

39th Annual Report 2007-2008

Unveiling Retail



terminal

SALORA

Salora International Ltd.



SALORA INTERNATIONAL LIMITED

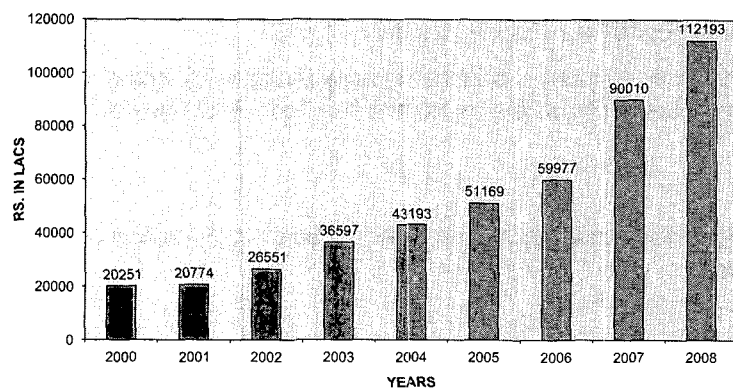
AT A GLANCE

	Year ended 31st March, 2008 (Rs. In lacs)	Year ended 31st March, 2007 (Rs. In lacs)	Year ended 31st March, 2006 (Rs. In lacs)	Year ended 31st March, 2005 (Rs. In lacs)
OPERATING RESULTS :				
Net Income from Operations	111,125	88,338	58,427	49,438
Manufacturing Cost	108,047	85,499	56,348	46,804
Operating Profit	3,077	2,839	2,079	2,634
Non-operative Income (Net)	1,271	357	180	209
Interest & Financial Charges	432	189	114	174
Depreciation & Deferred Expenses Write-off	567	535	513	463
Profit Before Tax	3,350	2,472	1,632	2,206
Taxation	1,015	845	555	787
Profit After Tax	2,335	1,627	1,077	1,419
Dividend Payout(including dividend tax)	464	464	452	500
Retained Earnings	1,872	1,163	625	919
FINANCIAL POSITION :				
Equity Capital	881	881	881	881
Reserves	12,590	10,718	9,555	8,930
Shareholders' Fund	13,471	11,600	10,437	9,812
Long-term Borrowings	1,990	2,193	15	29
Capital Employed	15,462	13,792	10,451	9,841
Net Fixed Assets	5,337	5,696	3,141	3,323
Net Current Assets	18,311	10,340	7,904	8,590
KEY OPERATIONAL INDICATORS :				
Operating Profit Margin (%)	2.77	3.21	3.56	5.33
Return on Capital Employed (%)	15.10	11.79	10.30	14.42
Return on Capital Employed (%) (excluding non-operative income net)	6.88	9.21	8.58	12.29
Debtors Turnover Ratio (in days)	29	39	32	26
Creditors Turnover Ratio (in days)	24	45	35	36
Current Ratio	1.70	1.68	2.24	1.98
PER-SHARE DATA :				
Earnings Per Share (Rs)	26.52	18.47	12.23	16.11
Cash Earnings Per Share (Rs)	32.95	24.54	18.05	21.36
Dividend (%)	45	45	45	50
Book Value (Rs)	152.96	131.70	118.50	111.40
Market Price (Rs)	194.15	79.50	111.75	142.66
Price Earnings Multiple	7.32	4.30	9.14	8.86

