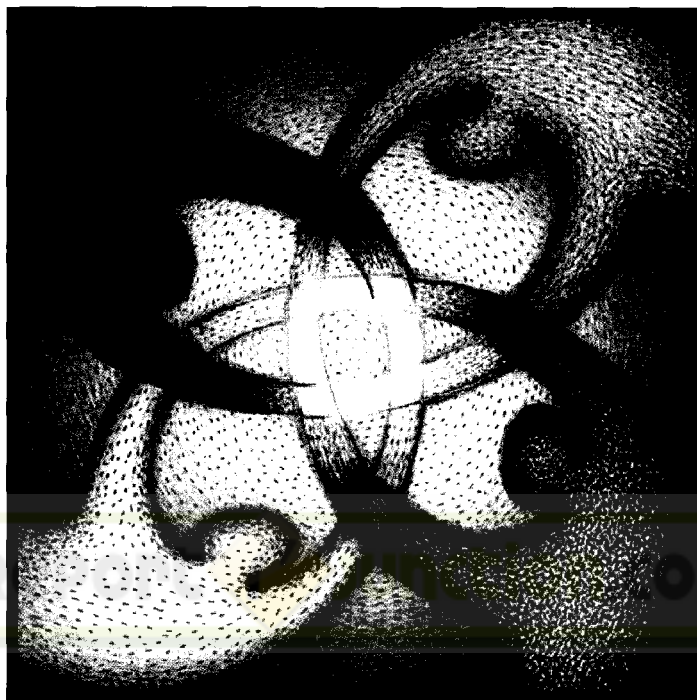


## At the heart of convergence



**37th Annual Report 2005-2006**

# 37TH ANNUAL REPORT 2005-2006

## BOARD OF DIRECTORS

SITA RAM JIWARAJKA — Chairman  
 RAJENDRA PRASAD KHAITAN — Vice Chairman & Managing Director  
 SUSHIL KUMAR JIWARAJKA — Managing Director  
 GOPAL SITARAM JIWARAJKA — Managing Director  
 GAUTAM KHAITAN — Director  
 P.N. MEHTA — Director  
 SANJEEV KAUL DUGGAL — Director  
 PATANJALI GOVIND KESHWANI — Director

## CHIEF FINANCE OFFICER

R. SRIDHARAN

## COMPANY SECRETARY

SANDEEP SABHARWAL

## AUDITORS

K. PRASAD & COMPANY, 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

PLOT NO. B-31-34 & 50-53, SECTOR – 80 NOIDA (U.P.)  
 C-52, PHASE-II, NOIDA. (U.P.)

## REGISTRAR 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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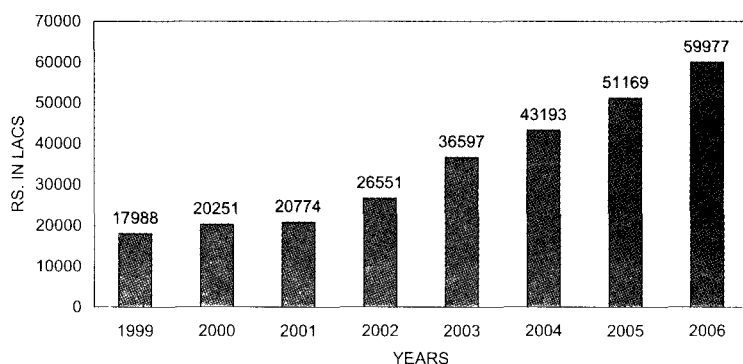
## ANNUAL GENERAL MEETING

