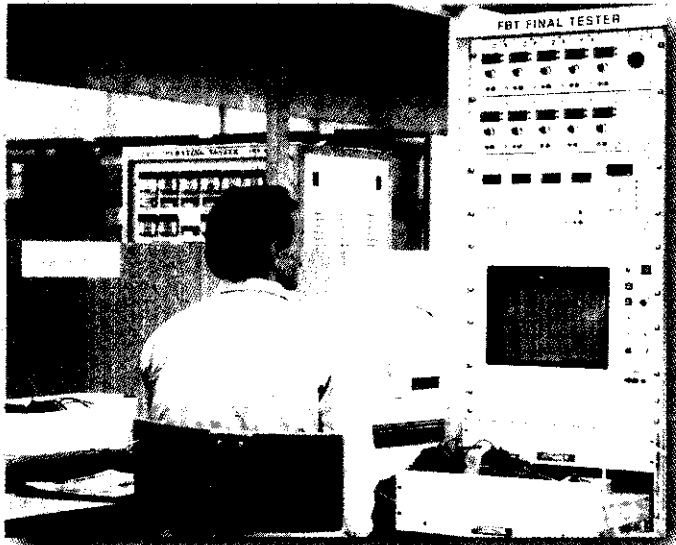




ANNUAL REPORT 1998-99

वार्षिक प्रतिवेदन १९९८-९९

# **SALORA'S COMPONENT DIVISION - A PANORAMIC VIEW**



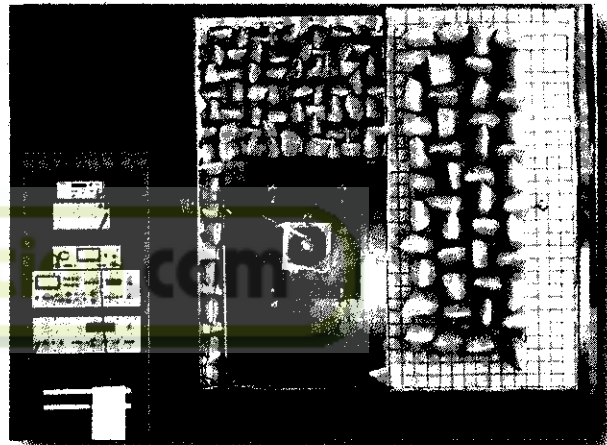
FBT Tester



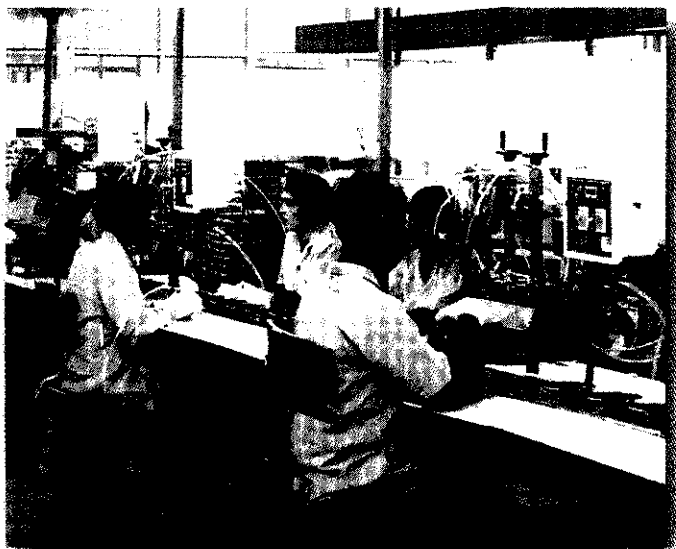
CNC Coil Winding Machine for FBT



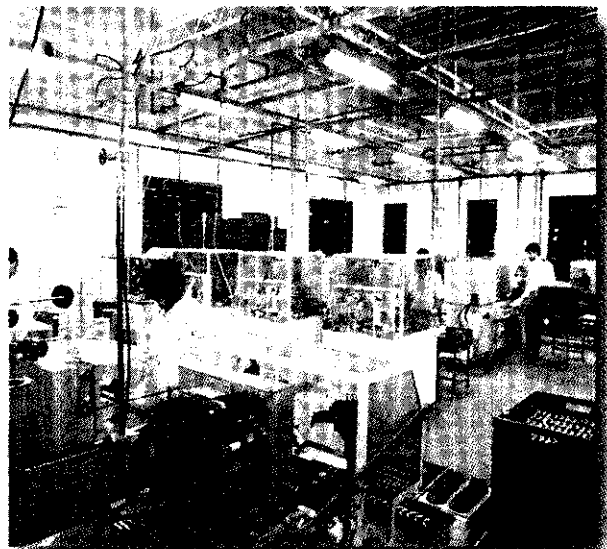
DY Convergence Testing Section



ANECHOIC Chamber for Speaker Performance Testing



Speaker Assembly Section



DY Coil Winding Section

**SITARAM JIWARAJKA***Chairman***RAJENDRA PRASAD KHAITAN***Vice Chairman & Managing Director***SUSHIL KUMAR JIWARAJKA***Jt. Managing Director***GOPAL KUMAR JIWARAJKA***Jt. Managing Director***Dr. V. L. DUTT****KETAN A. DALAL****G.M. (FINANCE & ACCOUNTS) & 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 & CORPORATE 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**MANUFACTURING PLANTS**Okhla  
Kashipur  
Noida**REGISTRARS & SHARE TRANSFER AGENT**Skyline Financial Services Pvt. Ltd.  
123, Vinobapuri, Lajpat Nagar - II  
New Delhi - 110 024  
Phone : 91-11-6838501, 6920625  
Fax : 91-11-6918352**ANNUAL GENERAL MEETING****Venue :** Air Force Auditorium,  
Subroto Park,  
New Delhi 110 010**Day :** Monday**Date :** 19th July 1999**Time :** 3 PM**Members are requested to bring their copy of the Annual Report to the Meeting**Visit us at [www.salora.com](http://www.salora.com)





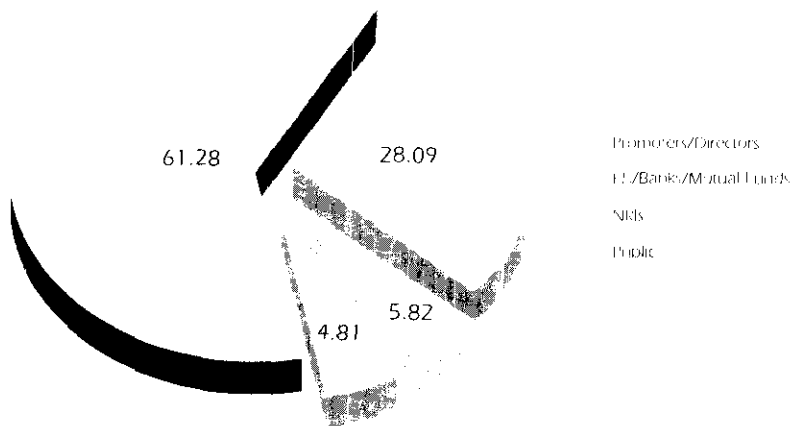