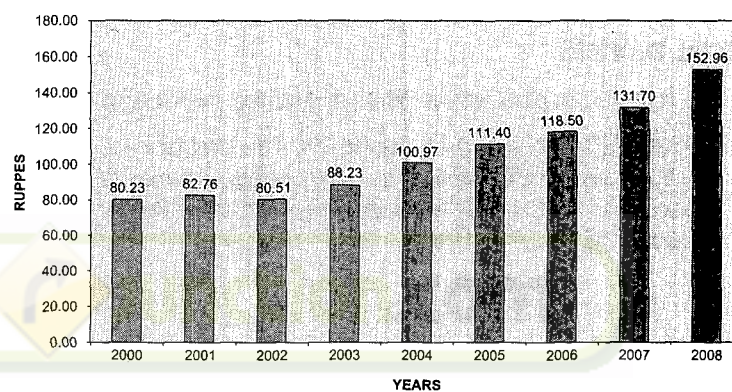
SALORA INTERNATIONAL LIMITED



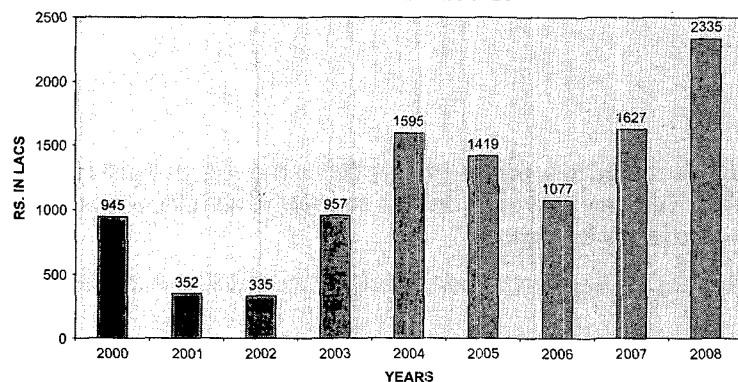
GROWTH IN SALES



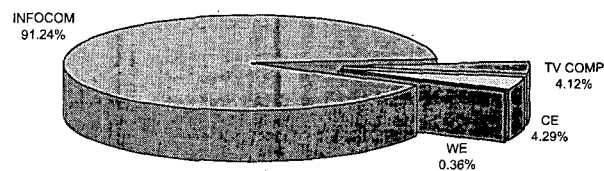
BOOK VALUE PER SHARE



PROFIT AFTER TAX



SEGMENT REVENUE DISTRIBUTION 2008





SALORA INTERNATIONAL LIMITED

SALORA INTERNATIONAL LIMITED

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

NOTICE is hereby given that the 39th Annual General Meeting of the Members of Salora International Limited will be held on Friday, the 4th day of July, 2008 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, 2008, 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 P.N. Mehta, 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 a Special Resolution -

"RESOLVED THAT pursuant to section 314 of the Company Act, 1956 read with Director's Relatives (Office or place or Profit) Rules, 2003, consent of the Company be and is hereby accorded to the appointment of Smt. Neetu Jiwarajka in the Company as an Executive of the Company with such designation as the Board may deem fit at a monthly remuneration not exceeding Rs. 50,000/- (Rupees Fifty Thousand Only)"

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By Order of the Board of Directors

(Sandeep Sabharwal)
Company Secretary

Place : New Delhi

Dated: 29th April, 2008

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 28th June, 2008 to 4th July, 2008 (both days inclusive).
3. Dividend on Equity shares as recommended by the Board of Directors for the year ended 31st March, 2008, if declared at the Annual General Meeting, will be payable on or after 10th July, 2008.
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

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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.

Pursuant to provisions contained in Section 205A and 205C of the Companies Act, 1956 dividend for the financial years ended 1996-97, 1997-98, 1998-99 & 1999-2000 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, 2001, given in the Corporate Governance Report published in this Annual Report.

11. At the ensuing Annual General Meeting, Shri P. N. Mehta retires by rotation and being eligible offer himself for reappointment. The details in respect of the 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.
12. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of Special Business is enclosed.
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.

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By Order of the Board of Directors

Notice

Place : New Delhi
Dated: 29th April, 2008

(Sandeep Sabharwal)
Company Secretary

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956
IN RESPECT OF SPECIAL BUSINESS OF THE 39th ANNUAL GENERAL MEETING TO BE HELD
ON 4th JULY, 2008**

ITEM NO. 5

Section 314 of the Companies Act, 1956 read with Director's Relatives (Office or Place of Profit) Rules, 2003, requires prior approval of the member in General Meeting by way of a special resolution for holding of place of profit of relatives of a Director carrying a monthly remuneration up to Rs. 50,000/-.

It is proposed to appoint Smt. Neetu Jiwarajka as an Executive of the Company at a monthly remuneration not exceeding Rs. 50,000/-.

Smt. Neetu Jiwarajka, is post graduate and she has vast experience of business.

Smt. Neetu Jiwarajka is relative of Shri Sita Ram Jiwarajka, Chairman and Shri Gopal Sitaram Jiwarajka, Vice Chairman & Managing Director. Hence, her appointment requires approval of the members.

No other Directors except Shri Sita Ram Jiwarajka and Shri Gopal Sitaram Jiwarajka are concerned or interested in this resolution.

