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सलौरा
SALORA

35TH ANNUAL REPORT 2003-2004

Board of Directors

Sita Ram Jiwarajka

Chairman

Rajendra Prasad Khaitan

Vice Chairman & Managing Director

Sushil Kumar Jiwarajka

Managing Director

Gopal Kumar Jiwarajka

Managing Director

Dr. V. L. Dutt

Director

Ketan A. Dalal

Director

Gautam Khaitan

Director

P. N. Mehta

Director

Sr. General Manager

(Finance) and Company Secretary

B. L. Chandak

Auditors

K. Prasad & Co.

Chartered Accountants

Bankers

State Bank of India

Canara Bank

Standard Chartered 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

201, Sumer Kendra P.B. Marg

Worli, Mumbai-400 018.

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 - 29833777, 29847136

Fax : 011 - 29848352

Email : salora@skylinert.com

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Annual General Meeting

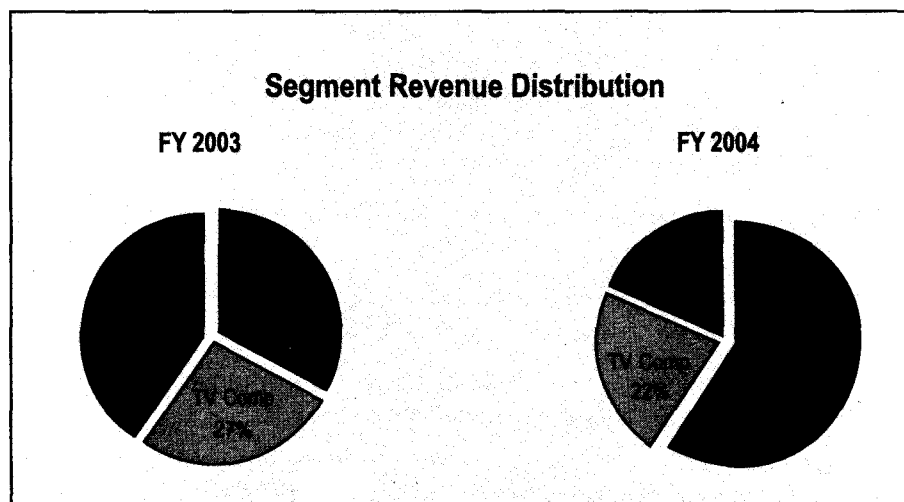
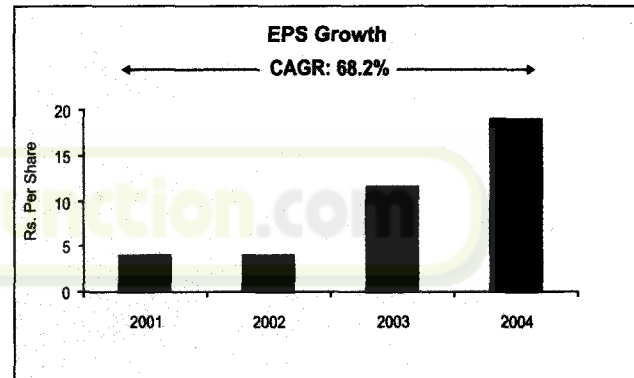
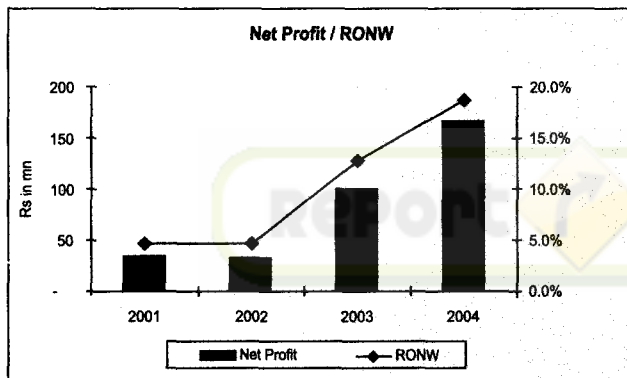
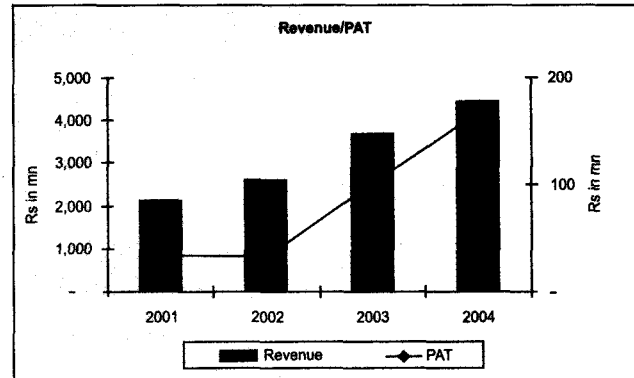
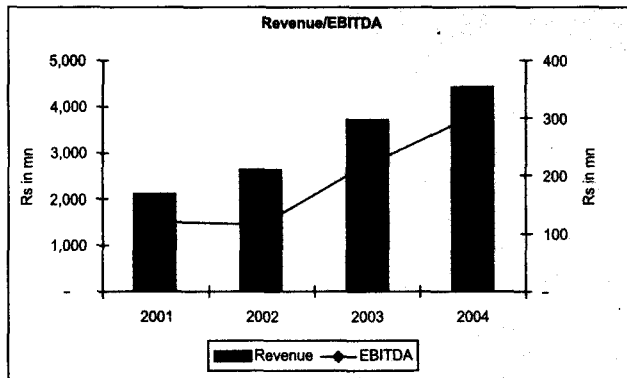
Day	: Thursday
Date	: 29.07.2004
Time	: 3.30 P.M.
Venue	: SRI SATYA SAI INTERNATIONAL CENTRE, PRAGATI VIHAR, INSTITUTIONAL AREA, LODHI ROAD, NEW DELHI - 110 003
Note	: (Members are requested to bring their copy of the Annual Report to the Meeting)

