



BRINGING THE WORLD HOME

ANNUAL REPORT 2002-2003

REPORT JUNCTION

## SALORA INTERNATIONAL LIMITED

Regd. Office : D-13/4, Okhla Industrial Area, Phase-II  
New Delhi – 110 020

### ATTENDANCE SLIP

Please complete this Attendance Slip and hand it over  
at the entrance of the Meeting Hall

Folio No:.....

D.P. ID :.....

Client ID :.....

Name in full:.....

I certify that I am a Shareholder of the Company and hold.....shares. I hereby record my presence at the 34th Annual General Meeting of the Company held at SRI SATHYA SAI INTERNATIONAL CENTRE & SCHOOL, PRAGATI VIHAR, INSTITUTIONAL AREA, LODHI ROAD, NEW DELHI – 110003 on Thursday, the 31 July, 2003 at 3.00 P.M.

Signature of the Member or Proxy\*

\*Please indicate whether Member or Proxy

## SALORA INTERNATIONAL LIMITED

Regd. Office : D-13/4, Okhla Industrial Area, Phase-II  
New Delhi – 110 020

### PROXY FORM

Folio No:.....

D.P. ID :.....

Client ID :.....

I/We..... of .....

in the district of.....being Member(s)

of the above named Company hereby appoint Mr./Ms.....

of.....in the district of.....or failing him

Mr./Ms.....of.....in the district

of.....as my/our proxy to attend and

vote for me/us on my/our behalf at the 34th Annual General Meeting of the Company to be held on

Thursday, the 31st July, 2003 at 3.00 P.M. and at every adjournment thereof.

Affix  
1 Rupee  
Revenue  
Stamp

Signed this.....day of.....2003.

**Note :** Any member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a member. The form duly completed must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.

## SALORA INTERNATIONAL LIMITED

Registered Office : D-13/4, Okhla Industrial Area, Phase-II, New Delhi – 110 020

NOTICE is hereby given that the 34<sup>th</sup> Annual General Meeting of the Members of Salora International Limited will be held on Thursday, the 31<sup>st</sup> Day of July, 2003 at 3.00 P.M. at Sri Sathya Sai International Centre & School, Pragati Vihar, Institutional Area, Lodhi Road, New Delhi – 110003, to transact the following ordinary business :

1. To receive, consider and adopt the Profit & Loss Account of the Company for the year ended 31<sup>st</sup> March, 2003, the Balance Sheet as on that date and Directors' and Auditors' Report thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Shri Gautam Khaitan, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr. V.L. Dutt, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

By Order of the Board of Directors

Place : New Delhi  
Dated : 10<sup>th</sup> June, 2003

(B.L. Chandak)  
Sr. General Manager  
(Fin. & Accounts) &  
Company Secretary

### NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and such proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the commencement of the meeting.
2. The Share Transfer Register and Register of Members of the Company will remain closed from 25.07.2003 to 31.07.2003 (both days inclusive).
3. Dividend on Equity shares as recommended by the Board of Directors for the year ended 31<sup>st</sup> March, 2003, if declared at the Annual General Meeting, will be payable on or after 05.08.2003.
4. Members are requested to produce the enclosed Attendance Slip duly signed as per the specimen signature recorded with the Company / Depository Participant for admission to the meeting hall.
5. As an economy measure, copies of Annual Report will not be distributed at Annual General Meeting. Shareholders are, therefore, requested to bring their copies of Annual Report to the Meeting.
6. Members who hold shares in dematerialized form, are requested to write their Client ID and DP ID Nos. and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting..
7. A Member desirous of getting any information on the accounts or operations of the Company, is requested to forward his / her queries to the company at least seven working days prior to the meeting, so that the required information can be made available at the meeting.

