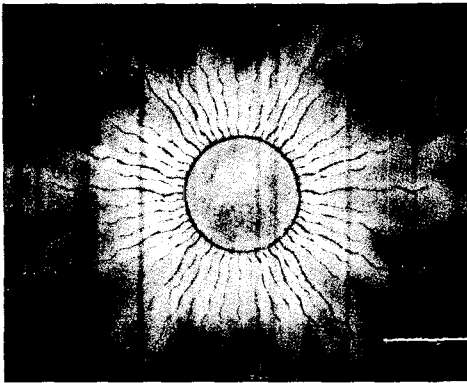


*"Perfection in Action"*



वार्षिक प्रतिवेदन १९९७-९८

**ANNUAL REPORT 1997-98**



*Yogah Karmasu Kausalam*

*"Perfection in Action"*

The tenets of the Bhagwad Gita have long inspired us at Salora to achieve our goals through "sustained efforts" or "stitho yatno abhyasa". Achievement is born of effort and we at Salora have always strived for quality, for customer satisfaction, for growth

This is the philosophy that drives Salora  
- now and in the future



## Board of Directors

### SHRI SITARAM JIWARAJKA

*Chairman*

### SHRI RAJENDRA PRASAD KHAITAN

*Vice Chairman & Managing Director*

### SHRI SUSHIL KUMAR JIWARAJKA

*Joint Managing Director*

### SHRI GOPAL KUMAR JIWARAJKA

*Joint Managing Director*

### Dr. V.L. DUTT

*Director*

### SHRI KETAN A. DALAL

*Director*

### COMPANY SECRETARY

B.L. Chandak

### AUDITORS

K. Prasad & Company  
Chartered Accountants

### BANKERS

State Bank of India  
The Bank of Tokyo – Mitsubishi, Ltd.  
Canara Bank  
Times Bank Ltd.

### REGISTERED OFFICE

D-13/4, Okhla Industrial Area Phase - II  
New Delhi - 110 020

### MUMBAI OFFICE

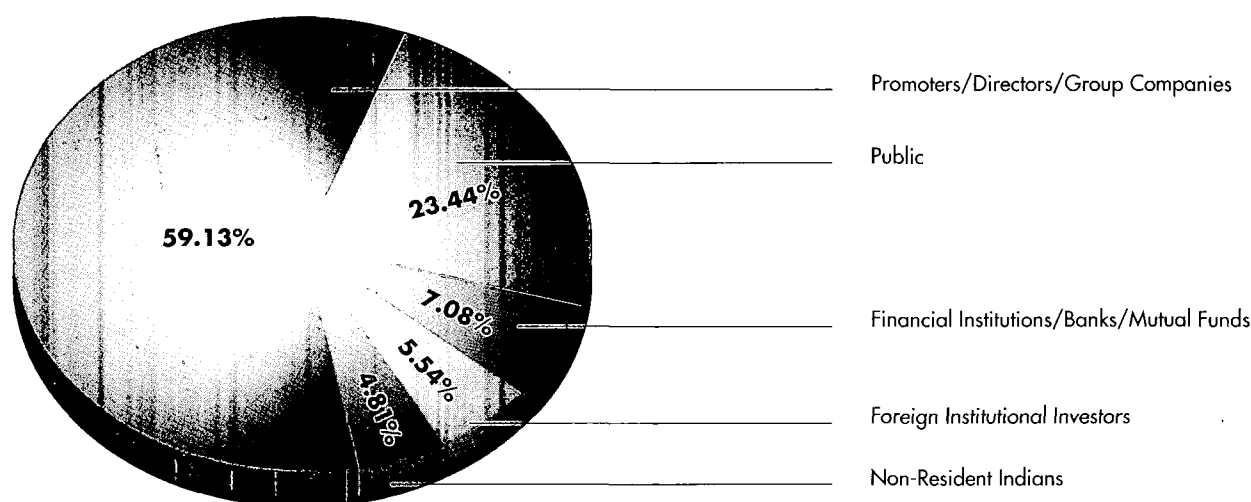
Mathuradas Mills Compound, Ground Floor  
Behind Ideal Industrial Estate  
Senapati Bapat Marg, Lower Parel  
Mumbai - 400 013

