

# **ANNUAL REPORT**

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**2003-04**

# **ONIDA SAKA LIMITED**

## **BOARD OF DIRECTORS**

S.C. Rustagi            – *Managing Director*  
S.C. Garg  
N.K. Shinghal  
V.K. Gupta

**Company Secretary**  
Vivek Sahay

### **Auditors**

M/s J. L. Garg & Co.  
Chartered Accountants,  
103, Skylink,  
E-588, Greater Kailash-II,  
New Delhi-110 048

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### **Registered Office**

GA-1, B-1, Extension  
Mohan Co-operative Industrial Estate,  
Mathura Road, Badarpur,  
New Delhi-110044

### **WORKS**

Noida, Phase II (U.P.)

### **Bankers**

State Bank of Bikaner & Jaipur

### **Share Transfer Agent**

Mas Services Private Limited  
AB-4, Safdarjung Enclave  
New Delhi-110029

**NOTICE**

NOTICE is hereby given that the twenty second Annual General Meeting of the members of the ONIDA SAKA LIMITED will be held on Wednesday, the 1st day of September, 2004 at 9.30 A.M. at E-22, Ansal Satbari, Chattarpur, New Delhi to transact the following business:

**AS ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2004 and Profit & Loss Account for the year ended on that date along with the reports of Auditors and Directors thereon.
2. To appoint a Director in place of Mr. N. K. Shinghal, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s J. L. Garg & Co., Chartered Accountants to hold office from the conclusion of this meeting till the conclusion of the next annual general meeting and fix their remuneration.

**AS SPECIAL BUSINESS**

4. To consider and if thought fit, pass with or without modification(s) the following as an ordinary resolution:  
 "RESOLVED THAT Mr. Suresh Chandra Rustagi who was appointed as an additional director with effect from 26th September, 2003 and who holds office up to the date of this Annual General Meeting and in respect of whom a notice under the provisions of Section 257 of the Companies Act, 1956 has been received be and is hereby appointed as a Director of the company."
5. To consider and if thought fit, pass with or without modification(s) the following as an ordinary resolution:  
 "RESOLVED THAT pursuant to provisions of Section 269, 198 and 309 and other applicable provisions, if any, of the Companies Act, 1956, (the "Act") read with Schedule thereto, subject to the provisions of the Memorandum and Articles of Association of the Company, subject to such approvals, if any, as may be necessary, approval of the Company be and is hereby accorded to the appointment of Mr. Suresh Chandra Rustagi as the Managing Director of the Company for a period commencing September 26, 2003 up to and inclusive September 25, 2008 on terms and conditions and remuneration as approved by remuneration committee and as set out in explanatory statement attached to this notice with further authority to the Board and / or remuneration committee to alter and vary the terms and conditions and remuneration of Mr. Suresh Chandra Rustagi, from time to time subject to the applicable provisions of the Companies Act, 1956.  
 "RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary to give effect to this resolution."

By order of the Board

**Vivek Sahay**  
Company Secretary

Noida: 30<sup>th</sup> July, 2004

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE SHOULD BE DULY STAMPED, COMPLETED AND SIGNED AND MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT TIME OF THE MEETING.
2. The register of members and share transfer books of the company will remain closed from 29th August 2004 to 1st September 2004 (both days inclusive).
3. It will be appreciated that queries, if any, on accounts and operations of the company are sent to the company ten days in advance of the meeting so that the answer may be made readily available.
4. Members are requested to produce the enclosed attendance slip duly signed, in accordance with specimen signatures registered with the company for admission to the meeting hall.
5. The explanatory statement pursuant to section 173(2) is appended.

**EXPLANATORY STATEMENT**

(Pursuant To Section 173(2) Of The Companies Act, 1956)

**Item No. 4**

Mr. Suresh Chandra Rustagi was appointed as an Additional Director on the Board with effect from 26 September 2003 under Article 118 of the Articles of Association of the Company. Under Section 260 of the Companies Act, 1956

Mr. Suresh Chandra Rustagi holds office only up to the date of the forthcoming Annual General Meeting and therefore Mr. Suresh Chandra Rustagi will cease to hold office on that date. Mr Suresh Chandra Rustagi is eligible for reappointment and the Company has, pursuant to Section 257 of the Companies Act, 1956 received a notice in writing proposing his candidature for re-appointment.