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AT A GLANCE

	Year ended 31st March, 2002 (Rs. In lacs)	Year ended 31st March, 2003 (Rs. In lacs)	Year ended 31st March, 2004 (Rs. In lacs)
OPERATING RESULTS :			
Net Income from Operations	24569	33908	41433
Manufacturing Cost	23218	31834	38418
Operating Profit	1351	2074	3015
Non-operative Income (Net)	-30	214	-9
Interest & Financial Charges	392	307	114
Depreciation & Deferred Expenses Write-off	382	443	419
Profit Before Tax	547	1538	2473
Taxation	212	581	877
Profit After Tax	335	956	1595
Dividend Payout (including dividend tax)	176	298	497
Retained Earnings	159	658	1098
FINANCIAL POSITION :			
Equity Capital	881	881	881
Reserves	6233	6913	8011
Shareholders' Fund	7115	7794	8892
Long-term Borrowings	4	-	42
Capital Employed	7119	7794	8934
Net Fixed Assets	3130	3132	3185
Net Current Assets	6277	6952	7243
KEY OPERATIONAL INDICATORS :			
Operating Profit Margin (%)	5.50	6.12	7.28
Return on Capital Employed (%)	4.70	12.27	17.85
Return on Capital Employed (%) (excluding non-operative income net)	5.13	9.53	17.96
Debtors Turnover Ratio (in days)	48	37	38
Creditors Turnover Ratio (in days)	37	30	40
Current Ratio	1.94	1.96	2.04
PER-SHARE DATA :			
Earnings Per Share (Rs)	3.80	10.86	18.11
Cash Earnings Per Share (Rs)	8.14	15.89	22.87
Dividend (%)	20	30	50
Book Value (Rs)	80.51	88.50	100.97
Market Price (Rs)	43.50	31.65	98.70
Price Earnings Multiple	11.44	2.91	5.45





SALORA INTERNATIONAL LIMITED

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

NOTICE is hereby given that the 35th Annual General Meeting of the Members of Salora International Limited will be held on Thursday the 29th day of July, 2004 at 3.30 P.M. at Sri Satya Sai International Centre, Pragati Vihar, Institutional Area, Lodhi Road, New Delhi – 110003, to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit & Loss Account of the Company for the year ended 31st March, 2004, 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 Ketan A. Dalal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Sita Ram Jiwarajka, who retires by rotation and being eligible, offers himself for re-appointment.
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.