### REGISTRAR & SHARE TRANSFER AGENT

M/s. Skyline Financial Services Pvt. Ltd.  
123, Vinoba Puri, Lajpat Nagar - II  
New Delhi - 110 024  
Phone : 91-11-6838501, 6920625  
Fax : 91-11-6918352



### SHAREHOLDING PATTERN (AS ON 31.05.1998)



### EQUITY DISTRIBUTION

Category (No. of Shares)	Investors	Total Shares held	% to Equity Capital
Up to 5,000	4847	914800	10.37
5,001 to 50,000	69	1578900	17.90
50,001 to 1,00,000	12	929000	10.53
1,00,001 to 2,00,000	2	269200	3.05
2,00,001 to 4,00,000	11	3425300	38.84
Above 4,00,001	3	1702800	19.31
	<b>4944</b>	<b>88,20,000</b>	<b>100.00</b>

### AT A GLANCE

#### Performance Highlights

	31.3.1998 (Rs. in lacs)	31.3.1997 (Rs. in lacs)	Growth (%)
Gross Sales	14284	11486	24
Earnings Before Depreciation, Interest & Taxation	1055	-667	58
Profit After Taxation	544	312	74
Dividend Payout	132	88	50
Equity Dividend - %	15	10	50
Retained Earnings	398	215	85
Cash Earnings per Share - Rs.	7.89	4.90	61
Earnings per Share - Rs.	6.17	3.54	74
Net Profit Margin - %	3.81	2.72	40

#### Financials

Equity Capital	881	881
Reserves & Surplus	4825	4435
Networth	5706	5316
Net Block	2469	1385
Term Loan	9	3
Debt : Equity Ratio	Negligible	Negligible
Return on Networth - %	9.54	5.87
Book Value per Share - Rs.	64.69	60.27



## MANAGEMENT REVIEW OF OPERATIONS

Identifying core competencies and excelling in them is crucial in today's competitive business environment. At Salora, the year 1997-98 was one of introspection, focusing on our strengths i.e.

- A strong and flexible manufacturing base
- A high degree of technological orientation
- Strong working relationships with all players in the supply chain viz. suppliers, technical collaborators, distributors and dealers built over two decades.

The objective was clear in front of us i.e.

**"To Become A Leading Technology Driven Electronic Company Providing To Its Customers International Quality Components And Equipments At Competitive Prices."**

The exercise began with the restructuring of core businesses and transforming each one of them into **Strategic Business Units (SBU)**. The SBUs are:-

- Televisions
- Components
- Office Automation

All the SBUs were given total autonomy in their working and decision making. This resulted in improved efficiency, enhanced volume growth, higher cash flows and operating profits for the company.

To meet the increased competition and to optimize use of resources, Salora realises the need to have in place a state-of-the-art integrated Information Technology. Thus, we are implementing **Enterprise Resource Planning (ERP)** system which is an essential part of our overall

business strategy for improving productivity and for achieving accelerated growth. The package is split into 15 modules, each module interfacing with the other working on a common database. The company hopes to derive the benefits arising therefrom in due course of time.

Your company's performance for the year ended 1997-98 was impressive with substantial increase in sales and profits. The gross turnover improved from Rs. 11,486 lacs in 1996-97 to Rs. 14,284 lacs in the current year, registering a growth of 24%. Our focus to improve operating margins resulted in achieving higher profits. The net profit after tax increased from earlier year's Rs. 312 lacs to Rs. 544 lacs, posting a growth of 74% in the period under review.

## TELEVISION DIVISION

Despite Indian economy slowing down in 97-98, CTV sales registered a growth of over 30%, whereas sales of B & W TVs stagnated.

Industry Trends		(Qty. in lacs)	
Category	95-96	96-97	97-98
B & W	60	60	58
CTV	17	19	26

The volume growth in CTV was primarily driven by a sharp reduction in its price by most leading manufacturers accompanied by aggressive and innovative marketing. The mantra of "Low margin, High volume" not only brought in new customers but also resulted in huge replacement demand. The initial current trend in sales indicate that the previous year's sales momentum is likely to be maintained in 1998-99.