**Day** : Monday  
**Date** : 10.07.2006  
**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

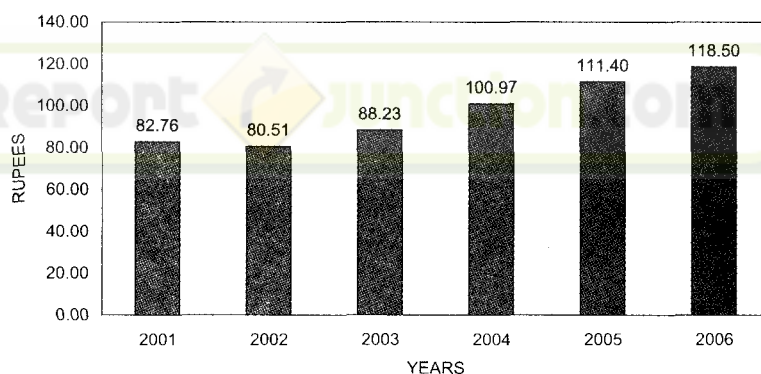
## AT A GLANCE

	Year ended 31st March, 2006 (Rs. In lacs)	Year ended 31st March, 2005 (Rs. In lacs)	Year ended 31st March, 2004 (Rs. In lacs)	Year ended 31st March, 2003 (Rs. In lacs)
<b>OPERATING RESULTS :</b>				
Net Income from Operations	58,427	49,438	41,433	33,908
Manufacturing & other Cost	56,348	46,804	38,414	31,834
Operating Profit	2,079	2,634	3,019	2,074
Non-operative Income (Net)	180	209	(13)	214
Interest & Financial Charges	114	174	114	307
Depreciation & Deferred Expenses Write-off	513	463	419	443
Profit Before Tax	1,632	2,206	2,473	1,538
Taxation	555	787	878	581
Profit After Tax	1,077	1,419	1,595	957
Dividend Payout (including dividend tax)	452	500	497	298
Retained Earnings	625	919	1,098	659
<b>FINANCIAL POSITION :</b>				
Equity Capital	881	881	881	881
Reserves	9,555	8,930	8,011	6,913
Shareholders' Fund	10,437	9,812	8,892	7,794
Long-term Borrowings	15	29	42	-
Capital Employed	10,451	9,841	8,934	7,794
Net Fixed Assets	3,141	3,323	3,185	3,132
Net Current Assets	7,904	8,590	7,243	6,952
<b>KEY OPERATIONAL INDICATORS :</b>				
Operating Profit Margin (%)	3.56	5.33	7.29	6.12
Return on Capital Employed (%)	10.30	14.42	17.85	12.27
Return on Capital Employed (%) (excluding non-operative income net)	8.58	12.29	18.01	9.53
Debtors Turnover Ratio (in days)	32	26	38	37
Creditors Turnover Ratio (in days)	35	36	40	30
Current Ratio	2.24	1.98	2.04	1.96
<b>PER-SHARE DATA :</b>				
Earnings Per Share (Rs)	12.23	16.11	18.11	10.86
Cash Earnings Per Share (Rs)	18.05	21.36	22.87	15.89
Dividend (%)	45	50	50	30
Book Value (Rs)	118.50	111.40	100.97	88.50
Market Price (Rs)	111.75	142.66	98.70	31.65
Price Earnings Multiple	9.14	8.86	5.45	2.91

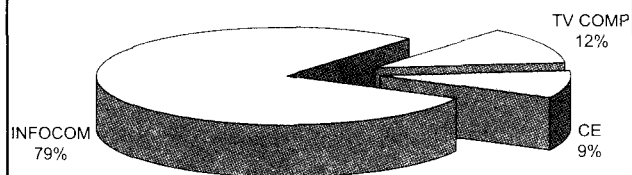
### GROWTH IN SALES



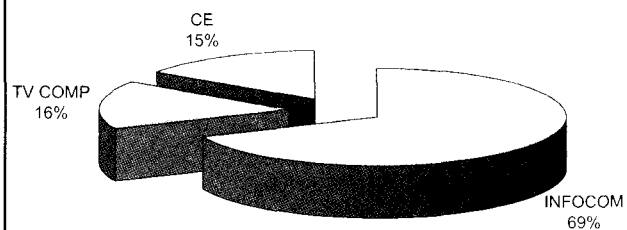
### BOOK VALUE PER SHARE



### SEGMENT REVENUE DISTRIBUTION 2006



### SEGMENT REVENUE DISTRIBUTION 2005





## SALORA INTERNATIONAL LIMITED

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

NOTICE is hereby given that the 37<sup>th</sup> Annual General Meeting of the Members of Salora International Limited will be held on Monday, the 10<sup>th</sup> day of July, 2006 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 31<sup>st</sup> March, 2006, 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 re-appointment.
4. 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 :

