

ONIDA SAVAK **LIMITED**



ANNUAL REPORT
(2003-04)

ONIDA SAVAK LIMITED

BOARD OF DIRECTORS

SONU L. MIRCHANDANI

Managing Director

MANMOHAN AGARWAL

SUNIL K SHARMA

NALINIKANT MOHANTY

MANAGEMENT TEAM

R. K. NAYYAR

Vice President (Operations)

S. R. PEREIRA

Vice President (F & A)

COMPANY SECRETARY

AVNEESH CHOPRA

AUDITORS

M/s Goel Garg & Co.

Chartered Accountants

102, E-588, Greater Kailash Part-2

New Delhi-110048

BANKERS

State Bank of India

State Bank of Hyderabad

MANUFACTURING FACILITIES AT :-

B-204, 205 Phase-II

Noida, District Gautam Budh Nagar

Uttar Pradesh-201305

REGISTRAR & SHARE TRANSFER AGENT

Beetal Financial & Computer Services (P) Ltd.

321-S Chirag Delhi

New Delhi - 110 017

REGISTERED OFFICE

B-205 Phase-II

Noida

District Gautam Budh Nagar

Uttar Pradesh - 201305

CORPORATE OFFICE

A-19, B-1

Mohan Co-operative Industrial Estate

Mathura Road, Badarpur

New Delhi-110044

ONIDA SAVAK LIMITED**NOTICE**

Notice is hereby given that the 17th Annual General Meeting of the members of the M/s Onida Savak Limited will be held on Thursday the 30th September, 2004 at 9.00 A.M. at Plot no. B-205, Phase-II, Noida, Gautam Budh Nagar, Uttar Pradesh.

AS ORDINARY BUSINESS

- 1) To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2004 and Profit and Loss Account for the year ended on that date along with the reports of Auditors' and Directors' thereon.
- 2) To consider and, if thought fit, to pass with or without modification (s) the following resolution as an **ORDINARY RESOLUTION**

"RESOLVED THAT pursuant to the provisions of section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s Goel Garg & Co. Chartered Accountants, the retiring auditors be and are hereby re-appointed as the Auditors of the company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, and to fix their remuneration, and in addition to the reimbursement of travelling and other out of pocket expenses incurred incidental to their functions, to be agreed to between the Board of Directors and the Auditors."

- 3) To appoint a Director in place of Mr. Manmohan Agarwal who retires by rotation and being eligible offers himself for re-appointment.

"RESOLVED THAT Mr. Manmohan Agarwal, Director, who is retiring by rotation and who, being eligible offers himself for re-appointment, be and is hereby appointed Director of the Company."

AS SPECIAL BUSINESS

- 4) Appointment of Mr. Sunil Kumar Sharma

To appoint Mr. Sunil Kumar Sharma (who was appointed as an Additional Director w.e.f. 15th January, 2004 pursuant to Article 117 of the Articles of Association of the company and who as per the provision of section 260 of the Companies Act, 1956 shall hold office only upto the date of this meeting and in respect of whom, the company has received a notice in writing from the member signifying their intention to propose him as a candidate for the office of director) as a Director of the company and to consider and, if thought fit, to pass the following resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provision of section 257 and other applicable provisions, if any, of the Companies Act, 1956 Mr. Sunil Kumar Sharma be and is hereby elected and appointed as a Director, liable to retire by rotation."

- 5) Appointment of Mr. Nalinikant Mohanty

To appoint Mr. Nalinikant Mohanty (who was appointed as an Additional Director w.e.f. 4th June, 2004 pursuant to Article 117 of the Articles of Association of the company and who as per the provision of section 260 of the Companies Act, 1956 shall hold office only upto the date of this meeting and in respect of whom, the company has received a notice in writing from the member signifying their intention to propose him as a candidate for the office of director) as a Director of the company and to consider and, if thought fit, to pass the following resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provision of section 257 and other applicable provisions, if any, of the Companies Act, 1956 Mr. Nalinikant Mohanty be and is hereby elected and appointed as a Director, liable to retire by rotation."

- 6) To consider and if though fit, to pass with or without modification (s) the following resolution as Special Resolution:-

"RESOLVED THAT pursuant to the provisions of section 198,269,309,311 read with Schedule XIII, and other applicable provisions, if any, of the Companies Act, 1956 the consent of the company be and is hereby accorded to the re-appointment of Mr. Sonu L Mirchandani as the Managing Director of the Company for a period of three years with effect from 19th September, 2004 without remuneration and as per other terms and conditions set out in the explanatory statement attached to this notice.

