

Consumer

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Scaling
new heights of
Technology



सलौरा
SALORA

36th Annual Report 2004-2005

36TH ANNUAL REPORT 2004-2005

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) & 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

B-7/2, OKHLA INDUSTRIAL AREA, PHASE-II, NEW DELHI
 PLOT NO. B-31-34 & 50-53, SECTOR - 80 NOIDA (U.P.)
 C-52, PHASE-II, NOIDA. (U.P.)

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@skylinerta.com

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ANNUAL GENERAL MEETING

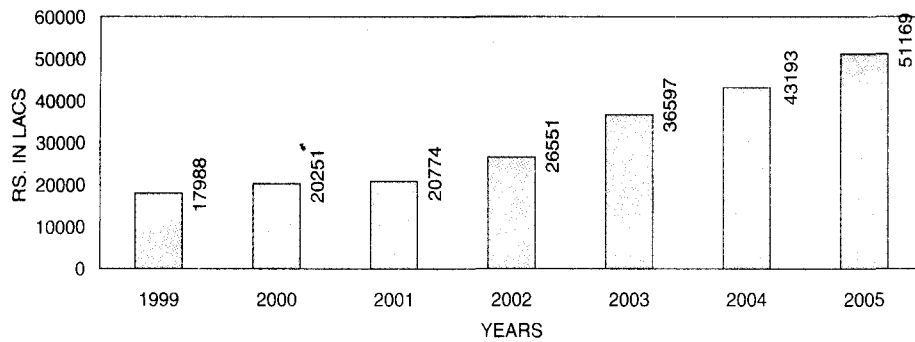
Day : Monday
Date : 18.07.2005
Time : 11.00 A.M.
Venue : Sri Sathya Sai International Centre,
 Pragati Vihar, Institutional Area,
 Lodhi Road, New Delhi - 110 003
Note : Members are requested to bring their copy
 of the Annual Report to the Meeting



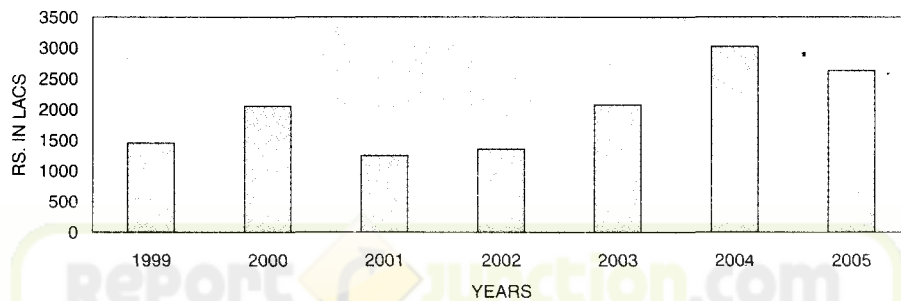
AT A GLANCE

	Year ended 31st March,2003 (Rs. In lacs)	Year ended 31st March,2004 (Rs. In lacs)	Year ended 31st March,2005 (Rs. In lacs)
OPERATING RESULTS :			
Net Income from Operations	33,908	41,433	49,438
Manufacturing Cost	31,834	38,414	46,804
Operating Profit	2,074	3,019	2,634
Non-operative Income (Net)	214	(13)	209
Interest & Financial Charges	307	114	174
Depreciation & Deferred Expenses Write-off	443	419	463
Profit Before Tax	1,538	2,473	2,206
Taxation	581	878	787
Profit After Tax	957	1,595	1,419
Dividend Payout (including dividend tax)	298	497	500
Retained Earnings	659	1,098	919
FINANCIAL POSITION :			
Equity Capital	881	881	881
Reserves	6,913	8,011	8,930
Shareholders' Fund	7,794	8,892	9,812
Long-term Borrowings	-	42	29
Capital Employed	7,794	8,934	9,841
Net Fixed Assets	3,132	3,185	3,323
Net Current Assets	6,952	7,243	8,590
KEY OPERATIONAL INDICATORS :			
Operating Profit Margin (%)	6.12	7.29	5.33
Return on Capital Employed (%)	12.27	17.85	14.42
Return on Capital Employed (%) (excluding non-operative income net)	9.53	18.01	12.29
Debtors Turnover Ratio (in days)	37	38	26
Creditors Turnover Ratio (in days)	30	40	36
Current Ratio	1.96	2.04	1.98
PER-SHARE DATA :			
Earnings Per Share (Rs)	10.86	18.11	16.11
Cash Earnings Per Share (Rs)	15.89	22.87	21.36
Dividend (%)	30	50	50
Book Value (Rs)	88.50	100.97	111.40
Market Price (Rs)	31.65	98.70	142.66
Price Earnings Multiple	2.91	5.45	8.86