None of the director other than Mr. Suresh Chandra Rustagi is concerned or interested in the above resolution.

#### Item No. 5

The Board of Directors of the Company on September 26, 2003 has appointed Mr. Suresh Chandra Rustagi as the Managing Director of the Company subject to the approval of members and shareholders of the Company in general meeting for a period commencing September 26, 2003 upto and inclusive September 25, 2008 at the remuneration, in accordance with the norms laid down in Schedule XIII and other applicable provisions of the Companies Act, 1956, as reproduced herein below :

- a) Basic Salary – Rs 16748/- per month and Special Allowance of Rs 36245/- per month. The increment shall be considered by the Board and / or remuneration committee on merits and its absolute discretion.
- b) House Rent Allowance 50% of basic salary per month, Conveyance Allowance Rs. 800/- per month, Medical Reimbursement Rs. 1250/- per month, and Leave Travel Allowance Rs. 2200/- per month.

Managing Director shall also be eligible to the following perquisites which shall not be included for the purpose of computation of ceiling of remuneration:

- a) The Company's contribution to Provident Fund and Superannuation or Annuity Fund, if any, to the extent these either singly or together are not taxable under the Income Tax Act, Gratuity payable as per the rules of the Company.
- b) Encashment of leave as per the Company's rules.

#### Other Terms

- i) The Managing Director shall be entitled to reimbursement of all expenses, including on entertainment and traveling incurred in connection with the Company's business, as per the rules of the Company.
- ii) The Managing Director shall be entitled to fully paid leave as per the rules of the Company.
- iii) The Managing Director shall also be entitled to the benefits, privileges and amenities under the scheme of the Company, as are normally granted to the Senior Executives of the Company.
- iv) Reimbursement of inpatient medical expenses towards hospitalization as per the Company rules and Employees group insurance (Mediclaime) rules applicable from time to time.

Minimum Remuneration- Notwithstanding anything to the contrary herein contained, where in any financial year during the tenure of Mr. Suresh Chandra Rustagi as the Managing Director of the Company, the Company has no profits or the profits are inadequate, the Company shall, subject to the provisions of Sections 198, 269, 309 and Schedule XIII of the Act, pay basic salary, perquisites and allowances as set out above.

#### Other Terms and Conditions-

- The terms and condition, remuneration of the appointment may be varied / enhanced from time to time by the Board of Directors and / or remuneration committee of the Company as it may in its discretion deem fit within the maximum amount payable to the Managing director prescribed under the provisions of Schedule XIII to the Companies Act, 1956 and other applicable provisions of the Companies Act, 1956.
- The Managing Director shall, subject to the supervision and control of the Board of Directors, be entrusted with such powers and perform such duties as may from time to time, be delegated / entrusted to him.
- The Managing Director shall not be subject to retirement by rotation and shall not be paid any sitting fees for attending the meeting of the Board of Directors or any committee thereof from the date of his appointment.

None of the directors of the Company except Mr. Suresh Chand Rustagi is concerned or interested in the aforesaid resolution.

The Directors commend the Ordinary Resolution for your adoption.

By order of the Board

Vivek Sahay  
Company Secretary

Noida: 30th July 2004

**DIRECTORS' REPORT****TO THE MEMBERS**

The directors submit their report and accounts for the financial year 2003-04.

**OPERATIONS**

During the financial year under review, the sales and other income were Rs 2623.66 lacs as against Rs 5311.40 lacs in the previous financial year. The loss during the year under review was Rs 30.62 lacs as against Profit after tax of Rs 16.02 lacs in 2002-03. The company produced 34,642 colour television sets as against 45,208 colour television sets in the previous financial year.