ONIDA SAVAK LIMITED

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such act, deed and things and execute all such documents, instruments and writing as may be required and to delegate all or any of its powers therein conferred to any committee of directors to give effect to the aforesaid resolution."

By order of the Board
Onida Savak Limited

(Avneesh Chopra)
Company Secretary

Noida : 21st August 2004

NOTES:

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 MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

Members/Proxies should fill the enclosed Attendance Slip duly signed, in accordance with the specimen signatures registered with the Company for attending the meeting.

Members who hold shares in Dematerialisation form are requested to bring their client ID and DP ID numbers for easy identification of attendance at the meeting.

Members holding shares in identical names under different folios are requested to apply for consolidation of such folios and send relevant share certificates to the Company/Share Transfer Agent.

Members seeking any information with regard to accounts are requested to write to the company at least 10 days in advance of the meeting to enable the management to keep the information ready.

The Register of Members and the Share Transfer books of the company will remain closed from 28th day of September 2004 to 30th day of September 2004 (both days inclusive).

EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956 IN RESPECT OF THE SPECIAL BUSINESS.

Item no 4

The Board of Directors of the company has appointed Mr. Sunil Kumar Sharma as an Additional Director w.e.f 15th January 2004, pursuant to section 260 of the Companies Act to hold office upto the date of this Annual General Meeting of the company. The Company has received a notice in writing from the member together with requisite deposit, proposing Mr. Sunil Kumar Sharma for the office of Director under the provision of section 257 of the Companies Act, 1956. Mr Sunil Kumar Sharma is B.Com (H)., FCA., ACS and Grad. CWA with vast experience in the field of accounts and audit matters. The Board recommends his appointment as a Director of the company. Mr. Sharma is interested in the resolution as it relates to his appointment. None of the other directors of the company are interested in this resolution.

Item no 5

The Board of Directors of the company has appointed Mr. Nalinikant Mohanty as an Additional Director w.e.f 4th June 2004, pursuant to section 260 of the Companies Act to hold office upto the date of this Annual General Meeting of the company. The Company has received a notice in writing from the member together with requisite deposit, proposing Mr. Nalinikant Mohanty for the office of Director under the provision of section 257 of the Companies Act, 1956. Mr. Nalinikant Mohanty has vast experience in the field of accounts. The Board recommends his appointment as a Director of the company. Mr. Mohanty is interested in the resolution as it relates to his appointment. None of the other directors of the company are interested in this resolution.

ONIDA SAVAK LIMITED**Item no 6**

The existing tenure of Mr. Sonu L Mirchadani is expiring on 19th September, 2004. Hence the Board of Directors of the company at its meeting held on 21st August, 2004 approved, subject to the approval of members of the company, re-appointment of Mr. Sonu L Mirchandani as the Managing Director for a period of three years with effect from 19th September, 2004.

The Board of the company took note of the fact that Mr Mirchandani is playing a key role in the revival of the Company. Only on account of Mr Mirchandani's significant efforts one time settlement can be achieved with ICICI Bank, Standard Chartered Bank, UFJ Bank, Dena Bank an his continuous presence as Managing Director of the company is in the long-term interest of the company, its shareholders and hundred of employees.

The Board of the company also took note of the fact that Board for Industrial and Financial Reconstruction (BIFR), in para 11 h of its order dated 27th August, 2002 directed the company that it would not change any of its Directors or any changes at its Board of Directors level without the specific permission of the BIFR

1	Period of Appointment	Three years w.e.f 19 th September, 2004
2	Remuneration	Mr Mirchandani has agreed to lend his services without remuneration for the interest of the company as per the request of the Board. However Mr Mirchandani will be entitled to claim from the Company the reimbursement of actual expenses incurred by him on the maintenance of car, telephone, fax, travelling and entertainment during the course of his official duties.

The Board recommends this resolution for the approval of shareholders. Mr. Sonu L Mirchandani is interest in the resolution as it relates to his re-appointment. None of the other directors of the company are interested in this resolution.

The explanation together with the accompanying notice is and should be treated as an abstract of the terms of re-appointment of Mr Sonu L Mirchandani pursuant to the provisions of section 302 of the Companies Act 1956.