## AT A GLANCE

	Year ended 31st March, 1997 (Rs. in lacs)	Year ended 31st March, 1998 (Rs. in lacs)	Year ended 31st March, 1999 (Rs. in lacs)
<b>OPERATING RESULTS</b>			
Net Income from Operations	11330	13311	16256
Manufacturing Costs	11238	12408	14857
Operating Profit	92	903	1399
Non-operative Income	613	183	299
Interest	189	295	297
Depreciation & Deferred Expenses Write-off	158	183	299
Profit Before Tax	358	608	1102
Taxation	46	64	120
Profit After Tax	312	544	982
Dividend Payout	88	132	221
Retained Earnings	215	398	737
<b>FINANCIAL POSITION</b>			
Equity Capital	881	881	881
Reserves	4435	4825	5562
Shareholders' Funds	5316	5706	6443
Long-term Borrowings	3	9	3
Capital Employed	5319	5715	6446
Net Fixed Assets	1385	2469	3169
Net Current Assets	4882	4206	4764
<b>KEY OPERATIONAL INDICATORS</b>			
Operating Profit Margin (%)	0.81	6.78	8.60
Return on Capital Employed (%)	5.86	9.52	15.23
Return on Capital Employed (%) (excluding non-operative income)	(5.65)	6.31	10.60
Debtors Turnover Ratio (in days)	67	58	54
Creditors Turnover Ratio (in days)	87	67	56
Current Ratio	1.94	1.76	1.82
Gearing Ratio *	-	-	-
* Negligible long-term debt. Thus gearing ratio is almost nil.			
<b>PER-SHARE DATA</b>			
Earnings Per Share (Rs)	3.54	6.17	11.13
Cash Earnings Per Share (Rs)	5.32	8.23	14.51
Dividend (%)	10	15	25
Book Value (Rs)	58.66	63.42	72.05
Market Price (Rs)	9.00	10.00	40.20
Price Earnings Multiple	2.54	1.62	3.61