Salora, after the spin-off of Panasonic division, decided



to leverage its brand equity by focusing on the colour television segment of the market. The company saw a niche for itself in the "Low price, High Volume" segment and positioned itself as a "Value for Money" brand.

Keeping in mind the latest international trends in product design & features as also to meet the Indian customers aspirations, Salora's R & D dept. has worked closely with overseas companies to introduce a new range of sophisticated, high quality state-of-the-art TVs in the market. This has helped the company in boosting CTV volume sales by over 340% in the current year. Salora will invest further in imported moulds & equipments on a continuing basis to upgrade and expand the product range.

A good product range and concerted marketing efforts saw the sale of colour televisions grow from 11,514 sets in 1996-97 to 51,719 sets in 1997-98. This feat was achieved through innovative marketing strategies backed by a high quality product, employee team work, dealer network etc. Needless to say, an aggressive advertising campaign has also done good in promoting our brand. Your company increased its ad. spending from Rs. 273 lacs to Rs. 432 lacs during the year.

The export of B & W TVs during the year remained subdued, initially due to anomalous policy of the Government and thereafter on account of economic meltdown in the Far East. The export sales declined from 72,081 sets in 1996-97 to 32,957 sets in the period under review. Despite industry's negative sales trend in B & W TVs, Salora was able to post marginal increase in its domestic sales from 172,150 sets to 172,334 sets. You will be glad to note in spite of the above odds, your company still held the distinction of being one of the largest

exporters of B & W TV sets from the country.

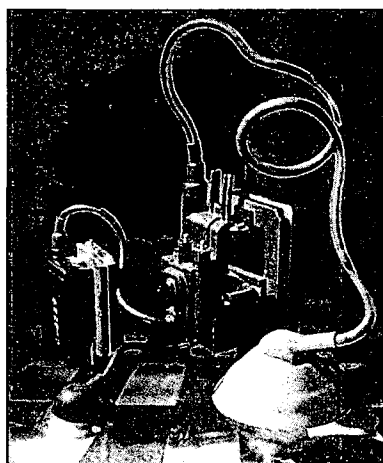
The Television Division increased its sales from Rs. 5783 lacs in 1996-97 to Rs. 7905 lacs in 1997-98, registering a growth of 37%. However, domestic sales recorded a growth of 53%, much higher than the industry's average growth.

Salora has every reason to look forward to a more exciting future, as plans are afoot to introduce several new models including 25" and 29" CTV with AV stereo systems to tap this burgeoning segment of the market. The company has fixed higher target of selling 70,000 CTV sets in the current year. Going by the sales trend in the first two months of the current year, we are hopeful of achieving this target.

## COMPONENTS DIVISION

### Access to advance technology - a touchstone to future growth

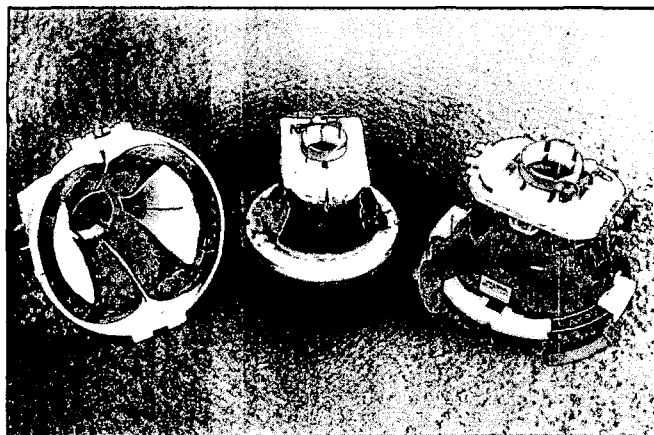
The performance of TV sets largely depends on the quality of components used. Realising this need, a decade back, Salora entered into technical collaboration with global leaders to bring home advanced technology and world



*Flyback Transformer*

class products. Our technical collaboration with Kyushu Matsushita Electric Co. Ltd, a subsidiary of Matsushita Electric Industrial Co., Japan - MEI (National/Panasonic) for the manufacture of





*Deflection Yokes*

Flyback Transformers and Deflection Yokes has put us in good stead in the Indian Market. MEI is one of the leading global players in this segment. Flyback Transformers & Deflection Yokes are vital & critical components of a TV, whose manufacturing process require high degree of technology and experience. You will be glad to note that Salora backed by technology and years of rich experience in this business is adding more to its list of satisfied customers.