**NOTICE**

8. Members holding shares in physical form, are requested to notify immediately any change in their address and Bank particulars to the Company or its Share Transfer Agents and in case their shares are held in dematerialized form, this information should be passed on directly without any delay to their respective Depository Participants and not to the Company or the Share Transfer Agents.
9. Members holding shares in physical form who have not yet provided the bank details are once again requested to provide their Bank Account No., Name of Bank and address of the Branch, quoting their Folio No., to the Company.
10. In all correspondence with the Company, members are requested to quote their folio number and in case their shares are held in the dematerialized form, they must quote their DP ID and Client ID Number.
11. Information u/s. 205A read with the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978, as amended is given below :
  - ◆ Pursuant to Section 205 of the Companies Act, 1956, all unclaimed / unpaid dividends upto the financial year ended 31.03.1995 have been transferred to the General Revenue Account of the Central Government. Shareholders, who have not yet encashed their dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Delhi & Haryana, Paryavaran Bhawan, CGO Complex, Lodhi Road, New Delhi – 110003, by submitting an application in the prescribed Form.
  - ◆ Consequent upon amendment of Section 205 A, of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999 the amount of dividend for the subsequent years i.e. from financial year ended 31.03.96 and onwards, remaining un-paid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund set up by the Government of India and no payments shall be made in respect of any such claims.
  - ◆ Members who have not yet encashed their dividend warrant(s) for the financial year ended 31.03.1997 and onwards, are requested to claim the amount forthwith from the Company.
12. At the ensuing Annual General Meeting, Shri Gautam Khaitan and Dr. V.L. Dutt, retire by rotation and being eligible offer themselves for reappointment. The details in respect of these Directors to be provided in terms of Clause 49 of the Listing Agreement with the Stock Exchanges are furnished in the statement on Corporate Governance published in this Annual Report.
- 13. SHAREHOLDERS MAY KINDLY NOTE THAT NO GIFTS / COUPONS WILL BE DISTRIBUTED AT THE VENUE OF THE MEETING, AS THE SAME HAS BEEN PROHIBITED UNDER THE SECRETARIAL STANDARDS FRAMED BY THE INSTITUTE OF COMPANY SECRETARIES OF INDIA, FOR HOLDING GENERAL MEETING WHICH HAS COME INTO EFFECT FROM MAY 01, 2002.**

By Order of the Board of Directors

Place : New Delhi  
Dated: 10<sup>th</sup> June, 2003

(B.L. Chandak)  
Sr. General Manager  
(Fin. & Accounts) &  
Company Secretary



# Board of Directors

**Sita Ram 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**

Director

**Ketan A. Dalal**

Director

**Gautam Khaitan**

Director

**P. N. Mehta**

Director

**Sr. General Manager  
(Finance & Accounts) and  
Company Secretary**

B.L.Chandak

**Auditors**

**K.Prasad & Co.**

Chartered Accountants

**Bankers**

State Bank of India

Standard Chartered Bank

Canara Bank

HDFC Bank LTD.

**Registered & Corporate Office**

**Salora International Limited**

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

**Mumbai Office**

**Salora International Limited**

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

**Manufacturing Plants**

**Okhla**

**Noida**

**Registrars and Share Transfer Agents**

**Skyline Financial Services Pvt. Ltd.**

123, Vinoba Puri, Lajpat Nagar-II  
New Delhi – 110024

Tel. : 011 – 26833777, 26847136

Fax : 011 – 26918352

Email : skyline\_fspl@rediffmail.com

agrwalp7@hotmail.com

**Annual General Meeting**

**Day** : Thursday

**Date** : 31.07.2003

**Time** : 3.00 P.M.

**Venue** : SRI SATHYA SAI INTERNATIONAL  
CENTRE & SCHOOL, PRAGATI VIHAR  
INSTITUTIONAL AREA, LODHI ROAD,  
NEW DELHI – 110003.

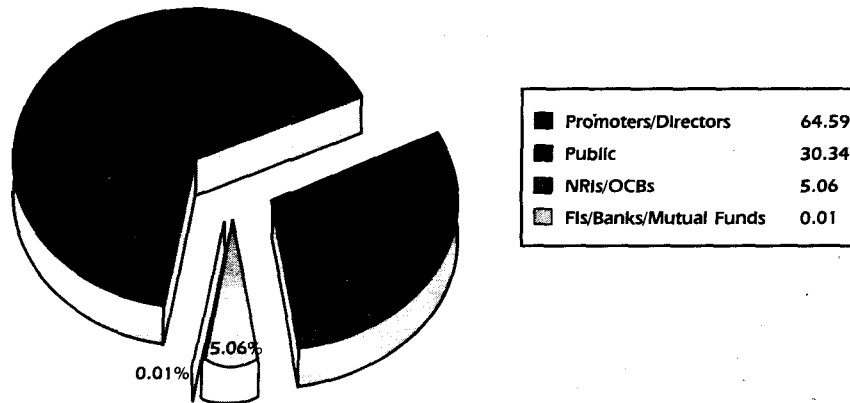
**Note** : (Members are requested to bring their copy  
of the Annual Report to the Meeting)