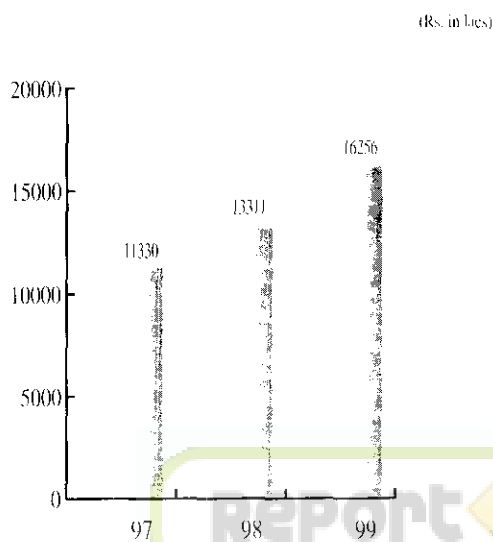
## EQUITY DISTRIBUTION (AS ON 06.06.99)

NO. OF EQUITY SHARES	INVESTORS	TOTAL SHARES HELD	% TO EQUITY CAPITAL
Upto 5,000	5,673	12,37,100	14.03
5,001 to 50,000	72	14,84,000	16.83
50,001 to 1,00,000	14	10,58,600	12.00
1,00,001 to 2,00,000	2	2,66,000	3.02
2,00,001 to 4,00,000	10	31,79,000	36.04
Above 4,00,001	3	15,95,300	18.08
<b>Total</b>	<b>5,774</b>	<b>88,20,000</b>	<b>100.00</b>

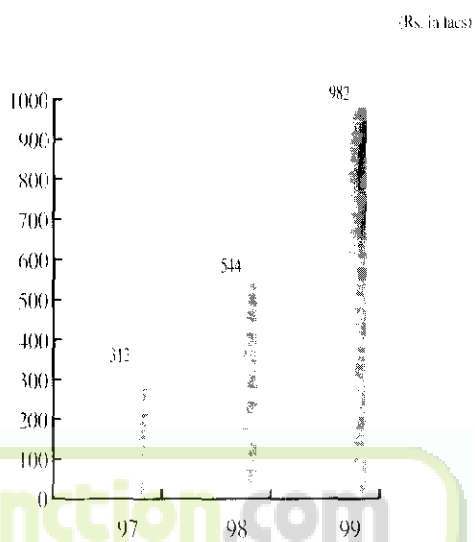
SHAREHOLDING PATTERN (AS ON 06.06.99)



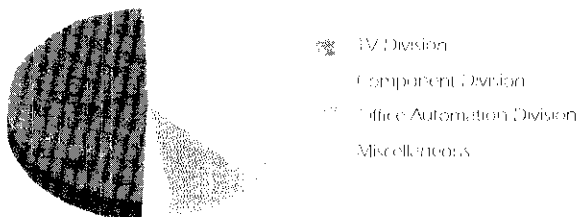
GROWTH IN SALES



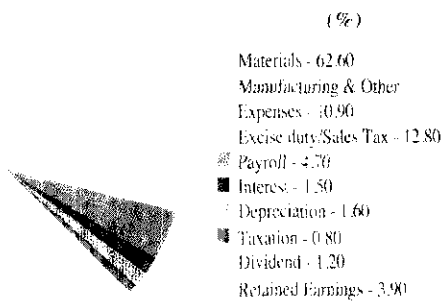
GROWTH IN PROFIT AFTER TAX



SALES BREAK-UP ACTIVITY WISE



DISTRIBUTION OF REVENUE





# MANAGEMENT REVIEW OF OPERATIONS

## MANAGEMENT REVIEW OF OPERATIONS

In a difficult business environment, your Company has recorded an impressive performance for the year ended 31.03.99. Your Directors' concerted efforts at restructuring the organisation as also focusing on core business competency has started yielding results. The three SBUs of your Company viz. Television, Electronic Component and Office Automation have all posted good performances. Salora's continuous emphasis on innovation, productivity and strict adherence to quality management systems has resulted in Company offering products to customers which conform to international standards. Income from operations has improved from Rs 13,311 lacs in 1997-98 to Rs 16,256 lacs in 1998-99, registering a growth of 22%.