By order of the Board

(Avneesh Chopra)
Company Secretary

Noida : 21st August 2004

ONIDA SAVAK LIMITED

REPORT OF BOARD OF DIRECTORS

TO THE MEMBERS OF THE ONIDA SAVAK LIMITED

The Directors hereby present the 17th Annual report together with the audited accounts for the year ended 31st March, 2004.

FINANCIAL HIGHLIGHTS

(Rs in crores)

	For the year ended March 31, 2004	For the year ended March 31, 2003
Sales	56.24	59.02
Profit before Tax	(5.18)	(2.58)
Add : Deferred Tax Assets Reserve	0.61	0.42
Profit after Tax	(4.56)	(2.15)

REVIEW OF OPERATIONS AND FUTURE OUTLOOK

The Company's turnover for the year ended 31st March, 2004 amount to Rs 56.24 crores against Rs 59.02 crores in the preceding financial year. This fall is primarily attributable to washing machine segment where there has been fall in numbers as also in price realization. Stiff competition from the Koreans and Chinese companies is the primary cause for such affairs.

However our Electronic Tuner segment has substantially made up for the decline in the washing machine segment. Number wise there has been quantum jump in sales from 791996 in 2002-03 to 1142142 tuners in 2003-04. This has been possible because the company has launched new models and improved customer base. Outlook of this division is good. Furthermore, company is also devising new ways of cost reduction to make its products more competitive especially against the stiff competition from China.

As you are aware, the company is still under BIFR. A scheme for rehabilitation and One Time Settlement (OTS) proposal for secured creditors has been submitted. The working capital banks have favourably considered our proposal of OTS and company is in the process of settling their dues shortly. In view of the settlements with banks, your management is quite hopeful that the FIs will also settle on one time basis with your company.

DIVIDEND

In view of continuous losses being incurred by the company, your directors express their inability to recommend dividend for year 2003-2004.

AUDITORS REPORT

The qualifications in the Auditor's report are self-explanatory and Notes to Account appropriately explain and deal with the management perception thereon.

SHARE TRANSFER AGENT

The Share Transfer Agent for both (Physical and Electronic form) is M/s Beetal Financial and Computer Services Pvt Limited 321-S Chirag Delhi, New Delhi-17.

DIRECTORS

Mr. Sunil Kumar Sharma (w.e.f 15th January, 2004) has been appointed as additional director of the company and shall hold office upto the ensuing annual general meeting. The Company has received notice from members pursuant to section 257 of the Companies Act, 1956 signifying their intention to propose the candidature of Mr Sunil Kumar Sharma for the office of director. Mr. Sunil Kumar Sharma is B.Com (H)., FCA, ACS and Grad. CWA with vast experience in the field of accounts and audit matters.

Mr. Nalinikant Mohanty (w.e.f 4th June, 2004) has been appointed as additional director of the company and shall hold office upto the ensuing annual general meeting. The Company has received notice from members pursuant to section 257 of the Companies Act, 1956 signifying his intention to propose the candidature of Mr Nalinikant Mohanty for the office of director. He has vast experience in the field of accounts.

ONIDA SAVAK LIMITED

The existing tenure of Mr. S.L. Mirchandani as the Managing Director of the company is expiring on 19th September, 2004. The Board of Directors of the company at its meeting held on 21st August, 2004 approved, subject to the approval of members of the company, re-appointment of Mr. Sonu L Mirchandani as the Managing Director for a period of 3 years with effect from 19th September, 2004. Mr. Mirchandani has been at the helm of the affairs of the company for last 15 years. Mr. Sonu L Mirchandani is playing a key role in the revival of the company and his continuous presence as Managing Director of the company is in the long-term interest of the company, its shareholders and hundred of employees. Further Board of Financial Reconstruction (BIFR), in para 11 h of its order dated 27th August, 2002 directed the company that it would not change any of its Directors or any changes at its Board of Directors level without the specific permission of the BIFR.

Also Mr. Manmohan Agarwal who retires by rotation and being eligible offers himself for re-appointment. He is B.Com and Chartered Accountant with vast experience in the filed of accounts and audit matters. He has worked with various manufacturing and service companies.

Your directors recommend the appointment / reappointment of Mr Sonu L Mirchandani, Mr Manmohan Agarwal, Mr Sunil Kumar Sharma and Mr Nalinikant Mohanty.

Also during the year Mr. Deepak Sharma w.e.f 01st October, 2003, Dr. Yogesh Trikha who was appointed as the additional director w.e.f 15th January, 2004 and Mr S A Chari w.e.f 31st March 2004 had resigned from the office of director of the company. The Board wish to place on record their appreciation for the services rendered by them during their tenure.