Visit us at [www.salora .com](http://www.salora.com)

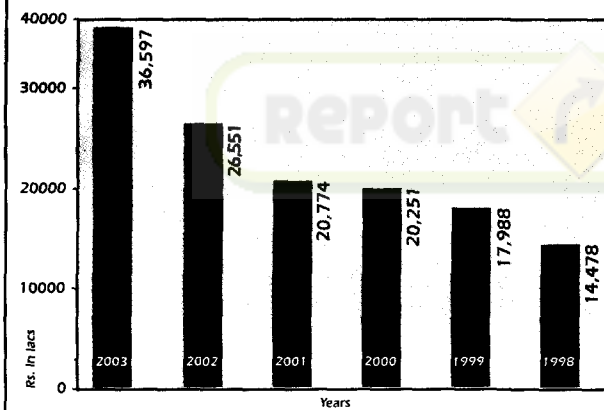
## AT A GLANCE

	Year ended 31st March,2001 (Rs. In lacs)	Year ended 31st March,2002 (Rs. In lacs)	Year ended 31st March,2003 (Rs. In lacs)
<b>OPERATING RESULTS :</b>			
Net Income from Operations	19166	24569	34168
Manufacturing Cost	17920	23218	32094
Operating Profit	1246	1351	2074
Non-operative Income (Net)	71	-30	214
Interest & Financial Charges	422	392	307
Depreciation & Deferred Expenses Write-off	392	382	443
Profit Before Tax	502	547	1538
Taxation	150	212	581
Profit After Tax	352	335	956
Dividend Payout(including dividend tax)	194	176	298
Retained Earnings	158	159	658
<b>FINANCIAL POSITION :</b>			
Equity Capital	881	881	881
Reserves	6462	6233	6913
Shareholders' Fund	7344	7115	7794
Long-term Borrowings	269	4	-
Capital Employed	7613	7119	7794
Net Fixed Assets	3335	3130	3132
Net Current Assets	6382	6277	6952
<b>KEY OPERATIONAL INDICATORS :</b>			
Operating Profit Margin (%)	6.50	5.50	6.07
Return on Capital Employed (%)	4.62	4.70	12.27
Return on Capital Employed (%) (excluding non-operative income)	3.69	5.13	9.53
Debtors Turnover Ratio (in days)	59	48	36
Creditors Turnover Ratio (in days)	31	37	29
Current Ratio	1.98	1.98	1.83
<b>PER-SHARE DATA :</b>			
Earnings Per Share (Rs)	3.99	3.80	10.86
Cash Earnings Per Share (Rs)	8.44	8.14	15.89
Dividend (%)	20	20	30
Book Value (Rs)	82.76	80.51	88.23
Market Price (Rs)	18.90	43.50	31.65
Price Earnings Multiple	4.74	11.44	2.91

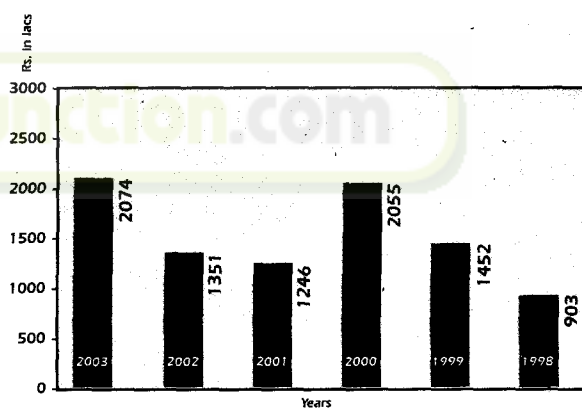
### SHAREHOLDING PATTERN (AS ON 31.03.2003)