A host of measures were initiated during the year for improving profitability viz. containing operational costs, judicious sourcing of raw materials, enhancing productivity, optimal utilisation of capacity & resources and increasing process efficiencies. A prudent working capital management saw the interest costs being kept under check. **All these measures resulted in improving the Operating Profit from Rs. 903 lacs in 1997-98 to Rs 1399 lacs in 1998-99 (up by 55%) and Profit after Tax increasing from Rs 544 lacs in 1997-98 to Rs 982 lacs in 1998-99 (up by 81%).**

The operating margin vis-à-vis income has also improved from 6.78% to 8.60% and the Return on Networth increased from 9.72% to 15.44%.

A rapidly changing competitive business environment calls for astute business strategies on the part of the management. Realising the changing business dynamics, your Company has repositioned itself and has transformed itself into one of the largest hi-tech electronic component manufacturer in the country.

**Moving into the future, your Company is now positioning itself to emerge as a global player in the Electronic Components Business.**

## TELEVISION DIVISION

The Television industry had a good year with CTV segment showing a handsome growth of around 25%. B & W TVs suffered once again, posting negative growth. The growth in the CTVs was buoyed by falling TV prices, proliferation of cable network, improved transmission and quality programmes; besides tapering price differentials between CTVs & B & W TVs. This is not to mention, the aggressive promotional campaigns and schemes launched by the industry leaders.

The changing industry dynamics has made the management of Salora rework its strategy and concentrate on the CTV segment of the market. Your Company has focused its attention on building Salora brand, extensively. Salora has sponsored several musical pop shows and sport events of mass interest, besides



**Jasbir Jassi, Punjabi-Pop Sensation Star in action.**  
- Salora's sponsored musical show

regularly advertising on popular TV serials, sport events, feature films, instadia advertising etc. "Salora" brand was positioned as one which is synonymous with quality at competitive prices. This unrelenting exercise is seen by your management as an investment for the future. The result, Company's CTV sales improved from Rs 3658 lacs in 1997-98 to Rs 4574 lacs in 1998-99, registering a growth of 25% p.a.

Having created a niche market and positioning the product as "Value for Money" brand, your Company

has set its eyes on the fast growing large screen TV segment. Presently, Salora has 6 CTV models in the categories of 36 cms (14"), 51 cms (20"), 53 cms (21") & 74 cms (29") and will be shortly releasing 63 cms (25") model with comparable advance features. Moving up the value chain, leveraging on Salora's technological strengths is the logical conclusion. It is the Company's endeavour to offer top class products to consumers in all the categories at an attractive price tag; style and features matching the best available in the market. Also, your Company is closely working with a reputed Korean R & D company and is jointly developing top of the line TV models which will be introduced during the course of the year.

The market for B & W TVs continued to be sluggish, registering yet another year of negative growth. Salora's domestic turnover of B & W TVs fell from Rs 3509 lacs in 1997-98 to Rs 3063 lacs in 1998-99, posting a negative growth of 13%. The export market for B & W TVs also continued to be dull due to the sharp slide in the currency values of Far Eastern countries resulting in our exports outpricing themselves. Despite this unfavourable situation, your Company has achieved an export sale of Rs 776 lacs in the period under review. In the B & W TV segment, your Company is offering 11 models in the categories of 36 cms (14"), 44 cms (17") and 51 cms (20"). Considering the brand following which Salora has carefully nurtured over a period of time, there is still scope for improving B & W TV sales in the semi-urban and rural areas. However, Salora is now consciously focusing more on the profitable CTV segment.

Your Company's focused target area of sales will continue to be small towns, non-metros, semi-urban and rural places. Salora will take concrete steps to improve its presence in Western India as also make a serious beginning in South India. Plans are afoot to introduce many new models during 1999-2000 which will possess top of the line sleekly designed chassis, improved sound

output, soothing visual clarity etc.