SPECIAL BUSINESS

6. Voluntary Delisting of the Company's Equity Shares from certain Stock Exchanges :

To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution :-

"RESOLVED that, subject to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and subject to such other approvals, permissions and sanctions, as may be required in the matter and also subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the consent of the Company be and is hereby accorded to the Board to delist the Company's Equity Shares from all or any of the following three Stock Exchanges viz. The Delhi Stock Exchange Association Ltd., New Delhi; The Calcutta Stock Exchange Association Ltd., Kolkata; and The Stock Exchange Ahmedabad, Ahmedabad, where also the Company's shares are listed.

By Order of the Board of Directors

Place : New Delhi
Dated : 28th May, 2004

(B.L. Chandak)
Sr. General Manager (Finance)
& 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 July 22, 2004 to July 29, 2004 (both days inclusive).
3. Dividend on Equity shares as recommended by the Board of Directors for the year ended 31st March, 2004, if declared at the Annual General Meeting, will be payable on or after August 03, 2004.
4. Members are requested to produce the enclosed Attendance Slip duly signed as per the specimen signatures 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.
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 furnished 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 the 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 numbers and in case their shares are held in the dematerialized form, they must quote their DP ID and Client ID Number.
11. Pursuant to provisions contained in Section 205 of the Companies Act, 1956, the company has transferred dividend up to the financial year ended 31st March, 1995 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, NCT of Delhi & Haryana, Paryavaran Bhawan, CGO Complex, Lodhi Road, New Delhi – 110 003, by submitting an application in the prescribed form.
12. Pursuant to provisions contained in Section 205A and 205C of the Companies Act, 1956 dividend for the financial year ended 31st March, 1997 and dividends declared thereafter which remain unclaimed for a period of 7 years, will be transferred thereafter by the Company to "Investor Education and Protection Fund (IEPF)" set up by the Government of India, pursuant to Section 205C of the Companies Act, 1956 and no payment there from shall be made. Shareholders may please refer to table showing last date for claiming / due date for transfer to IEPF, given in Corporate Governance Report.
13. At the ensuing Annual General Meeting, Shri Ketan A. Dalal and Shri Sita Ram Jiwarajka, 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.
14. 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

(B.L. Chandak)

Sr. General Manager (Finance)
& Company Secretary

Place : New Delhi
Dated : 28th May, 2004



EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956.

ITEM NO. 6

Presently the Company's Securities are listed on five Stock Exchanges namely National Stock Exchange of India Limited (NSE), Mumbai; The Stock Exchange, Mumbai (BSE), Mumbai; The Delhi Stock Exchange Association Ltd., New Delhi; The Calcutta Stock Exchange Association Ltd., Kolkata; and The Stock Exchange Ahmedabad, Ahmedabad.

As NSE and BSE have wide and extensive networking of centers, the investors have access to online dealings in the Company's equity shares across the country. Moreover 96% of the total equity shares of the Company are in dematerialized form and Securities and Exchange Board of India (SEBI) has specified for settlement only in demat form by all investors, effective 31.05.1999.