5. To consider and pass, with or without modification, the following resolution as an Ordinary Resolution –  
 “RESOLVED THAT Shri Patanjali Govind Keswani, who has consented to act as a Director, and in respect of whom the Company has received a notice in writing pursuant to Section 257 (1) of the Companies Act, 1956, from a member of the Company, proposing his appointment, as a Director of the Company, be and is hereby appointed a Director of the Company liable to retire by rotation.”
6. To consider and pass, with or without modification, the following resolution as a Special Resolution –  
 “Resolved that in conformity with the provisions of Article 87 of the Articles of Association of the Company and pursuant to the provisions of Section 309 (4) of the Companies Act, 1956, (the Act), and subject to approval of the Central Government, if required, the Company hereby authorizes payment of remuneration to the non-working directors of the Company by way of Commission of an amount not exceeding 1% of the net profits of the Company computed in accordance with the provisions of the Act, for a period of 5 years commencing from the financial year 2004-2005 of the Company upto and including the financial year 2008-2009 and that the Board of Directors be and is hereby authorized to fix the amount of commission and divide the same among the non-working directors in such proportion and in such manner as the Board of Directors of the Company may determine and fix for each financial year in its absolute discretion.”

By Order of the Board of Directors

(Sandeep Sabharwal)  
Company Secretary

Place : New Delhi  
Dated: 1<sup>st</sup> May, 2006

### 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 4<sup>th</sup> July, 2006 to 10<sup>th</sup> July, 2006 (both days inclusive).
3. Dividend on Equity shares as recommended by the Board of Directors for the year ended 31<sup>st</sup> March, 2006, if declared at the Annual General Meeting, will be payable on or after 15<sup>th</sup> July, 2006.

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 years ended 1997-98 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 31<sup>st</sup> March, 1998, given in the Corporate Governance Report published in this Annual Report.
12. At the ensuing Annual General Meeting, Shri Gautam Khaitan retires by rotation and being eligible offer himself for reappointment. The company has received a notice from a member of his intension to appoint Shri Patanjali Govind Keswani as Director of the Company. 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. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of Special Business is enclosed.
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

**(Sandeep Sabharwal)**  
Company Secretary

Place : New Delhi

Dated: 1st May, 2006

Notice



## EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956 IN RESPECT OF SPECIAL BUSINESS OF THE 37<sup>th</sup> A.G.M. TO BE HELD ON 10.07.2006

### ITEM NO. 5

To fill the casual vacancy caused due to Resignation of Dr. V.L. Dutt, the Board in its meeting held on 28<sup>th</sup> October, 2005, after considering the qualifications and experience possessed by Shri Patanjali Govind Keswani, decided to appoint him as a Director of the Company.

The Company has received a notice under Section 257 of the Companies Act, 1956, along with requisite fee of Rs.500/-, from a Member of his intention to move the resolution to appoint Shri Patanjali Govind Keshwani as a Director of the Company.

No other director except Shri Patanjali Govind Keswani is interested in the resolution.

The members are requested to consider and pass the said Ordinary Resolution.

### ITEM NO. 6.

The Board of Directors of your Company, having regard to the services being rendered by non-working Directors of the Company, i.e. the Directors other than the Managing Directors, has decided in its meeting held on 16.05.2005, subject to approval of the Company in Annual General Meeting, and also subject to the approval of the Central Government, if required, to make payment of commission to them up to 1% on the Net profits of the Company calculated as per Sections 198, 349 and 350 of the Companies Act, 1956, for each of the 5 (five) financial years commencing from 2004-2005 up to and including financial year 2008-2009 or part thereof.

The Board of Directors has also proposed that authority be given to the Board to determine and fix the exact amount to be distributed among the non-working directors and to fix the proportion and the amount payable to each one of them, for each financial year and different amount may be fixed for the different non-working directors depending on what the Board may decide in its absolute discretion.

The Ministry of Company Affairs, vide its letter No. 2/4/2005-CL.VII dated 23<sup>rd</sup> September, 2005 approved the payment of commission for the year 2004-05, subject to approval of shareholders.

The Members are requested to consider and pass the said Special Resolution and authorize the payment of commission as proposed in the said Special Resolution.

Shri S.R. Jiwrajka, Shri Gautam Khaitan, Shri Sanjeev Kaul Duggal, Shri Patanjali Govind Keswani themselves are interested directly to the extent of the commission payable to them and Shri S.K. Jiwrajka and Shri Gopal Sitaram Jiwrajka both Managing Directors of the Company, being relatives of Shri S.R. Jiwrajka, may be deemed to be interested within the meaning of the Companies Act, 1956 in the said resolution.