**DIVIDEND**

The directors do not recommend any dividend.

**AUDITORS' REPORT**

Auditors' observations have been explained in annexure 'B' which forms part of this report.

**VOLUNTARY RETIREMENT SCHEME**

During the month of July 2004, the Company offered voluntary retirement scheme to its employees. Thirty-six employees opted for it and were paid total compensation of Rs 58.35 lacs.

**DIRECTORS' RESPONSIBILITIES STATEMENT**

As required under section 217(2AA) of the Companies Act, 1956, the directors hereby confirm the following:

- i) Except Accounting Standard – 13, regarding valuation of investments and Accounting Standard – 2, regarding valuation of Inventories, the financial accounts are prepared in conformity with the accounting standards issued by the Institute of Chartered Accountants of India and requirements of the Companies Act, 1956 to the extent applicable to the company.
- ii) The accounting policies used in preparation of financial statements have been consistently applied. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis. Such financial statements reflect in a true and fair manner, the state of affairs of the Company at the end of the financial year ended on 31.03.2004 and profits of the Company for the year ended 31.03.2004.
- iii) Proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 has been taken for safeguarding the assets of the company and preventing and detecting fraud and other irregularities, to the best of our knowledge and ability.
- iv) The annual accounts have been prepared on a going concern and on accrual basis.

**DIRECTORS**

In accordance with the provisions of the Companies Act, 1956 and article 115 of Articles of Association of the company, Mr. N.K. Shinghal, Director retires by rotation and being eligible, offers himself for re-appointment.

**AUDITORS**

The auditors M/s J. L. Garg & Co., Chartered Accountants retire at the conclusion of the forthcoming annual general meeting and being eligible offer themselves for re-appointment. A confirmation in terms of Section 224 (1B) of the Companies Act, 1956 has been received from them.

**PARTICULARS OF EMPLOYEES, CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EARNINGS AND OUTGO**

The company does not have any employee whose remuneration falls under the limits prescribed under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975. The information under section 217 (1) (e) of the said act read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 is set out in annexure 'A' and forms part of this report.

**CORPORATE GOVERNANCE**

In compliance with the provision of clause 49 of the listing agreement a report on Corporate Governance is annexed.

**PERSONNEL**

The directors wish to place on record their deep appreciation of the contribution made by the employees of the company. It is gratifying to note that the industrial relations remained cordial and peaceful.

**ACKNOWLEDGEMENT**

Your directors also wish to thank and deeply acknowledge the valuable assistance; co-operation and support extended by the Central and State government authorities and consortium banks during the year under review and look forward to their continued support in future. The Board also gratefully acknowledges the support and goodwill extended by the dealers, suppliers and shareholders of the company.

for and on behalf of the Board

(S.C. Rustagi)  
Managing Director

Date: 30th July 2004  
Place: Noida

**ANNEXURE 'A' TO DIRECTORS' REPORT****1. CONSERVATION OF ENERGY****a. Energy conservation measures taken**

The operations of the company are not energy intensive. However, adequate measures have been taken to reduce energy consumption.

**b. Additional investments and proposals, if any, being implemented for reduction of energy.**

The company is consistently in the process of identifying conservation area and optimising the use of energy through improved operational methods and systems.

**c. Impact of (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production.**

The measures taken have resulted in lower energy consumption.

**2. RESEARCH AND DEVELOPMENT****a. Specific areas in which R&D carried out by the company.**

The research and development activities of the company are directed towards improvement of quality, development of new models and upgradation of existing infrastructure.

**b. Benefits derived as a result of above R&D**

Improvement in range, quality and raw material efficiency.

**c. Future plan of action.**

Continuing upgradation of existing infrastructure, improvement in range and quality of product.

**d. Expenditure on R&D**

Charged under primary heads of accounts.

**3. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION.****a. Efforts made towards technology absorption, adaptation and innovation.**

The company is using latest techniques for production.

**b. Benefits derived as a result of above efforts.**

Better quality, yield and improved productivity.