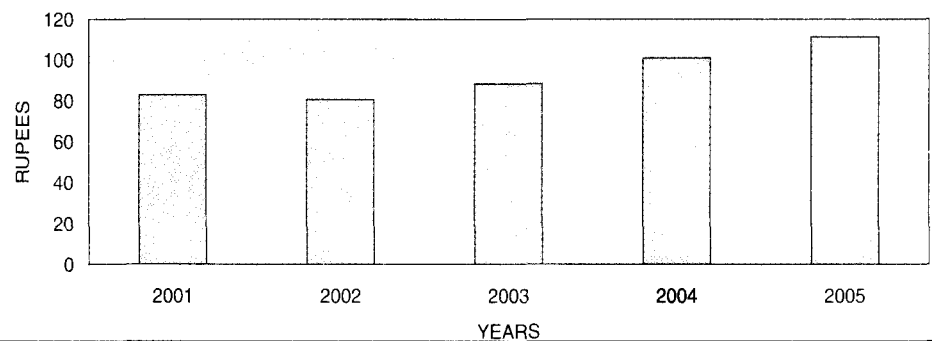
GROWTH IN SALES



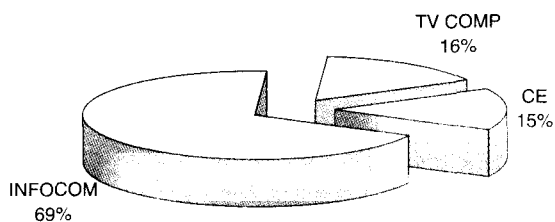
OPERATING PROFIT



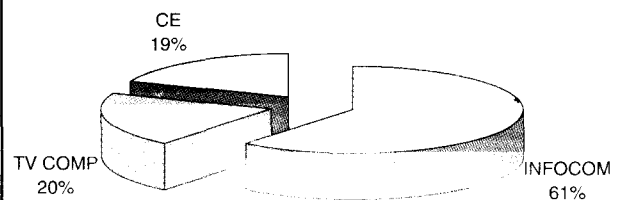
BOOK VALUE PER SHARE



SEGMENT REVENUE DISTRIBUTION 2005



SEGMENT REVENUE DISTRIBUTION 2004





SALORA INTERNATIONAL LIMITED

Registered Office : D-13/4, Okhla Industrial Area, Phase-II, New Delhi – 110020

NOTICE is hereby given that the 36th Annual General Meeting of the Members of Salora International Limited will be held on Monday, the 18th day of July, 2005 at 11.00 A.M. at Sri Sathya Sai International Centre, Pragati Vihar, Institutional Area, Lodhi Road, New Delhi -110 003, to transact the following Ordinary Business :

1. To receive, consider and adopt the Profit & Loss Account of the Company for the year ended 31st March, 2005, 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 S.K. Jiwarajka, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri P.N. Mehta, 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.

By Order of the Board of Directors

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

Place : New Delhi
Dated: 16th May, 2005

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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 12.07.2005 to 18.07.2005 (both days inclusive).
3. Dividend on Equity shares as recommended by the Board of Directors for the year ended 31st March, 2005, if declared at the Annual General Meeting, will be payable on or after 23rd July, 2005.
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 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 205A and 205C of the Companies Act, 1956 dividend for the financial year ended 31st March, 1997 has been transferred to Investors Education 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 in respect of dividend declared after the financial year ended 31st March, 1997, given in the Corporate Governance Report published in this Annual Report.
12. At the ensuing Annual General Meeting, Shri S.K. Jiwrajka and Shri P.N. Mehta 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

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

Place : New Delhi
 Dated: 16th May, 2005



MANAGEMENT DISCUSSION & ANALYSIS OF FINANCIALS 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 and notes on accounts.