By Order of the Board of Directors

(Sandeep Sabharwal)  
Company Secretary

Place : New Delhi

Dated: 1st May, 2006



## MANAGEMENT DISCUSSION & ANALYSIS

### 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 Bombay Stock Exchange and the National Stock Exchange.

During the financial year, gross revenues increased from Rs.501.00 crores to Rs.583.16 crores. In addition to Interim dividend of 22.5% declared and paid for the year, the Board has recommended final dividend of 22.5% on its equity share capital totaling 45% for the year 2005-06. The Company employs 1187 people.

### BUSINESS OVERVIEW

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

#### 1. Infocom Division

Infocom business segment includes distribution of Sony Ericsson mobile phones, Acer Computer systems, Panasonic Printers and related accessories. Salora is also one of the global service providers for Sony Ericsson mobile phones and is ranked Number 2 in Asia Pacific Region. During the year, the Company entered into exclusive dealership, service and marketing agreement for Benq Mobiles, which has also taken over mobile business of Siemens. This segment contributes more than 64% to the revenue and has grown by over 26% as turnover increased from Rs.297.76 crores to Rs. 377.71 crores in value terms and from 5,05,277 to 6,14,277 in quantity terms.

The growth in the mobile phone business is on account of rapid expansion of Indian mobile phone market, which is currently the fastest growing market in the world. GSM handset market is likely to witness a demand of more than 25 million handsets in the FY 2006-07, which will result in greater business opportunities for the Company. During the period under review, Company promoted innovative channel programs besides introducing new models, brands to improve the performance. The Company is likely to double its sales during 2006-07.

The Company is also National Distributor of ACER products viz. Laptops and desktops. The Company has recorded a turnover of Rs.67.28 crores during the year 2005-06 as against Rs.25.65 crores during the previous year registering a growth of 162.30%.

#### 2. Component Division

Electronic Component segment includes manufacturing of television components such as Fly Back Transformers (FBT), Deflection Yokes (DY) and Loud speakers (LSP). The Company

had technology collaboration with Matsushita Electric, Japan (Panasonic) for manufacturing of FBT and DY. Presently, Salora is a major manufacturer of FBT and DY components for flat screen color picture tubes and with a significant shift towards flat screen televisions, the potential is large for the Company to grow in its component business further.

The CTV market for the fiscal year 2005-06 was 11 Million. The demand for components produced by the company are directly related to the growth in CTV Industry. The CTV industry has grown by 14% in the period under review over the preceding year. Although the demand for the components has increased, margins are under unprecedented pressure on account of rising input costs & cheaper imports from China. The future prospects of the Indian TV Components Industry lie in maintaining cost leadership. The Industry has to compete with China and also innovate in containing costs. The Company has developed value engineering design for FBT, CDY and LSP, which are cost effective. The Company has got sanction of 600 KVA from UPSEB so as to reduce electricity cost as compared to DG Set generation. The Company expects demand for CTVs to pick up in the coming days as prices have become affordable to a vast majority of people in the country. The penetration level of CTV in India still continues to be low offering huge upside potential. Apart from Domestic demand, the exports should also take off that will generate demand for CTV components.

During the year, new FBT has been developed in layer winding for all the customers who were buying section FBT earlier. This was done to improve the quality as well as minimize field failure. Further, 21" flat CTV FBT value engineering model for LG has been developed and FBT for 29" Flat CTV for LG and Videocon is under approval.

The Company has developed Speaker for Slim TV, which has been approved by LG, and commercial production of this product is under way.

FBT for 25" and 29" CTV has been developed for LG, Videocon, Onida and also FBT samples for Slim TV are under evaluation with Videocon.

Development of 21" SF low cost DY (Samsung type) is under plan.

It is proposed to develop slim DY for Thomson 21" & 29" SF CTV and Slim speakers and Woofer assembled in boxes. Mass production of 21" SF DY for BDDL and 21" SF PF DY for Samtel and Hotline has commenced.

During the year 2005-06 the Company sold 24,54,415 Nos. of CFBT, thus achieving a growth of 17.75% over the previous year (20,84,630). In value terms, the turnover increased from Rs.21.50 crores to Rs.24.61 crores, registering an increase of 14.46%.





During the year 2005-06 the Company sold 18,82,969 Nos. of CDY, posting a decline of 13.56% over the previous year (21,78,412). The turnover in value terms declined from Rs. 29.73 crores to Rs. 23.61 crores, registering a fall of 20.57%.