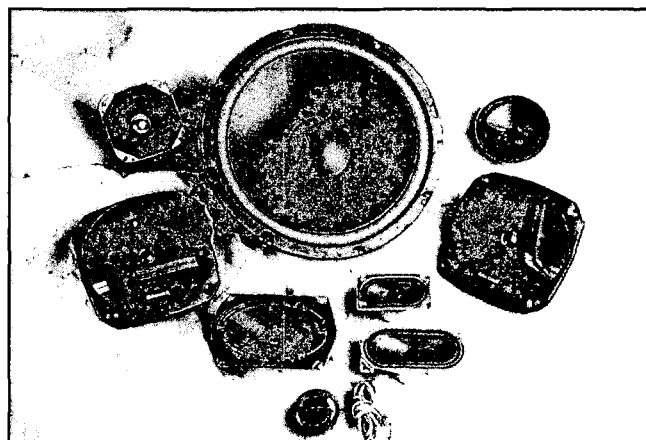
The Component Division manufactures – Flyback Transformers (FBT) for Colour and B & W TV's, Deflection Yokes (DY) and Loud Speakers (LS). These components are consumed in-house as well as sold to other leading TV manufacturers. FBT is supplied to companies of high repute viz Onida, Panasonic, Sony, Sharp, Videocon etc., whereas DY supplies are made to major picture tube manufacturers in the country like Samtel, JCT Electronics & LG Hotline.

Salora is one of the country's largest manufacturers of FBT and DY. Considering the growing demand for these components, a decision was taken to double the production capacity of FBT & DY. The imposition of 4%

special non-modvatable import duty, devaluation of the rupee weigh against imports which augurs well for your company. Not being complacent of the advantage, through R & D efforts we have reduced material costs in the manufacturing process of FBT & DY in order to be competitive for meeting any future overseas or domestic challenges.

Our commitment to quality has enabled us in securing ISO 9001 accreditation for manufacturing and design capability of FBT & DY. The impeccable product quality has brought in more clients, thereby translating into higher sales. With the devaluation of the rupee, the export demand for Indian colour picture tubes is expected to increase further. This will directly benefit the sales of our DY as most colour picture tube manufacturers are already using Salora DY.

Sound is an essential feature of a television set and audio systems. Its clarity is a prerequisite for the overall performance of a TV set. Our clients for speakers include Panasonic, Sony, BPL, Videocon, Philips, Daewoo etc. These reputed names in the industry, itself speak of the quality of our product. With the increasing demand for speakers, a decision was taken to modernise, expand



*Loud Speakers*



and shift the existing manufacturing facility to a newly built ultra modern integrated factory complex in NOIDA. This state-of-the-art plant manufactures TV speakers, Woofers, Mid-range Tweeters, General-purpose speakers, Car speakers, Multi-media speakers and Hi-Fi speakers. The new factory was inaugurated on 14th January, 1998 and has since commenced commercial production.

The production capacity of speakers are enhanced and upgraded to meet the international standards. With the above, Salora has sorted out capacity constraints in the speaker assembly line which was a hurdle in its growth plans.

#### **Comparative unit sales of Component Division for the year ended 1997 and 1998**

Category	Quantity (97-98) (in nos.)	Quantity (96-97) (in nos.)	Increase/ (Decrease) (%)
FBT ( B & W)	847,222	1,186,077	(28.57)*
FBT (CTV)	516,639	359,923	43.54
DY	774,991	550,905	40.68
Speakers	1,656,680	1,473,646	12.42

\* Conscious shift to FBT (CTV) manufacturing has resulted in lower volume sales.

The Components Division has increased its sales from Rs. 3443 lacs in 1996-97 to Rs. 4292 lacs in 1997-98, achieving a growth of 25%. The division's contribution to sales & profitability in the coming years will be substantial as it will be reaping the benefits of expansion and modernisation.