COMPANY OVERVIEW

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

During the financial year, gross revenues increased from Rs. 423.60 crores to Rs. 501.60 crores. In addition to Interim dividend of 25% declared and paid for the year, the Board has recommended final dividend of 25% on its equity share capital against a total dividend of 50% paid last year. The Company employs around 1194 people.

BUSINESS OVERVIEW

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

1. Infocom Business

Infocom business segment includes distribution of Sony Ericsson mobile phones, Acer Computer systems, Xerox office automation products and related accessories. Salora is also one of the global service providers for Sony Ericsson mobile phones. This segment contributes more than 68% to the revenue and has grown by over 34% as turnover increased from Rs. 251.14 crores to Rs. 337.60 crores in value terms and from 4,05,530 to 5,29,007 in quantity terms.

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 introductions of new models and innovative channel programs carried out by the Company during FY 2004-05. GSM handset market is likely to witness a demand of more than 15 million handsets in the FY 2005-06, which will result in greater business opportunities for the Company.

During the year under review the Company entered into a National Distributorship Agreement with Xerographic Equipments and Systems for marketing of the facsimile machines, printers, multifunctional devices being manufactured by Xerox Modi Corp Ltd. in India.

2. Component Division

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 Panasonic Communication Co. Ltd., Japan, formerly known Kyushu Matsushita Electric Co. Ltd., Japan for manufacturing FBT and DY. However technology for manufacture of FBT has since been absorbed, hence technology collaboration in FBT terminated w.e.f. 31st March, 2005. 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 large for the Company to grow its component business further.

During the fiscal year under review, your Company successfully developed and produced 21" Super Flat Pin Free DY for Samtel Colour, Hotline CPT, Panasonic, Videocon and also developed 14" DY for JCT Electronics Ltd. and started making bulk supplies.

The Company has also developed 21" Round type DY for Panasonic and Samsung CPT. Development of 21" Super Flat Pin Free DY for BDDL is under process and the Company expects to begin bulk supplies in the current financial year.

The Company is supplying large quantities of 21" flat FBT and 21" & 20" normal FBT to LG. Development work of 14" FBT for LG is under way. Similarly, new varieties of FBT for 14" / 20" / 21" TVs for small OEM customers are being developed. FBTs for 25" & 29" TVs are under development and will be completed within Q1 FY 2005-06.

LSPs have registered growth of more than 22%. To meet the additional demand for Loudspeakers, the Company has started a new assembly line taking the total capacities of both Speaker plants to 10 million pcs per annum.

As stated in the previous year's directors report the Company has increased its capacity of manufacturing of FBT up to 5 million per annum and also capacity of manufacturing of LSP by putting a new plant. On the price front your company has reduced its selling price which in turn reduced the margin on sale of these components.

3. Consumer Electronics Division

The Consumer Electronics market continues to remain highly competitive with customers becoming increasingly demanding for better price and improved features. In this scenario, your Company achieved higher sale of 89,700 CTV as against 80,500 CTV in the previous year resulting in a growth of 11%. However, sale of B & W TV reduced from 50,900 TV to 34,900 TV. Exports of TVs were stable. Sale of DVD and VCD reduced from 22,000 to 19,000.

On the price front also, the industry has witnessed continuous erosion over the years. The key factors contributing to this

trend is the steady decline in duties, increasing competition, and lower technology costs. With multinational companies focusing more on the high-end sets, the market is shifting from curved to flat TVs, LCDs and plasmas.

FINANCIALS

1. Share Capital

At present, the paid-up Equity Share Capital of the Company is Rs. 8.8 crores, consisting of 88 Lakh 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 FY 2004-05, Reserves of the Company have increased by Rs. 10.00 crores to Rs. 89.30 crores. The share premium account remains unchanged.

3. Loans and Working capital limits

The Company is presently operating with working capital limits (utilized) of Rs. 14.48 crores. Working Capital Loan nominally increased during the year from Rs. 10.42 crores to Rs. 14.48 crores despite a substantial jump in turnover.

4. Fixed Assets

Gross fixed assets of the Company at Rs. 67.13 crores have increased by more than Rs. 6.50 crores as compared to the previous year. This increase is largely attributed to the capacity expansion in the Electronic components division.

5. Investments

Salora has an investment of Rs. 7.75 crores including investments in subsidiaries and stocks of other quoted and unquoted companies.