The trading volumes of the Company's equity shares on the Stock Exchanges at New Delhi, Calcutta and Ahmedabad are negligible and it is not worth paying Listing Fees to these Stock Exchanges for each financial year as this is not commensurate with the benefits to the Company and its investors due to changed scenario of the nationwide trading terminals set up by the NSE and BSE. The Board of Directors in its meeting held on 28.05.2004, considered the matter and thought it to be in the interest of the Company to have its equity shares delisted from Delhi, Calcutta and Ahmedabad Stock Exchanges as this would result in reduction in administrative costs / efforts of the Company. Therefore, the Board of Directors has decided to apply for the voluntary delisting of the Company's Equity Shares from the said Stock Exchanges.

The proposed voluntary delisting of the Company's equity shares from the said Stock Exchanges will not adversely affect any investors including the Members located in the regions where the said Stock Exchanges are situated. Pursuant to SEBI (Delisting of Securities) Guidelines 2003, it is now proposed to seek the Members' approval by way of Special Resolution for the voluntary delisting of the Company's equity shares from the said three stock exchanges as set out in the Resolution at Item No. 6. In terms of the said guidelines, as the Company's ordinary shares shall continue to remain listed on NSE and BSE, no Exit Option is required to be offered to the shareholders.

The proposed delisting is in the interest of the Company and the Board commends the Resolution for acceptance by the Members.

None of the Directors of the Company is concerned or interested in the Resolution.

By Order of the Board of Directors

Place : New Delhi
Dated : 28th May, 2004

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

MANAGEMENT DISCUSSIONS & ANALYSIS OF FINANCIAL CONDITIONS AND RESULT OF OPERATIONS

Cautionary Statement

Investors are cautioned that this discussion contains forward looking statements that involve risks and uncertainties including, but not limited to, risks inherent in the Company's growth strategy, acquisition plans, dependence on certain businesses, dependence on availability of qualified and trained manpower and other factors discussed. The following discussion and analysis should be read in conjunction with the Company's financial statements included herein and the notes thereto.

Company Overview

Salora International Limited (Reuters: SALI.BO), is a flagship company of Rs 1500 crores Salora Group. The Company was formed in the year 1968 It had its IPO in the year 1993 and is listed at Ahmedabad, Delhi, Kolkatta, Mumbai and National Stock Exchanges.

From fiscal 2003 through fiscal 2004, gross revenues increased from Rs.355.32 crores to Rs 423.6 crores. In addition to Interim dividend of 20% declared and paid for the year, the Board has recommended final dividend of 30% on its equity share capital against a total dividend of 30% declared last year. Salora employs around 1350 people.

Business Overview

The operations of the Company can be classified into three main areas of business.

1. Infocom business segment includes distribution of Sony Ericsson mobile phones, Acer Computer systems and their accessories. Salora is also one of the fourteen global service providers for Sony Ericsson mobile handsets. This segment contributes more than 60% to the revenue pie and has grown by over 118% due to focused distribution of the mobile phones & accessories and the computer systems.

The growth in the mobile phone business was largely attributed to the expansion of Indian mobile phone market, which is currently the fastest growing market in the world. This was coupled with new introductions of phones and

innovative channel programs carried out by the Company during fiscal 2004. GSM handset market is likely to witness demand of more than 15 million handsets in the fiscal 2005. A cut in custom duty structure is another major factor that could give a boost to the organized handset market, which will result in greater business opportunity for the Company.

Also, lowering of custom duty in PC products resulted in expansion of branded PC market across product lines. During the fiscal, Acer's introduction of mobile computing systems (laptops) at an affordable price, gave a further boost to the business.

2. Electronic Components segment includes manufacturing of television components such as Fly Back Transformers (FBT), Deflection Yokes (DY) and Loud speakers (LSP). The Company has technology collaboration with *Matsushita Electric, Japan (Panasonic)* for manufacturing FBT and DY. Presently, Salora is a major manufacturer of FBT and DY components for the flat screen color picture tubes and with a significant shift towards flat screen televisions, the potential is enormous for the Company to grow its component business further.

Salora has been a preferred supplier to the leading television manufacturing companies in India and abroad such as, Onida, LG, Samsung, Sony, Panasonic, Samtel, Hotline, etc. Over the years, Salora has been able to build enormous trust and goodwill among its clients by providing them with quality components. Presently, it has been catering to the needs of Flat screen color FBTs for Sony India and LG & also developing color FBTs for Sharp and Videocon.