### **COMPONENT DIVISION - WHERE ADVANCE TECHNOLOGY AND EXPERIENCE MATTERS**

Salora has over the years graduated to become "a leading technology driven electronics company providing to its customers international quality components at competitive prices". The Company's world class state-of-the-art plant manufactures high precision, critical and vital electronic components viz. Flyback Transformers (FBT), Deflection Yokes (DY) and Loud Speakers. These components find use in television sets and their unspeakable quality is a pre-requisite for a TV's performance. Access to advanced technology blended with experience has catapulted Salora to be a leader in this hi-tech niche product segment. The cutting edge technology for the manufacture of FBT and DY is



**Colour DY Convergence Testing in Progress**

provided to the Company on a continuing basis by technical collaborators - Kyushu Matsushita Electric Co. Ltd., a subsidiary of Matsushita Electric Industrial Co. Ltd. Japan (National/Panasonic). The Speaker plant on the other hand was set up in technical collaboration with Foster Electric Corporation, Japan. Your Company's satisfied customers include Panasonic, Sony, Samsung, Daewoo, Philips, Onida, Videocon, Sharp, BPL, Samtel Colour Ltd., JCT Electronics, LG Electronics, etc.

The year 1998-99 was an eventful year for the





Component division. The milestone achievement was the successful completion of a major modernisation and expansion programme at a cost of Rs 2200 lacs; all funded through internal accruals. The ultra modern component complex is situated in a sprawling area of 32000 sq.mts. (8 acres) in Noida, U.P. It houses the three state-of-the-art components manufacturing facilities viz. FBT plant (built-up area – 3200 Sq.mts.) DY plant (built-up area – 2040 Sq.mts.) and Speaker plant (built-up area – 2312 Sq.mts.).

On 3rd February 1999, at a glittering ceremony, the plant was formally inaugurated by Mr. Noboru Sadamatsu, Managing Director of Kyushu Matsushita Electric Co. Ltd. Japan.

**The Flyback Transformer plant** is the latest of its kind in the field and has the capacity to manufacture 3 mn. nos. of FBTs p.a., with layer winding and section winding technology for CTVs, B & W TVs and Display Monitors. The plant is equipped with a reliability testing laboratory which facilitates in taking care of the client's demanding specification of components. Your Company is manufacturing the maximum number of FBT variants, catering to the diverse requirement of TV manufacturers in the country. The plant has ISO 9001 accreditation



**Automatic High Voltage Coil Winding Machine for FBTs**

vindicating Salora's uncompromising commitment towards quality adherence and perfection. The plant has also received ICE 65 certification for its FBT component.



**Automatic Low Voltage Coil Winding Machine for FBTs**

**The Deflection Yoke plant** has the capacity to manufacture 2.5 mn. nos. of DY p.a. Salora manufactures DYs for colour picture tubes of sizes 14", 20", 21", 25" and 29". This plant too is accredited with ISO 9001 certification.

Your Company will be shortly manufacturing DY for Colour Digital Monitors. The technical know-how for the



**Automatic Vertical Winding Machine for Colour DYs**

manufacture of this highly critical component will be sourced from Kyushu Matsushita Electric Co. Ltd., technical collaborators of the Company. The growing market for Colour Digital Monitors brings in good business prospects for Salora's DY.

**The Speaker plant** is fully automated with world class technology. Its manufacturing capacity is 5 mn. nos. p.a. and produces a range of speakers which includes CTV speakers, woofers, mid-range tweeters, general purpose speakers, multi-media speakers, car speakers to Hi-Fi







**Speaker Assembly Section**

speakers and a complete range of public address system speakers. Taking note of the changing trends in the market, your Company now plans to manufacture metal and cone parts which are critical inputs of a speaker. The speaker plant is also accredited with ISO 9002 certification. Your Company's deep commitment to quality and its pro-active response to client's requirement has earned tremendous business goodwill, which cannot be quantified. The improving performance of the division justifies the confidence reposed by its customers.

Salora's world class state-of-the-art Component plant manufactures components conforming to international standards and is fully geared to meet the requirement of overseas buyers. Several Multi-national companies have already visited the plant & your Company's components are being tested by them for placing orders. Your Company is confident of securing export business during the current year.

The Component division has improved its sales from Rs 4379 lacs in 1997-98 to Rs 7085 lacs in 1998-99, registering a growth of 61%. The division has also derived the benefits of modernisation and expansion programme completed during the year.

Considering the growth potential and the demand for Salora's components, a second phase of expansion at an outlay of Rs 700 lacs is under implementation. Your Company has placed orders for the machineries and some

of it have already reached the plant site for installation. The expansion will be completed in the current year.