6. Net Current Assets

The Net Current Assets have increased to Rs. 85.90 crores from Rs. 72.4 crores. This is primarily due to higher turnover, leading to increase in Inventories, debtors and current liabilities.

Sundry debtors of the Company have reduced to Rs. 36.59 crores from Rs. 45.04 crores.

Inventories for the year stand at Rs. 85.45 crores, an increase of Rs. 25.85 crores over the previous year.

Current Liabilities of the Company have grown by Rs. 5.21 crores to Rs. 49.61 crores compared to the previous year.

OPERATIONAL RESULTS

The following factors have impacted the operational results of FY 2004-05:

1. Major raw materials like metals and plastics registered significant rise globally resulting in higher raw material costs for the company.

2. Absence of any major international sporting event and confusion regarding the implementation of VAT adversely affected sales of consumer electronics goods, especially in Q4 of FY 2004-05.

3. Intense competition especially from multinational brands drove prices downwards, resulting in lower margins for the Company.

1. Revenues

During the year, gross revenues of the Company increased by 18.47% to Rs. 511.69 crores from Rs. 431.92 crores last year.

2. Expenditure

Total Expenses increased by 21.89% to Rs. 489.72 crores from Rs. 401.77 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 by 22.6% to Rs. 440.04 crores from Rs. 358.72 crores last year.

- 2.2 **Personnel Cost:** During the year, Personnel expenses have increased by 5.37% to Rs. 14.91 crores from Rs. 14.15 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 increased from Rs. 23.10 crores to Rs. 28.25 crores.

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

During the financial year 2005, Operating profits have registered a negative growth of 7.78% to Rs. 28.43 crores as compared to Rs. 30.83 crores in the previous year. Operating margins, in the fiscal 2005 have reduced to 5.48% as compared to 7.28% in FY 2003-04.

4. Depreciation and Interest

Depreciation during FY 2004-05 was Rs. 4.62 crores and the Interest including finance charges during the year increased to Rs. 1.74 crores mainly due to increase in turnover.

5. Profit before Tax

The profit before tax during FY 2004-05 was Rs. 22.06 crores, which registered a negative growth of 13.48% as compared to fiscal 2004.

6. Net Income

During FY 2004-05, the net income of the company was Rs. 14.20 crores, which shows a negative growth of 15.10% as compared to the previous fiscal. Net Margins for the fiscal under review have come down to 2.9%.



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.

2. Management risk

The company has achieved significant income growth in recent periods and is poised for rapid growth in the future. This will place significant demand on its managerial and other resources. Continued growth in a competitive environment increases the challenges involved in recruiting and retaining skilled personnel. Failure to manage this vital resource effectively could have an adverse effect on the company's business prospects. The Company is constantly reviewing its HR practices and incentives its talent pool for keeping their performance at optimum levels.

3. Competition

The Infocom division is a highly competitive segment where the Company is directly competing with the few leading global brands in the segments in which the Company is operating. Rate of obsolescence is high and prices tend to fall rapidly. The Company is maintaining strict control on inventories and receivables to mitigate this risk.

The Components division is impacted by fluctuations in foreign currency, movement of global prices of metals and plastics. The Company is constantly improving its product range and supply base for raw materials. During the year, the Company enhanced its capacities for FBT, DY and LSP to achieve economies of scale and meet seasonal peaks in demand.

Consumer Electronics division is operating in a fiercely competitive market where the large MNC players are constantly defining the benchmarks for pricing and quality. The Company has adopted a niche market strategy with focused penetration and improved quality products to meet this competition.

4. Regulatory issues impacting the industry

Any fluctuation in the excise and custom duties affects the business of the Company. With the change in government and its policies, the Company may be affected adversely in case of any duty increase. However, the trend has been to

align duties to international levels, which are significantly lower than those in India.

5. Technology risk

In the mobile phone segment, newer technologies like 3G and Wimax are likely to be introduced in India in the near future. These will require new handsets and could impact market share of different players. Sony Ericsson has already established a global leadership in this segment.

In the components and consumer electronics segment, any major shift towards Plasma or LCD technology could have an adverse impact on the sales and profitability of the company. However with the large differential in pricing, the Company does not foresee any significant drop in sales of conventional TVs in the near future.

BUSINESS OUTLOOK

The Infocom sector is the fastest growing sector with significant investments in Telecom and IT infrastructure. The Company with its wide distribution network and market expertise is well poised to capture a significant part of the growth pie.