#### **ONGOING EXPANSION AND MODERNISATION**

With the increasing demand for our components, Salora is doubling its manufacturing capacity of FBT and DY (20

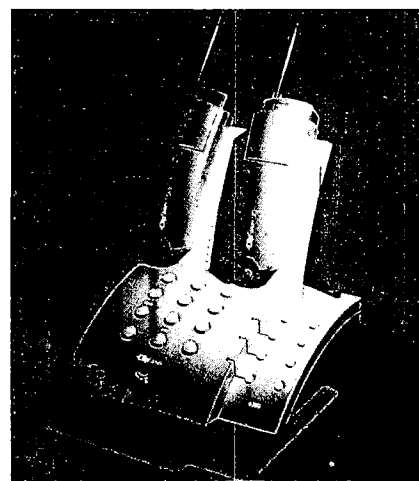
lac nos. p.a.). The commercial production of DY, on expanded capacity has commenced since March, 1998; whereas the expansion of FBT is in an advanced stage of implementation. It will be completed by July, 1998 and thereafter commercial production is slated for August, 1998.

There is no cost or time overrun in the execution of the project. The timely implementation of the project, when the industry is looking up augurs well for your company. Considering the current year's TV industry's growth forecast, the prospects for FBT, DY and Speakers are bright. This division's contribution to the total turnover and profits will be appreciable during 1998-99.

The total project cost of expansion and modernisation of Component Division is Rs. 2200 lacs which is being met entirely out of internal resources/accruals. An amount of Rs. 1200 lacs has already been incurred towards project implementation and the balance amount is envisaged to be spent during the year. A single location manufacturing unit imparts operational efficiency, improves productivity, ensures cost effectiveness etc., thereby contributing more towards company's profitability.

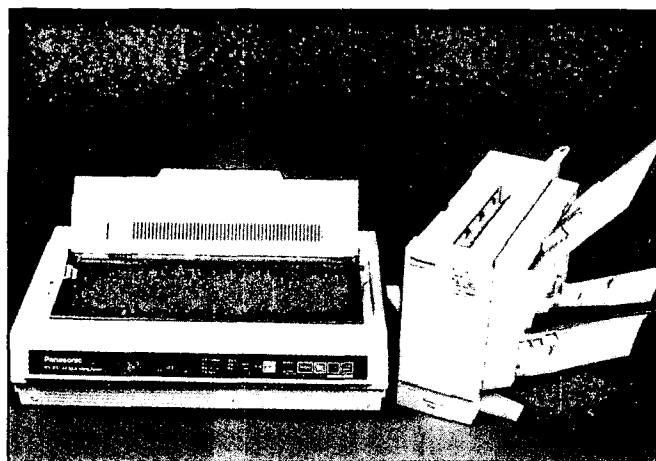
#### **OFFICE AUTOMATION DIVISION**

Salora is in the business of marketing office automation products since several years. The division is steadily improving its turnover by introducing a range of latest office