AUDITORS

M/s Goel Garg & Co., Chartered Accountants, New Delhi, auditors of the company hold office till the conclusion of the ensuing annual general meeting and are recommended for re-appointment.

INDUSTRIAL RELATIONS

The Directors wish to place on record their appreciation for the services rendered by all the employees of the Company. It is gratifying to note that cordial and harmonious relations prevailed between the employees and the management.

PARTICULARS OF CONSERVATION OF ENERGY ETC AND EMPLOYEES

Information under Section 217(1)(e) read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure 'A' and forms part of this Report.

Information under section 217 (2A) read with Companies (Particulars of Employees) Rules, 1975 is given in Annexure 'B' and forms part of this Report.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR 2003-04

As required under Clause 49 of the Listing agreement with Stock Exchanges, Management Discussions and Analysis for the year 2003-04 forms part of this report and is annexed herewith.

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2003-04

Corporate Governance Report for the year 2003-04 as required by clause 49 of the Listing Agreement together with Report of Auditors of the company in this regard is annexed herewith.

AUDIT COMMITTEE

The Audit Committee of the company held 4 meetings during the year. Presently the constitution of the Audit committee comprises of Mr.Mammohan Agarwal (Chairman), Mr Sunil Kumar Sharma and Mr Nalinikant Mohanty

DIRECTORS RESPONSIBILITY STATEMENT

1. That in the preparation of the accounts for the financial year ended 31st March 2004, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of financial year and of the profit or loss of the Company for the year under review;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

ONIDA SAVAK LIMITED

4. That the Directors have prepared the annual accounts for the financial year ended 31st March 2004 on a going concern basis.

ACKNOWLEDGMENT

Your Directors take this opportunity to express their grateful appreciation for the excellent assistance and co-operation received from the Central Government, the State Governments and that consortium of Commercial Banks and Financial Institutions. Your Directors also thank all the shareholders for their continued support and all the employees of the company for their valuable services during the year.

for and on behalf of the
Board of Directors

Place : Noida
Date: 21st August, 2004

Sonu L. Mirchandani
Managing Director

ANNEXURE 'A' TO DIRECTORS' REPORT

1. CONSERVATION OF ENERGY

a) Energy Conservation measures taken:

With a view to conserve the energy and resources, your company continues to take all the possible measures and has accordingly formed a team of experts to study requirement of power, fuel, energy and natural resources and consumption thereof and suggest methods by which the same can be saved. Based on the feedback and suggestions received from the team, the management has taken following steps:-

- i) Improved Housekeeping.
- ii) Training programmes for employees engaged in the production for optimum use of power and energy.
- iii) Awareness in the employees for conservation of energy.
- iv) Optimum utilization of Natural Resources.

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

Nil

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

Reduced power consumption.

2. RESEARCH & DEVELOPMENT(R&D)

a) Specific area in which R&D carried out by the company:

Research and Development activities are carried on for improving and developing the know how obtained and developing new methods of manufacturing and supporting the production team in designing, developing, manufacturing new ranges of products and advanced models of products to satisfy the perceived needs of consumers. The main focus of the research and development is to

- i) Improve the quality of products.
- ii) Technical support to the production activity in solving problems.
- iii) Developing new and economic methods of production.
- iv) Launching innovative products and methods.
- v) Increasing Productivity.
- vi) Reduction in wastage and cost of production.
- vii) Consumer satisfaction.

b) Benefits derived as a result of above R&D:

- i) Improve quality of products.

ONIDA SAVAK LIMITED

- ii) Increased Productivity.
- iii) Reduction in wastage and cost of production.

c) Future plan of action:

- i) Focus on new range of Washing Machines and Electronic Tuners with modern technology
- ii) Developing of models for export market.

d) Expenditure on R&D:

Expenditure has been charged under respective primary heads of accounts.

3. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION:

a) Efforts in brief made towards technology absorption, adaptation & innovation:

Development and introduction of new aesthetic and customer friendly value added and innovative features in the products.

b) Benefits derived as a result of the above efforts

- i) Process and quality improvement in the products.
- ii) Cost optimization through process improvement, design changes and improvement
- iii) Reduction in foreign exchange outflow by suitable import substitution.

c) In case of imported technology (Imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished:-

Technology imported	Year of Import
Technical Assistance agreement with Samsung Electronics Co Ltd Korea	2000-01
Technology imported of Controller PCB.	2001-02

d) Has the technology been fully absorbed

The technology imported have been fully absorbed

4. FOREIGN EXCHANGE EARNINGS AND OUTGO :

a) Earning.....	Nil (Nil)
b) Outgo by way of import of raw material, capital equipment and others	Rs 12,26,87,095/- (Rs. 16,39,94,795/-)

ANNEXURE 'B' TO DIRECTORS' REPORT

Statement of Particulars of Employees pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended from time to time and forming part of the Directors' Report for the year ended 31st March 2004.