During the year 2005-06 the Company sold 74,90,751 Nos. of speakers, resulting in a decline of 7.13% over the previous year (80,66,132). The turnover in value terms declined from Rs 30.75 crores to Rs. 25.94 Crores, registering a decline of 15.62%.

### 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 a sale of 74659 CTV as against 89,700 CTV in the previous year resulting in a decline of 11%. Sale of B & W TV reduced from 34,900 TV to 27,947 TV. Export of TVs has declined from 18,325 sets to 2,000 sets. Sale of DVD and VCD reduced from 19,000 to 13,043.

On the price front also, the industry has witnessed continuous erosion of margin over years. The key factors contributing to this trend are steady decline in duties, rising input costs, increased 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.

The Company has developed low cost chassis based on Ultimate One Chip Processor, which has been extended to low cost version with wide voltage range operation to cater rural areas. This has resulted in better competitiveness in the market, higher realization / margins and has reduced reliance on foreign technology for low cost products.

During the year under review, Company entered into Technical collaboration and Licence Agreement with M/s. TEAC Corporation, a corporation established in Japan (TEAC). In terms of the Agreement TEAC has granted the Company an exclusive right to manufacture and sell Television audio products and DVD Players within India. With the addition of this new brand, the Company's presence will be felt in all segments of CTVs with a complete product portfolio. Further premium audio products of TEAC will also be rolled out simultaneously. With this, the company will be well positioned in the electronics industry.

## FINANCIALS

### 1. Share Capital

At present, the paid-up Equity Share Capital of the Company is Rs. 8.80 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 2005-06, Reserves of the Company have increased by Rs.6.25 crores to Rs.95.55 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. 52.75 lacs. Working Capital Loan substantially decreased during the year from Rs.1448.05 lacs to Rs.52.75 lacs.

### 4. Fixed Assets

Gross fixed assets of the Company at Rs. 69.39 crores have increased by more than Rs.2.63 crores as compared to the previous year.

### 5. Investments

Salora has an investment of Rs.8.28 crores including investments in subsidiaries and stocks of other quoted and unquoted companies.

### 6. Net Current Assets

The Net Current Assets have decreased to Rs.79.04 crores from Rs.85.90 crores. Sundry debtors of the Company have increased to Rs.52.20 crores from Rs.36.59 crores.

Inventories for the year stand at Rs.59.93 crores, a decrease of Rs.25.50 crores over the previous year.

Current Liabilities of the Company have grown by Rs.4.38 crores to Rs.51.25 crores compared to the previous year.

## OPERATIONAL RESULTS

The following factors have impacted the operational results of FY 2005-06:

- Majority of raw materials like metals and plastics registered unprecedented rise globally resulting in higher raw material costs for the company.
- 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 Rs. 88.07 Crores i.e. by 17.21% to Rs.599.76 crores from Rs. 511.69 crores last year.

### 2. Expenditure

Total Expenses increased by 13.14% to Rs.554.09 crores from Rs.489.72 crores. These expenses include cost of finished tradable goods, raw materials and other direct costs.

- Cost of Goods Sold:** "Cost of Goods Sold", including finished tradable goods and raw materials, has increased by 14.63% to Rs.504.43 crores from Rs. 440.04 crores last year.

2.2 **Personnel Cost:** During the year, Personnel expenses have increased by 5.70% to Rs.15.76 crores from Rs.14.91 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 decreased from Rs. 28.40 crores to Rs.27.80 crores.

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

During the financial year 2006, Operating profits have posted negative growth of 22.41% to Rs.22.06 crores as compared to Rs. 28.43 crores in the previous year.

### 4. Depreciation and Interest

Depreciation during FY 2005-06 was Rs.5.12 crores and the Interest including finance charges during the year decreased to Rs.1.14 crore.

### 5. Profit before Tax

The profit before tax during FY 2005-06 was Rs.16.32 Crores, which registered a negative growth of 26.01% as compared to fiscal 2005. (previous year Rs.22.06 crores).

### 6. Net Income

During FY 2005-06, the net income of the company was Rs.10.76 crores, which shows a negative growth of 24.22% as compared to the previous fiscal (Rs.14.20 crores).

## 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 and movement of global prices of metals and plastics. The Company is constantly improving its product range and supply base for raw materials. 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 can 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 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.

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