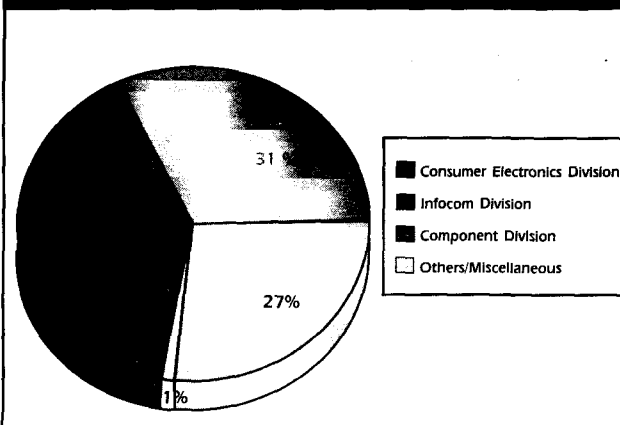
### GROWTH IN SALES



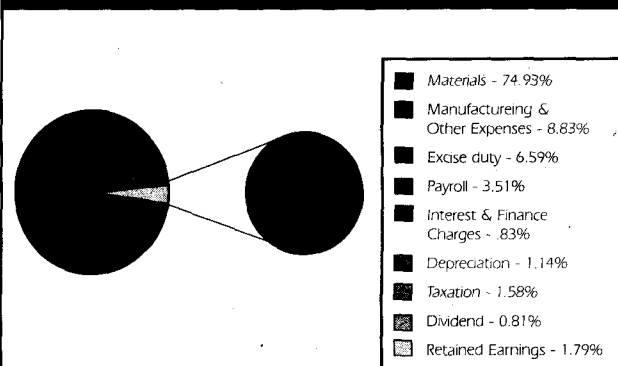
### OPERATING PROFIT



### SALES BREAK-UP ACTIVITY WISE



### DISTRIBUTION OF REVENUE



## MANAGEMENT DISCUSSION & ANALYSIS

### Business Philosophy

Your Company is committed to good corporate governance. The principles of transparency, integrity and compliance with the laws form the basic tenets of Company's philosophy. The Company firmly believes in its solemn duty of enhancing the shareholders' value in the long-term.

### Outlook

The Indian economy is showing strong signs of revival in the current year. With the arrival of monsoon which is now described as normal, the consumer durable industry is poised for decent growth. Further, the declining borrowing rates have a catalytic effect in stoking demand for goods & services.

### Opportunities & Threats

The Company is operating in a highly competitive environment where price rules the market. It is imperative for the company to keep a close tab on costs besides being receptive to the changing consumer preference. With Conditional Access Bill being passed in Parliament, manufacture & marketing of Set-top-box is new opportunity for the company.

### Risks & Concerns

Management is continuously evaluating the risks in all the segments of businesses and taking proactive steps to contain / minimize its impact on the business.

### Internal Control System and their adequacy

The Company has adequate internal control systems / procedures which are commensurate with the size and nature of its businesses. All the transactions are authorized, recorded and reported correctly in the books of account. The system ensures reliability in the preparation of financial and other statements, which are subject to scrutiny & checking by internal auditors appointed by the Company. Internal auditors submit their report to the Audit committee of the Board for discussion. The Audit Committee of the Board periodically reviews the internal control systems / procedures for their adequacy and the extent of their implementation.

### Financial Performance with respect to Operational Performance

In the year under review, Company improved its sales to Rs 3416.77 mn as against Rs 2456.89 mn, registering a growth of 39%. Profit before Interest, depreciation, write-offs, Provisions for Tax increased to Rs 195.87 mn from Rs 90.81 mn, an increase of 116% over the previous year. Profit before tax amounting to Rs 154.50 mn (previous year Rs 54.68 mn), was higher by 183%. Pointers to the increased profitability are improvement in productivity, a prudent inventory management & strict vigil over debtors position. The softening interest rate also contributed to lowering the cost of borrowing.

### Cautionary Statement

The above Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include external economic conditions affecting demand/ supply influencing price conditions in the markets in which the Company operates, changes in Government regulations, statutes, tax laws and other incidental factors.



## DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 34<sup>th</sup> Annual Report together with the Audited Statement of Accounts for the financial year ended 31<sup>st</sup> March 2003.