**c. Particulars relating to improved technology.**

Except for certain imported components, the company is not using any imported technology.

**4. FOREIGN EXCHANGE EARNINGS AND OUTGO**

a. Earnings .....	Nil
b. Outgo by way of import of raw material and other expenditure .....	Rs. 144.46 lacs

**ANNEXURE 'B' TO DIRECTORS' REPORT****MANAGEMENT'S COMMENTS IN RESPECT OF REMARKS OF AUDITORS UNDER SECTION 217(3) OF THE COMPANIES ACT, 1956.****OBSERVATION**

Balances grouped under Sundry Debtors, Sundry Creditors, Advances from customers and Advances recoverable are subject to confirmation from respective parties.

**RESPONSE**

We have started reconciliation process of the accounts of suppliers. After reconciliation it will be confirmed from respective parties.

**OBSERVATION**

On recommendation of committee constituted in earlier years to ascertain the status of old debtors of Rs 130.07 lacs, an amount of Rs 7.87 lacs has been written off in accounts as bad debts and a provision of Rs 32 lacs has been made for doubtful debts. No write off or provision for balance debtors of Rs 90.19 lacs is being made.

**RESPONSE**

No write off or provision for balance debtors of Rs 90.19 lacs is being made as the committee constituted to ascertain the status of old debts has recommended to initiate legal action against them. Accordingly, provision for debtors of Rs 90.19 lacs will be made only after the final outcome of legal action.

**OBSERVATION**

Advances recoverable include an amount of Rs. 152.31 lacs due from corporate companies for which no provision has been made as the confirmation of balances from the parties are on record. However, as per analysis of their net worth as per financial statements available, the amounts are doubtful of recovery.

**RESPONSE**

As confirmation of balances from the parties has been received, no provision for advances recoverable has been made.

**OBSERVATION**

No provision for overdue interest on redemption of 1,80,000 of 14% secured redeemable convertible debentures of Rs.100 each has been made. The amount of Debentures redeemed is secured by way of mortgage of fixed deposit of Rs.10 Lacs and bank guarantee of Rs.12 Lacs against claim from debenture holder, if any.

**RESPONSE**

Company had already redeemed its debentures. The payment of additional interest will be made as and when it is made.

**OBSERVATION**

The obsolete/slow moving stocks have been identified by the company as on date at Rs. 274.48 Lacs, which has not been valued at "lower of cost or net realisable value" as required by AS-2. The company has made an adhoc provision of Rs.40 Lacs for such stocks.

**RESPONSE**

Due to non-availability of comparable market value obsolete/slow moving stocks the net realisable value could not be ascertained. The company has made an adhoc provision of Rs.40 Lacs for such stocks on fair estimated basis.

**OBSERVATION**

- (i) The company has made an ad-hoc provision of Rs. 53 lacs towards diminution in the value of investments as against the required provision of Rs.194.49 lacs as per Accounting Standard-13 for valuation of investments.
- (ii) Investment includes 3,50,000 (3,50,000) Equity Shares of Onida Finance Ltd. which has been wound up by High Court on 23.01.2004 under the provisions of Companies Act, 1956.

**RESPONSE**

- (i) The company's investments are of long term nature. The diminution in value of investments being of temporary nature no provision for such diminution in value has been made.
- (ii) No information has been received by the Company with respect to Statement of Affairs of Onida Finance Limited, hence Equity Shares of Onida Finance Limited have been included in Investments.



## **DIRECTORS' REPORT ON CORPORATE GOVERNANCE**

### **1. Philosophy on Code of Corporate Governance**

Corporate Governance strengthens Investors trust and aims at attainment of the highest levels of transparency, accountability and equity in the functioning of company vis-à-vis interactions with employees, shareholders, creditors, and its customers. A report on the implementation of the code of corporate governance introduced by SEBI and incorporated in the listing agreement is given below:

### **2. Board of Directors**

The primary role of the Board is that of trusteeship to ensure that the Company has clear goals relating to shareholder value and its growth. The Board of Directors monitors company performance, approves and reviews policies / strategies and evaluates management performance. The Board ensures legal and ethical conduct and accurate financial reporting.