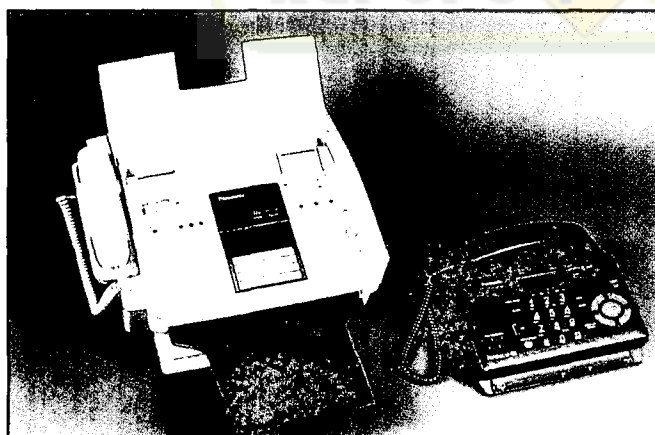


*New Generation Cordless Phone*



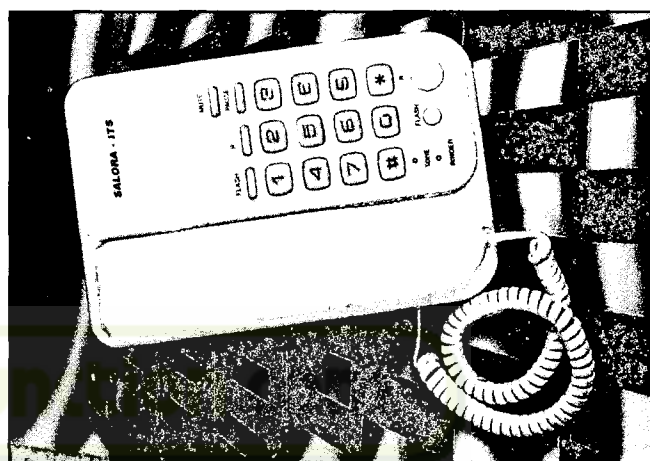
*Panasonic Printer*

automation products. Globalisation has brought in new business awareness in all the spheres of business activity. In a competitive business environment, office automation is rapidly gaining importance as it is the key driver for

*Panasonic Fax Machines*

faster communication, facilitates in developing business, brings about cost effectiveness besides improving operational efficiency in a dynamic business place. Salora is introducing world class products in the Indian Markets. The range of products marketed are Panasonic Fax machines, DMP/Laser Printers, Panaboards, Digital

Cameras, Cordless phones, Digital Colour Monitors etc. The market responses to the products are encouraging and in the days to come, this division's contribution will be significant. To augment marketing efforts, Salora has strengthened its product service network. Presently, there are 14 service outlets spread across the country. Despite

*Telephone Instrument*

reduction in product prices, the division has recorded a sales increase of 39% from Rs. 1032 lacs to Rs. 1438 lacs.

Salora sees good growth prospects in Digital Monitors. Presently, Digital Monitors are being imported and marketed by your company. The market response is encouraging and in the years to come, its contribution to sales will be substantial. We are also examining the possibility of assembling Digital Monitors in-house, if economic viability is established.

#### **CURRENT SALES TREND**

Sales turnover for the first two months of 1998-99 are encouraging. The details of sales achieved during the



comparable period are as under:-

Division	Sales		(Rs in lacs) Increase/ (Decrease) (%)
	April- May 98	April- May 97	
<b>Television</b>	1365	842	62.11
<b>Components</b>	858	490	75.10
<b>Office Automation</b>	191	209	( 8.61)
<b>Exports</b>	132	—	100.00

A total sales of Rs. 2546 lacs was achieved in Apr-May 98 as against Rs. 1541 lacs in Apr-May 97, registering a growth of 65%. We hope to maintain the rising trend in sales for the balance period of 1998-99, not losing sight



Colour Monitor

on profitability.

### NEW PROJECTS

In consonance with the overall policy, fresh investments are made in business which are akin to our proven business activity. The prime objective is to take advantage of the liberalised policy initiatives of the Government, as also add value to shareholders' corpus. The company is

seriously looking at the prospects of entering the Computer Software business – an area which has great potential & essential for our business.

### FINANCE

As you are aware Salora has negligible long term debt. Even the Component Division's expansion/modernisation which is undertaken at a fund outlay of Rs. 2200 lacs is being met out of internal resources/accruals. The internal funding has lead to the advantage of capital cost, which will improve profits in 1998-99. The company is judiciously utilising its working capital limits sanctioned by its Bankers, resulting in containing interest costs.

### RESEARCH AND DEVELOPMENT

Salora believes in progress through Research and Development. Your company's unqualified commitment to research has provided the cutting edge for the products. The R & D team has not only helped in launching various new models of TV Sets with latest features, but was also instrumental in bringing down raw material costs in the production process. Salora along with other group companies had promoted " Associated Electrical Research Foundation " (AERF), one of the largest R & D establishments in the private sector recognised by the Department of Science & Technology, Government of India. The R & D team of Salora works closely with AERF on various development projects.

### IN CONCLUSION

The year 1997-98 ended well for your company. As for the future we aim at 50% growth for 1998-99 and are hopeful of achieving it. Our vision for 2000 is to offer innumerable world class products, improve quality of life to our customers, enhance shareholders' value by achieving higher productivity and earnings.