### FINANCIAL RESULTS

	<b>Fiscal Year ended March 31, 2003 Rs in Mn</b>	<b>Fiscal Year ended March 31, 2002 Rs in Mn</b>
Net Sales	3416.77	2456.89
Profit before Interest, Depreciation, Write-offs, Provisions and Tax	257.29	171.04
Interest and Finance Charges	30.69	39.21
Depreciation	41.95	36.13
Profit before Write-off,		
Provisions and Tax	184.65	95.70
Write-offs and Provisions	30.88	41.02
Profit before Tax	153.77	54.68
Provision for Taxation	58.14	21.20
Profit after Tax	95.63	33.48
<b>Add:</b>		
Excess Provision in earlier year for Income Tax written-back	2.14	0.50
<b>Add:</b>		
Balance in Profit & Loss Account	27.51	18.16
Amount available for Appropriation	125.29	52.14
<b>Appropriation</b>		
Proposed Dividend (including dividend tax)	29.81	17.61
General Reserve	65.00	7.02
Surplus carried to Balance Sheet	30.48	27.51

### Dividend

Your Directors are pleased to recommend a dividend of Rs.3.00 per equity share (previous year Rs 2/- per equity share) for the financial year 2002-2003 which if approved at the forthcoming Annual General Meeting will be paid to all those Equity Shareholders whose names appear on the Register of members as on 31-07-2003. The total amount of dividend pay-out (including dividend tax) will be Rs.298.07 Lacs as against Rs.176.15 Lacs paid for the previous year.

## BUSINESS OPERATION

During the period under review, your Company has substantially improved its performance by achieving good growth in turnover and profits. A Net Sales of Rs.3416.77 mn was registered for the year ended 31<sup>st</sup> March, 2003 (Rs.2456.89 mn in 2001 – 2002), posting a robust sales growth of 39%. Profit before interest, depreciation, write-offs, Provisions for the year 2002-03 increased to Rs. 257.29 mn from Rs. 171.04 mn during the preceding year, an increase of 50.42% and the profit before tax amounting to Rs. 153.77 mn (previous year Rs.54.68 mn), was higher by 181%.

As per recommendations of the Audit Committee certain debts were written-off during the year. However, the Company has taken legal recourse in most cases to recover the same.

A review of operations in respect of Company's Strategic Business Units is as under:

### CONSUMER ELECTRONICS

On the whole, the year 2002-03 was a good Year for the Consumer Electronics industry. The Colour Television (CTV) market registered a growth of 29% during the year with sales increasing from 5.80 mn sets in 2001-02 to 7.50 mn sets in 2002-03. The World Cup Soccer during the first quarter of the year buoyed the demand for CTVs, which was followed by a season of festivals, helping the industry further to improve its performance. However, expectations of a huge surge in demand during the last quarter for World Cup Cricket were belied leading to large inventory build-up. Thus, the last quarter of the financial year witnessed intense competition with most reputed players offering huge discounts, to liquidate inventories.

Your Company has performed reasonably well in its Consumer Electronics business. A need for greater focus was felt in creating brand value for Salora's products. Accordingly, niche markets were selected for advertisements through electronic & print media. The year 02-03 was of special importance to the company, as "Salora" celebrated its 25 years of existence in the Consumer Electronics Industry. A novel communication strategy was evolved centering around '25 VARSH, 50 LAKH SANTUSTH MUSKAAN', 'SALORA- KYA AAPKE PAAS HAI YEH VISHWAAS'. This was done through testimonial ads interfacing Salora's actual customer. During the World Cup Cricket, the Company, introduced for its trade partners, special incentive schemes to boost sales, coupled with concept-based advertising thereby promoting an entirely new concept – WOP (White Optimizing Processor). Thus an aggressive media campaign helped the Company in improving its CTV sales from 1 lakh sets to 1.26 lakhs, an increase of 26%. Your Company aims to improve its current market share from 1.70% to 3% by 2004-05.



The year 2002-03 also saw Salora's foray into the audio segment launching two models of Mini-Compo Systems and DVD player in the market. These products have been well received by the trade and customers and will deepen the relationship & brand equity.