#### **i) Composition & Category**

The Board of Directors comprises of four members. Mr. S. C. Rustagi is the Managing Director (appointed on September 26<sup>th</sup> 2003) and the other three Directors are non- executive. The non – executive Directors are independent i.e. independent of management responsibilities, free from business or any other relationship, which could materially interfere with the exercise of their independent judgment. The Directors bring to the Board a wide range of experience and skills. The Board consists of the following directors:

<b>Directors</b>	<b>Category</b>
Mr. S. C. Rustagi (Managing Director)	Executive Director (Appointed on September 26, 2003)
Mr. S. C. Garg	Independent & Non-Executive Director
Mr. N. K. Shinghal	Independent & Non-Executive Director
Mr. V. K. Gupta	Independent & Non-Executive Director

#### **ii) Attendance of each Director at the Board Meetings and the last Annual General Meeting:**

<b>Name of the Director</b>	<b>No. of Board Meetings</b>		<b>Attendance at last AGM (30th September, 2003)</b>
	<b>Held during the tenure of Director</b>	<b>Attended</b>	
Mr. S. C. Rustagi	2	2	Yes
Mr. S. C. Garg	5	5	Yes
Mr. N. K. Shinghal	5	5	Yes
Mr. V. K. Gupta	5	1	No

#### **Note:**

- None of the directors is related to any other directors.
- M/s Goel Garg & Co., Chartered Accountants was appointed as financial consultants for the financial year 2003 – 2004. Mr. S. C. Garg, Director is a partner of such firm. However in judgement of Board of Directors, rendering of services of financial consultants, which is professional in nature does not affect independence of judgement of director. None of the other directors has any business relationship with the Company.
- During the year the Board of Directors of Onida Saka Limited met 5 times i.e. on May 30<sup>th</sup> 2003, June 26<sup>th</sup> 2003, July 30<sup>th</sup> 2003, October 30<sup>th</sup> 2003, and January 30<sup>th</sup> 2004. The maximum gap between any two meetings was not more than four months. A detailed agenda is sent to each Director in advance of Board and Committee meetings.



### 3. Other Directorship/Membership and Committees of the Board

Number of outside directorship of the members of Board of Directors:

	No. of outside directorship held	No. of membership in Committee of Directors	Chairmanship held committee of Directors
Mr. S. C. Rustagi	Nil	Nil	Nil
Mr.S. C. Garg	2	3	3
Mr. N. K. Shinghal	Nil	3	Nil
Mr. V. K. Gupta	Nil	3	Nil

Note:

- Private Limited Companies, Foreign Companies and Companies constituted under section 25 of the Companies Act, 1956 are excluded for the above purpose.
- Only Audit Committee, Investors Grievance Committee and Remuneration Committee are considered for the purpose of Committee positions as per Listing Agreement.
- None of the Director is a member of more than ten Board level committees or a chairman of five such committees as required under clause 49 of the listing agreement.

#### i) Audit Committee

The terms of reference of the Audit Committee covers the areas mentioned under clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. The Audit Committee was constituted on 31<sup>st</sup> January 2001 by the Board of Directors. It comprised of :

Mr. S. C. Garg	-	Chairman
Mr. N. K. Shinghal	-	Member
Mr. V. K. Gupta	-	Member

During the year the committee has met 5 times on May 30th, 2003, June 26th, 2003, July 30th, 2003, October 30th 2003 and January 30th, 2004. The minutes of the Audit Committee were placed before the Board. The overall attendance of the Directors was as under:

Members	Held during the tenure of Director	Meetings Attended
Mr. S. C. Garg	5	5
Mr. N. K. Shinghal	5	5
Mr. V. K. Gupta	5	1

#### ii) Remuneration of Directors

In compliance with Schedule XIII of the Companies Act, 1956, relating to appointment of Managing Director, Remuneration Committee was constituted on July 25 2003 by Board of Directors. It comprised of Mr. S. C. Garg (Chairman), Mr. N. K. Shinghal and Mr. V. K. Gupta as its members.