### **OFFICE AUTOMATION DIVISION**

Salora is in the business of marketing office automation products for the last seven years. The division is dealing in Panasonic and Daewoo Fax machines, Panasonic Printers (Impact and Laser), Pana Board, Panasonic Digital Camera, Digital Colour Monitors (36 cms, 38 cms and 43 cms), Cordless Telephones, Clip Fone etc. Taking note of the good growth prospects for Digital Colour Monitors, Salora is importing Digital Colour Monitors in CKD condition and has commenced local assembling. This adds value to the product, thereby increasing the profit margin. Further, your Company plans to add more products to the basket viz. modems, keyboards, mouse etc.

The products are being marketed all over the country and the division extends servicing support. To have a clear marketing focus, two specific areas of penetration have been created viz. IT products and Telecom products. These specific marketing groups will provide total solutions to the client's office automation requirement.

The Office Automation division has improved its sales from Rs 1443 lacs in 1997-98 to Rs 1761 lacs in 1998-99, posting a growth of 22%. The performance of this division would have been much better, but for the recessionary trend in the industry.

### **TELECOM PRODUCTS**

During the year, your Company has acquired technology for the manufacture of Switch Mode Power Supply Systems (SMPS). It is a critical power equipment which insulates the telephone exchange from the vagaries of power fluctuation. This equipment is extensively used by DOT. The necessary manufacturing facility has already been set up at Noida and permission for bulk production is likely to be received soon. Meanwhile, your Company has secured an order from DOT amounting to Rs 400 lacs. The market for SMPS is growing and is presently



# MANAGEMENT REVIEW OF OPERATIONS

around Rs. 200 crs., to be shared between few players. With this prestigious initial order, Salora hopes to secure further orders in future which will help in improving the overall profitability of the Company.

## CURRENT SALES TREND

In April 99, Salora has launched a new range CTVs, X-Cite series with 'Zero Alignment product' (ZAP) technology. The technology is an advanced micro-processor based manufacturing technique which provides standardised settings, eliminating manual adjustments. The market response for X-Cite CTVs is very encouraging. This has helped your Company in registering a growth of 41% in CTV sales in Apr-May 99 of the current year, over the corresponding period of 1998-99.

In tune with the business plan of your Company, the consolidated sales for the first two months in the current year are encouraging. In April-May 99, a sales of Rs 3245 lacs was achieved as against Rs 2577 lacs registered in the corresponding period of 1997-98. This has resulted in posting a growth of 26% during the period. Salora is hopeful of maintaining good growth in sales & profits in the current year.

## ENTERPRISE RESOURCE PLANNING ( ERP)

As we step in to the new millennium, possessing state-of-the-art integrated Information Technology is a pre-requisite to stay in business and steer the Company for achieving higher productivity and profitability. A customised ERP package – Salora Integrated Management Systems "SIMS" (Y2K compliant) is being implemented in a phased manner. Implementation of SIMS in the Components division is in an advanced stage and TV & OA divisions will be thereafter targeted. With SIMS implementation, Salora will be able to contain costs further, enhance productivity and bring about optimal use of resources in the organisation.

## HUMAN RESOURCES DEVELOPMENT

Salora believes in the strengths of its people. It is your Company's endeavour to ensure that there is always free and fair exchange of views amongst its employees and senior management. Training occupies the centre stage of activity keeping the employees abreast with the changing technologies as also behavioural sciences. Your Company also engages external consultants to conduct HRD programmes for employees. All measures are taken to foster a sense of belonging in the organisation.

Salora takes active interest in staff welfare activities. Your Company had organised a heart check up camp as a part of health care programme for the employees. Annual picnics and get together for staff members are arranged with the active participation of the top management.

## FINANCE

Salora has no long term debt from either Banks or Financial Institutions. It continues to be a Zero Debt Company. During the year, ICRA Ltd., a credit rating agency has awarded A1 rating to the Company's Commercial Paper aggregating to Rs 1000 lacs. This rating has helped your Company in issuing Commercial Paper of Rs 800 lacs, whose interest rate was lower by 300 to 400 bps than the rate charged by Banks on Salora's working capital borrowings. This resulted in containing interest costs.

## IN CONCLUSION

The management expects good performance in the current year. Barring unforeseen circumstances, your Company targets to better its 1998-99 performance in turnover and profits for the current year. The new range of X-Cite TVs introduced in the market has evoked excellent response. Your Company will be also releasing more models giving customers the widest choice.

Salora is deeply committed to its shareholders and it endeavours to enhance the shareholders' value through performance, higher payouts and by having a transparent management.