#### THE YEAR 2003-04

The current year is challenging, as the competition continues to be intense. New strategies have to be drawn to keep costs under check besides being receptive to the changing consumer preference. In the 21" CTV segment of the market, there is a positive shift towards flat screen format. It is expected to do well, as a reduction in its prices will gradually edge out the conventional 21" CTV from the market. Your Company has launched its Flat screen models in 2002-03 which have received a very positive response.

#### COMPONENTS

Your Company manufactures three important components, namely, Flyback Transformers (FBT), Deflection Yokes (DY) and Loud Speakers (LSP). M/s. Kyushu Matsushita Electric Co. Ltd., (KME) a subsidiary of Matsushita Electric Industrial Co. Ltd. Japan (National / Panasonic) provides technology for the manufacture of Flyback Transformers and Deflection Yokes. Your Company is at present the sole manufacturer of Deflection Yokes and Flyback Transformers (FBT) for the Flat screen, colour picture tubes and as the market is moving towards flat screen sets there will be a good potential for the Company's component business. During the current year, several CTV manufactures who were hitherto importing these components are expected to start procuring the same from your Company.

#### CAPACITY INCREASE -

The FBT unit has installed a fully automatic epoxy plant to increase the EPOXY INJECTION capacity to 5 million FBT per year. Winding machines and other jigs & fixtures will be progressively installed to match the capacity of 5 million FBT / year. Plan to increase the capacity of LSP plant up to 10 million speakers per year is under consideration.

#### OTHER MILESTONES

- .. Your Company has upgraded Quality system from ISO 9000 to ISO 9000:2000 in Component Division.
- .. Your Company has received ISO 14000 certification for Environment Management in Component Division.
- .. Your Company received Quality Excellence Award from Institute of Trade and Industrial Development for FBT, CDY & LSP, which was presented by Mr. Shanta Kumar, Honourable Minister for Rural Development.
- .. LG Quality award was received for the supply of Speakers for Jan'03 - Mar'03 quarter for meeting the quality and delivery targets for Jan - Mar' 03 quarter.

#### INFOCOM (earlier OFFICE AUTOMATION DIVISION)

During the year, the Company focused on distribution of ACER computers and Sony - Ericsson mobile phones. Channel partners (whole sellers) were added and innovative schemes were launched to garner market share. This resulted in a phenomenal growth of 464% as turnover increased to Rs. 9479.17 lacs (Rs. 1680.98 lacs in previous year).

#### OUTLOOK

The outlook for the Indian consumer durables sector is reasonably good with the declining borrowing costs, steady improvement in the disposable incomes, low penetration base in the household sector, besides products are being made available at affordable price tags. The growth prospects for individual items would, however, depend on specific demand drivers. For instance, within the TV sets industry, CTV demand is likely to benefit with newer technologies, especially digitalization. But the market for B & W TVs on the other hand, is likely to shrink further and faster, with the recent imposition of 8% excise duty. The high-income groups mainly patronize the VCD and DVD players & the growth driver will be new features & aesthetics. To be a mass-market product, much depends on the manufacturer's ability to bring down the price. These are positive developments and your Company is fully geared to benefit from the growth in demand for these products.

#### Joint Ventures / Collaborations

##### 1 Jadoonet Ltd (former name Jadoonet.Com Ltd.)

With the Conditional Access Bill being passed in Parliament, Jadoonet has decided to focus on the huge demand for CAS set-top-boxes. There are, at present, 40 mn households with cable connections who in order to receive pay channels will have to install a set-top-box (STB). The Company is in touch with major STB manufacturers in Far East as well as the Multi System Operators (MSO's) who will buy the boxes to supply to the end consumer. In light of the past experience of marketing set-top-boxes and the manufacturing facility available at Salora, the Company expects to be an important player in this business.

##### 2. Encompass Software & Systems Pvt. Ltd.

Due to the polarization of business to the larger players, Encompass could not achieve any significant breakthrough during the year. The operations have been suitably downsized to minimize losses.

#### FINANCE

In spite of increase in the Company's sales by 39% as stated above, Interest and financing costs have been brought down from Rs 39.21 mn to Rs 30.69 mn, a drop of 28%. The Company used a judicious mix of Rupee & Foreign Currency loans to borrow at very low rates of interest. Besides, continuous & prudent cash management, pressure on reducing debtors & inventory cycles have also contributed to cost reduction.