Electronic Components: Major CPT and Television manufacturers have started exports and the momentum is likely to increase in the coming years. This augurs well for the Company's component manufacturing business. Necessary investments to augment capacities have been made to meet the upcoming demand.

The Company has recently finalized a Distribution Agreement in the month of April, 2005 with M/s. Reigncom Ltd. of South Korea for sale and marketing of MP3 players under "iRiver" brand for India and SAARC countries.

The Company is in talks with other leading international brands for similar arrangements.

JOINT VENTURES/ COLLABORATIONS

Jadoonet Limited

The continued impasse in the CAS policy has impacted the business plan of the Company. The Company has started distribution of IT products and is looking at other business opportunities. The surplus funds during the year were employed judiciously in liquid assets. The Company earned a marginal profit during the year.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 36th Annual Report together with the Audited Statement of Accounts for the financial year ended 31st March 2005.

FINANCIAL RESULTS

	YEAR ENDED 31.03.2005 Rs Lacs	YEAR ENDED 31.03.2004 Rs Lacs
Net Sales	49437.85	41432.99
Profit before Interest, Depreciation, Write-offs, Provisions and Tax	2843.23	3083.28
Interest and Finance Charges	174.39	114.05
Depreciation	462.55	419.28
Profit before Tax	2206.29	2549.95
Provision for Taxation	786.39	877.37
Profit after Tax	1419.90	1672.58
Less:		
Income Tax for earlier years	0.71	0.26
Diminution in value of investment	-	77.37
Add:		
Balance in Profit & Loss Account B/F	363.70	304.80
Amount available for Appropriation	1782.89	1899.75
Appropriation		
Proposed Dividend (including dividend tax)	250.01	298.07
Interim Dividend paid (including dividend tax)	250.01	198.71
General Reserve	1000.00	1039.27
Surplus carried to Balance Sheet	282.87	363.70

DIVIDEND

The Board of Directors have recommended a final Dividend of Rs. 2.50 per equity share. The total Dividend, including Interim

Dividend of Rs. 2.50 per share (already declared and paid to those Shareholders whose names appeared Members Register as on 07.02.2005) works-out to Rs. 5.00 per share (50%) as against Rs. 5.00 per shares (50%) during 2003-2004. The final Dividend, if declared at the forthcoming Annual General Meeting will be paid to those Equity Shareholders whose names appear on the Register of members as on 18th July, 2005. The total amount of Dividend pay-out (including dividend tax) will be Rs. 500.02 Lacs as against Rs. 496.78 Lacs paid for the previous year. The Dividend distribution as a percentage of net profit after tax is 34.80% as compared to 31.71% in previous financial year.

BUSINESS OPERATIONS

During the period under review, the turnover of the Company has recorded a healthy growth. However, net profit registered a marginal decline on account of rising input costs like metals, plastics etc. Fierce competition in the consumer electronics industry and lack of clarity as regards to implementation of VAT in Q4 of the current year were other factors which led to the reduced profitability. Net Sales of Rs. 494.38 crores was achieved for the year ended 31st March, 2005 (Rs. 414.32 crores in 2003-2004), posting a sales growth of 19.5%. Profit before interest, depreciation, write-offs and Provisions for the year decreased to Rs. 28.43 crores from Rs. 30.83 crores during the preceding year.

SUBSIDIARY COMPANY

The Accounts of Jadoonet Ltd. (former name Jadoonet.com Ltd.), a subsidiary of the Company are annexed (Annexure 'C') with a statement pursuant to Section 212 of the Companies Act, 1956.

FINANCE

Interest and financing costs have increased from Rs. 114.05 lacs to Rs. 174.39 lacs, on account of higher turnover and increased bank charges.

FIXED DEPOSITS

During the year no fixed deposit was accepted by the Company.

LISTING OF SECURITIES OF COMPANY

During this financial year, Equity Shares of the Company delisted from the Stock Exchanges at Delhi (Regional), and Ahmedabad after complying with the delisting guidelines of SEBI. However, application for delisting filed with Kolkata Stock Exchange is pending in spite of repeated requests and is being actively pursued. The Equity shares of the Company continue to be listed at The Stock Exchange, Mumbai and National Stock Exchange and listing fee for the year 2005-06 are being paid to each of the above Stock Exchanges.