During the fiscal under review, Salora developed 21" super flat Pin Free color DY for Samtel CRT, using technology obtained from Panasonic, Japan. It manufactures more than 40,000 units of such DY per month. Also, it has developed in-house, a 14" color DY for Hotline and commenced mass production during the fiscal 2004.

In the fiscal 2004, the Company introduced FBT with layer winding technology, which has clear merits over the earlier cone winding. This has been well received by all CTV manufacturers and the Company has switched 90% of its FBT production to this technology of winding. The Company's



expected supply is likely to reach 200,000 units of layer FBT per month in the fiscal 2005 from 100,000 units in the fiscal 2004. Salora is expected to supply newly developed flat TV FBTs to LG Electronics by August 2004 and it is in the process of developing FBT for Kalyani Sharp.

Loud speakers have registered a growth of more than 15% in the fiscal 2004 over the previous year. Salora has been sourcing raw materials for the speakers from Malaysia, which has begun supplies from the fiscal 2004. This move is expected to improve cost efficiencies and the quality of product.

Considering increased demand of television components and speakers, the Company has taken capacity expansion during the fiscal 2003-04 and it is expected to be completed by July 2004.

3. Consumer Electronics business segment include manufacturing of Televisions, music systems, DVD/VCD players. The Company has recently forayed in manufacturing of Flat Televisions and it is targeting various core sectors for its marketing.

The color television (CTV) market in India reported a marginal growth of mere 5.6% as compared to 29% in the previous fiscal. CTV sales increased to 7.9 million from 7.5 million units in fiscal 2004. Cricket World Cup during the last quarter of fiscal 2003 could not give boost to the CTV sales as expected by the manufacturers and the distributors and hence it resulted in huge inventory at each level. The industry, thus, witnessed sharp price drops and aggressive marketing & promotion efforts by all and sundry, affecting bottom lines, especially small players.

Salora was no exception and during the fiscal 2004 it registered a drop in CTV sales from 126,000 units to 80,000 units. However, the second half of the fiscal has shown positive trends of recovery in key markets for the Company. The shift towards the flat screen television was the highlight of the fiscal 2004 and the Company is well poised to exploit this opportunity. Market trends show a definite shift towards larger size television and keeping this trend in view, Salora has launched a 29" television. New introductions in the DVD/VCD segment have been well received in the market.

Costs primarily consist of the finished products in case of Infocom segment; raw material costs in the case of Components; components and sub assemblies in the case of Consumer Electronics.

Selling, general and administrative expenses consist primarily of expenses relating to salary and other

compensation, travel, marketing, telecommunications, management, administration and rentals.

Other income includes income from interest, rent and dividend income.

FINANCIAL CONDITION

1. Share Capital

At present, the paid-up Equity share capital of the company is Rs 8.8 crores, consisting of 0.88 crores Equity shares of Rs 10 each. The authorized share capital of the company is Rs 20.0 crores divided into 2.0 crores shares of Rs 10 each. During the year, there has been no increase in the number of equity shares.

2. Reserves and Surplus

During the fiscal 2004, General reserves of the Company have shown an increase of Rs 10.5 crores to Rs 44.0 crores and share premium account remains unchanged.

3. Loans and Working capital limits

The Company has repaid significant portion of its debt and presently is operating with working capital limits (utilized) of Rs 10.4 crores. Limits have reduced by around Rs 8 crores as compared to the previous year.

4. Fixed Assets

Gross fixed assets of the Company stands at Rs 60.5 crores. This has increased by more than Rs 3.6 crores as compared to the previous year. This increase is largely attributed to the capacity expansion in the Electronic Components Division. Capital work in progress (CWIP) amounted to Rs. 0.7 crores.

5. Investments

Salora has an investment of Rs 7.8 crores including investments in subsidiaries and stocks of other quoted and unquoted companies.