Remuneration Committee approved the following terms and conditions and remuneration of Mr. S. C. Rustagi as the Managing Director of the Company:

- Basic Salary – Rs 16748/- per month and Special Allowance of Rs 36245/- per month.  
The increment shall be considered by the Board and / or remuneration committee on merits and at its absolute discretion.
- House Rent Allowance 50% of basic salary per month, Conveyance Allowance Rs. 800/- per month, Medical Reimbursement Rs. 1250/- per month, and Leave Travel Allowance Rs. 2200/- per month.

Managing Director shall also be eligible to the following perquisites, which shall not be included for the purpose of computation of ceiling of remuneration:

- a) The Company's contribution to Provident Fund and Superannuation or Annuity Fund, if any, to the extent these either singly or together are not taxable under the Income Tax Act, Gratuity payable as per the rules of the Company.
- b) Encashment of leave as per the Company's rules.

#### Other Terms

- i) The Managing Director shall be entitled to reimbursement of all expenses, including on entertainment and travelling incurred in connection with the Company's business, as per the rules of the Company.
- ii) The Managing Director shall be entitled to fully paid leave as per the rules of the Company.
- iii) The Managing Director shall also be entitled to the benefits, privileges and amenities under the scheme of the Company, as are normally granted to the Senior Executives of the Company.
- iv) Reimbursement of inpatient medical expenses towards hospitalization as per the Company rules and Employee's group insurance (Mediclaime) rules applicable from time to time.

Minimum Remuneration- Notwithstanding anything to the contrary herein contained, where in any financial year during the tenure of Mr. Suresh Chand Rustagi as the Managing Director of the Company, the Company has no profits or the profits are inadequate, the Company shall, subject to the provisions of Sections 198, 269, 309 and Schedule XIII of the Act, pay basic salary, perquisites and allowances as set out above.

#### Other Terms and Conditions-

- The terms and condition and remuneration of the appointment may be varied / enhanced from time to time by the Board of Directors and / or remuneration committee of the Company as it may in its discretion deem fit within the maximum amount payable to the Managing director prescribed under the provisions of Schedule XIII to the Companies Act, 1956 and other applicable provisions of the Companies Act, 1956.
- The Managing Director shall, subject to the supervision and control of the Board of Directors, be entrusted with such powers and perform such duties as may from time to time, be delegated / entrusted to him.
- The Managing Director shall not be subject to retirement by rotation and shall not be paid any sitting fees for attending the meeting of the Board of Directors or any committee thereof from the date of his appointment.

Non-Executive independent directors are paid the sitting fees for attending the Board / Committee meetings within the limits prescribed under the Companies Act, 1956.

Directors	Positions	Sitting fees	Salary & Perquisites	Commission	Total
Mr. S. C. Garg	Director	25,000	—	—	25,000
Mr. N. K. Shinghal	Director	25,000	—	—	25,000
Mr. V. K. Gupta	Director	—	—	—	—

#### iii) Shareholders/Investors Grievances & Share Transfer Committee.

The Board of Directors of the company has constituted Shareholders/Investors Grievances on March 17, 2003 headed by Mr. S.C. Garg (Chairman) with Mr. N.K. Shinghal and Mr. V. K. Gupta as its members. The Committee looks into redressal of shareholder's complaints like transfer of shares, non-receipt of balance sheet, etc. The Committee also oversees the performance of the Registrar and Transfer Agent, and recommends measures for overall improvement in the quality of investor services.

The Committee has designated Mr. Vivek Sahay, Company Secretary as the Compliance Officer.

During the year, the company had received 114 complaints from shareholders & investors, stock exchanges and SEBI and all the complaints were resolved.

#### Procedures at Committee Meetings

Company's guidelines relating to Board Meetings are applicable to Committee Meetings as far as may be practicable. Minutes of the proceedings of each Committee meeting are placed before the Board for its perusal and noting.