None of the employee of the company is covered under the above said rules.

MANAGEMENT DISCUSSION AND REVIEW

• INDUSTRY STRUCTURE AND DEVELOPMENT

Washing machine: - The washing machine category has seen a rebound in the year 2003. The industry continues to be dominated by low and semi automatic segment, which constitutes more than 75% of the entire market. The penetration levels, however, continue to be low as compared to the other household appliances. In the appliances industry price erosion continued along with more featured -packed better quality products entering Indian market. The washing machines market has not any significant growth in the last couple of years and is still hovering around 1.3 to 1.4 million units per annum.

Tuner : - The tuner market is linked on the growth of the Television market. The year 2003-04 was a correction year for the Television Industry; following the abnormal industry growth of 34% in 2002-03 as a result of the cumulative impact of World cup Soccer and World Cup Cricket. In the year 2003 Colour Television market de-grew by 8% (source-ORG).

ONIDA SAVAK LIMITED

It is expected that there will be good demand growth in the consumer electronics and durables industry due to following factors: -

- i) Rising disposable income.
- ii) Most of consumer durable today have become necessity rather than luxury.
- iii) Increasing availability of Finance through various finance schemes.
- iv) Fragmentation of families into smaller units is likely to increase in the demand.

OUTLOOK ON OPPORTUNITIES & THREATS

With an existing population of over a billion and an annual increment of about 16 million, India is one of the most vibrant markets in the world-for any industry. Most of the players are trying to tap rural market, which constitutes 70% of the country's population. The consumer electronics and durable industry has now become a very price sensitive. The aggressive pricing and introduction of vast range of products by the Korean and Chinese companies have forced this industry to operate on low margins. In response, the company has focused on improving its efficiency in operations and further cost reduction.

OUTLOOK ON RISK & CONCERNS

- i) Lack of demand more particularly in the washing machine segment is major concern.
- ii) The margins are under pressure.
- iii) The aggressive marketing and price wars by the competitors are the major risk and concern of the company.
- iii) Financial constraints of the company hamper the advertisement and publicity of its products.

At macro level the factors like economic slow down, poor monsoon, sluggish demand, unforeseen political /social upheavals and natural calamity may effect company's business and industry at large

• SEGMENTWISE / PRODUCT WISE PERFORMANCE

The company has manufactured 78293 washing machines as compared to 83872 washing machines in the previous year. The Company has manufactured 1120759 tuners compared to 822592 tuners in the previous year.

• INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company has an ERP based accounting system and appropriate software application in functional areas to aid operational transactions. The Company has an effective control system in place and Internal Auditors M/s J C Bhalla & Co conducts routine and special operational reviews on a periodic and consistent basis throughout the year covering all major business process and controls. The Audit committee of the company reviews the findings of the Internal Audit report periodically and the key findings are discussed for implementation and /or correction, as the case may be. This, subject to the inherent limitations in any system and procedure and coverage thereof, provides management with reasonable assurance that the established policies and the procedures of the company have been followed, it safeguard assets and any form of fraud and other irregularities prevented from occurring.

• DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The operational and financial performance of the company has been explained in the Director's report

• MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT INCLUDING NUMBER OF PEOPLE EMPLOYED.

During the year the company has organised various training and motivational programmes to upgrade the skills of our workers and other members of the staff of the company. With a view to recognise and appreciate the outstanding contribution of employees, the company confers meritorious performance award to the deserving members of the staff. The relations with staff continued to remain cordial and harmonious.

• CAUTIONARY STATEMENT

Statements in the Management Discussion and review describing the company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities, law and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the company's operations include cost of fuel, determination of tariff by the regulatory authorities, changes in the Government regulations tax law, economic developments within the country and such other factors.

CORPORATE GOVERNANCE

1. ONIDA'S PHILOSOPHY ON CODE OF GOVERNANCE

- to ensure that adequate control systems exist for enabling the Board to discharge its responsibilities to all stakeholders of the company effectively.