6. Net Current Assets

The Net Current Assets have increased marginally to Rs 72.4 crores from Rs 69.5 crores. This is primarily due to increase in Inventories, debtors and current liabilities.

Sundry debtors of the Company have grown to Rs 45.0 crores from Rs 36.2 crores.

Inventory of Salora for the year stands at Rs 59.6 crores, which is an increase of more than Rs 15.0 crores.

Current Liabilities of the Company have grown by more than Rs 16.0 crores to Rs 41.1 crores.

Results of Operations

1. Revenues

During the year, gross revenues of the company increased by 20.0% to Rs 423.6 crores from Rs 353.3 crores as compared with the corresponding period last year. The company witnessed a major shift in revenue pie during the fiscal under consideration. The Company garnered more than 60% of its revenues from the Infocom segment and the balance was divided between the other two business segments.

The growth in turnover is attributable to the phenomenal growth in sales of mobile phones. This could be achieved by substantially increasing the depth of the distribution channel, right product mix, competitive pricing and an effective incentive program.

2. Expenditure

Total Expenses increased by 21.1% to Rs 401.8 crores from Rs 331.7 crores. These expenses include cost of finished tradable goods, raw materials and other direct costs.

2.1 Cost of Goods Sold: "Cost of Goods Sold", including finished tradable goods and raw materials, has increased to Rs 358.7 crores from Rs 284.9 crores last year, registering growth of 25.9%. This increase in cost is attributable to shift in composition of sales to more traded items, such as mobile phones.

2.2 Personnel Cost: During the year, Personnel expenses have increased by 9.4% to Rs 14.2 crores from Rs 12.9 crores in the previous year, mainly due to the increase in compensation and benefits to employees.

2.3 Selling, General & Administrative Expenses: During the financial year, other operating expenses have shown a marginal drop due to low ad spend during the year.

3. Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)

During the financial year 2004, Operating profits have registered a healthy growth of over 32% to Rs 30.05 crores as compared to Rs 22.6 crores in the previous year. Operating margins, in the fiscal 2004 increased to 6.9% as compared to 5.9% in the fiscal 2003.

4. Depreciation and Interest

Depreciation during the fiscal 2004 was Rs 4.20 crores and the Interest expense during the year

dropped to Rs 0.80 crores mainly due to repayment of debt and reduction in working capital loans.

5. Profit before Tax

The profit before tax during fiscal 2004 was Rs 25.50 crores, which registered a growth of more than 60% as compared to fiscal 2003.

6. Net Income

During fiscal 2004, the net income of the company was Rs 15.95 crores, which shows an increase of over 66.0% as compared to the previous fiscal. Net Margins for the fiscal under review have grown to more than 4%.

OUTLOOK: ISSUES AND RISKS

1. Foreign Currency Risk

Salora deals in foreign currencies at various stages of operations. Any fluctuation in currency rates could affect the company adversely in cross currency remittances and receivables. Salora recorded a forex gain of Rs 2.0 crores in the financial year 2004, which was negligible in fiscal 2003.

2. Management risk

Salora has experienced significant income growth in recent periods. The Company's operating income in fiscal 2004 has grown by 58% over fiscal 2003. Future growth at Salora will place significant demand on its management and other resources. Continued growth increases the challenge involved in recruiting and retaining skilled personnel in a highly competitive environment. This is key to manage growth effectively failing which could have a material adverse effect on the quality of its business prospects, its result of operations and financial condition.

3. Competition

The Company operates in three different business areas as discussed in the Company overview above.

The *Infocom* segment is a highly competitive segment where the Company is directly competing with the few leading mobile handset players of the world. In case the Company is unable to distribute cell phones aggressively in the Indian market, it may lose its market share to others.

Market for *Electronic components* is growing at a good pace primarily due to large export opportunities for Television and Colour Picture Tubes being tapped by the Indian manufacturers. Salora is planning to expand its manufacturing capacities