 2003)

**Items No 4,5 and 6**

It is proposed to increase the capital base of the company to issue shares to the collaborator for the value of the machinery proposed to be purchased and to place shares with investors or private placement basis. The increase of Authorised Share capital of the company requires consequential amendment to the capital clause in the Memorandum of Association of the Company and the Articles of Association of the Company. These amendments require the approval of the shareholders. While the increasing of Authorised Share capital and the amendment of Memorandum of Association requires the approval by an ordinary resolution, amendment of Articles of Association requires the approval by a Special Resolution. Hence the Resolutions

None of the Directors is deemed to be interested in the Resolution

**Item No 7**

W. Gunther GmbH, collaborator of the company has made available on lease machinery worth in excess of Rs. 75,000,000 to our company on free of charge basis for production purposes. It is proposed to buy the said machinery at fair market value to be negotiated by the company and the collaborator and issue equity shares for the same subject to necessary approvals. This requires the approval of the shareholders by a Special resolution.

Mr Robert P. Romano, Mr Elson D Nowell and Mr Klaus Morawetz, Directors of the Company are deemed to be interested in the Resolution

**Item No 8**

The Company had been incurring losses and did not have working capital facility. The company requires funds to keep the operations going. It is therefore proposed to raise funds by issuing shares on private placement basis.

This requires the approval of the shareholders by a Special Resolution

None of the Directors is deemed to be interested in the Resolution

**Item No 9**

The Board at its meeting held on 18<sup>th</sup> August, 2003 appointed Mr. C. Venkataraman, General Manager of the Company as an Additional Director. In terms of Section 260 of the Companies Act, 1956, he holds office only upto the date of this annual general meeting. The Company has received notice under Section 257 of the Companies Act, 1956, proposing his appointment as a Director of the Company and to move the Resolution set out in Item no 9.

Mr C Venkataraman is a qualified Mechanical engineer having more than 20 years of industrial experience and his appointment will be in the best interests of the Company.

None of the Directors except Mr. C. Venkataraman is deemed to be interested in the Resolution.

The Directors recommend the Resolution for the approval of Shareholders

**Item No 10**

The Board at its meeting held on 18<sup>th</sup> August, 2003 appointed Mr C Venkataraman as a Whole time Director and in terms of Section 269 of the Companies Act, 1956, this appointment requires the confirmation of the shareholders.

Mr C Venkataraman is a qualified Mechanical engineer having more than 20 years of industrial experience.

None of the Directors except Mr C Venkataraman is deemed to be interested in the Resolution

Your Directors recommend this Resolution for the approval of shareholders.

For and on behalf of the Board

Place : Chennai  
Date : 10th July 2003

**M. UTTAM REDDI**  
Chairman



SWITCHING TECHNOLOGIES GÜNTHER LIMITED



## DIRECTORS' REPORT

The Board of Directors of your company present their 15th Annual Report together with the audited accounts for the year ended 31st March 2003.

### FINANCIAL RESULTS

	Year Ended 31.03.2003 (Rs.)	Year Ended 31.03.2002 (Rs.)
Sales and other Income	67,229,800	35,261,053
Profit/(Loss) before interest and depreciation	9,719,708	(16,216,298)
Interest	1,178,314	1,809,591
Profit/(Loss) before depreciation	8,541,394	(18,025,889)
Depreciation	5,961,474	5,932,480
Net Profit / (Loss)	2,579,920	(23,958,369)

### PERFORMANCE OF THE COMPANY

In the Financial Year, your company was able to reach higher sales due to increase in production of high value switches, in spite of the general recessionary status in global markets for industrial products.

However, the worldwide poor economic/market growth and resultant low capacity utilization has resulted in a considerable net loss to the Company and thereby the company has become potentially sick under the Sick Industries Act.

The company has become a potentially sick due to the following major reasons.

1. Global industrial Recession
2. Lack of Working Capital Facility
3. Lower Capacity utilisation

The Management is planning to overcome the problem by initiating the following steps.

1. Increase the equity of the Company by issue of shares on Private Placement basis, Which in turn should add liquidity for Working Capital requirements.
2. Issue of shares on Private Placement basis to W.Gunther GmbH for the value of machines, provided on lease basis, which would strengthen the asset base of the company, as well as its borrowing power.
3. Increased orders from the collaborator for higher value switches thereby increasing profit margins and capacity utilization of the company.
4. Continuing negotiations with IFC Washington on term loan rephasement.
5. New Negotiation with W.Gunther GmbH for additional indebtedness waivers to bolster income and offset losses.

Thus, these serious steps, which your company intends to take, would help the company to tide over the above said problems and these are expected to bear the results in the next financial year.

### FUTURE PROSPECTS

The company's principal shareholder as well the Collaborator has steadfastly continued to support the company in its steps attain increased future revenue growth and positive financial results. Expansion and better utilization of existing capacity is being actively pursued to improve the yield and export quantity in the Financial Year 2003-2004.

**SWITCHING TECHNOLOGIES GÜNTHER LIMITED**

Important factors affecting your company's ability to achieve future revenue growth and positive financial results include, among others, the future price trends for critical raw materials and whether, and the extent to which, demand for your company's products in the marketplace increases or decreases as well as whether your company's collaborator, W. Günther GmbH, being the primary export customer, increases, cancels or delays outstanding or future orders and/or reduces its future financial or technical support to the Company.

**DEPOSITS**

The Company has not invited or accepted any deposits during the year.

**DIRECTORS**

Pursuant to provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Klaus Morawetz retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment as Director.

**PARTICULARS OF EMPLOYEES**

There were no employees within the purview of Sec.217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

**AUDITORS**

The Auditors of the Company, M/s. A.F. Ferguson Associates, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

**PERSONNEL**

The industrial relations continued to remain cordial throughout the period.

**DEMATERIALIZATION OF SHARES**

To facilitate the dematerialization of shares your company has appointed M/s. Cameo Corporate Services Limited, Chennai as Electronic Share Transfer Agent for providing electronic connectivity with National Securities Depository Ltd. and Central Depository Services (India) Ltd. Share transfer in physical form continues to be handled by the share department of the company.

**LISTING WITH STOCK EXCHANGES**

Your company's shares are listed in Madras, Mumbai and Ahmedabad Stock Exchanges. The listing continued throughout the year and the listing fees due to date have been paid.

**DIRECTORS' RESPONSIBILITY STATEMENT**

In accordance with the requirements of Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that:

1. In the preparation of annual accounts, the applicable Accounting Standards have been followed.
2. The Directors had selected such accounting policies and have applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and the profit and loss of the Company for that period.
3. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for