By Order of the Board of Directors

Place : New Delhi
Dated: 29th April, 2008

(Sandeep Sabharwal)
Company Secretary



SALORA INTERNATIONAL LIMITED

MANAGEMENT DISCUSSIONS & ANALYSIS

COMPANY OVERVIEW

During the financial year, gross revenues increased from Rs. 883.41 crore to Rs. 1108.88 crore. The Board has recommended final dividend of 45% on its equity share capital. The Company employs over 900 people.

Business Overview

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

1. Infocom business

Salora has become one of the leading distribution companies in the IT & Telecom space. It has 25 branches spread all over the country. The Company is connected by a VPN and the complete operation is controlled by an Oracle based ERP system.

Infocom Division is involved into the distribution of the following products:-

- Sony Ericsson –Distribution and Global Service Partner for mobile handset
- Virgin Mobiles – Distribution partner for their service & handset
- HP Handhelds – Distribution partner
- Acer – National Distributor for laptops, Desktops, TFTs and LCD projectors
- Fujitsu – National Distributor for Laptops, Desktops and TFTs
- Moserbaer – National Distributor for USB Drives, IT Peripherals & CE products

Sony Ericsson - Mobile phones which constitute a major part of the turnover had been consistent through out the year in spite of market slowdown in the later half of Financial Year 2007-08. The Company has been running innovative channels schemes and incentives to keep the dealers motivated and this has contributed to the healthy growth.

Starting April 1st 2008, there has been a change in distribution strategy of Sony Ericsson. Instead of Product Split between the National Distributors, now there is a geographical split. We have been assigned territories of North & East part of the Country with total product portfolio of the phones. Post this the company expects to gain by virtue of doing same level of value business in a smaller geography, getting cost advantage and better control on channel.

Virgin Mobiles – The Company has entered into an agreement with Virgin Mobile India Ltd (VMI) and started distribution of their products to large format retail stores in North, East & West India since March' 08. The initial response has been encouraging. VMI has initiated its marketing activities

and expects to gain a reasonable share in the Indian market within a year. Our Company will also have business growth accordingly.

The company has also taken up distribution of HP IPAQ handhelds.

Last fiscal, also witnessed division of our **IT business** in two broad categories:-

- PC
- Peripheral

PC - The Computer business witnessed a robust growth compared to last fiscal in the Indian Market. **ACER** has taken Indian market as a focus market and directed its market activities, resulting into brand building and enhanced demand of ACER. We also expanded the PC business from 15 to 25 branches. **Fujitsu** has also focused on marketing in India resulting in business growth. To take our PC business to next level, we are in advanced stage of negotiations with couple of renowned brands.

Peripheral– This segment started with the launch of Moser Baer pen drives. This year Moser Baer added few more product lines in their peripheral portfolio. The products added include Memory Cards, Key Board, Optical Disc Drives, Mouse etc. To get maximum leverage from this vertical, we have already finalized our alliance with Samsung Pleomax for distribution of their products, which includes over and above the aforesaid range, media products like CDs & DVDs.

Consumer Electronics – Moser Baer launched their Consumer Electronics Division with introduction of wide range of DVD Players. This year more products like LCD TVs & Portable DVD players will be introduced. The company is a national distributor for these products. The initial response to the range has been quite encouraging.

The turnover of the Division for this duration has shown impressive growth going up from Rs. 752.18 crore to Rs. 1013.84 crore. Mobile phones which constitute a major part of the turnover has shown a remarkable growth, keeping in line with the rapid growth in the mobile subscriber base.

2. Consumer Electronics Division

Company's two divisions namely, Components Division and Consumer Electronics Division have been merged into one namely Consumer Electronics Division since both belong to same segment and cater to same industry.

Consumer Electronics Division business consists of colour television, DVDs players and component for CTV. During the year the division has witnessed negative growth. The Company has kept abreast with the situation by rationalizing the work force through voluntary retirement scheme and is considering all possible options to contain the negative growth impact.

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Increase in cost of raw material has been impacting the components business and the company is in discussions with the buyers to pass on the increased cost of raw material.

Colour Deflection Yokes manufacturing have been restricted to the CPT manufacturer who are logistically close to factory at NOIDA.

Salora Components Limited, a subsidiary of the Company is also manufacturing Deflection yokes. The Company is exploring the possibility of merging the manufacturing facilities into one.

Fly Back Transformer – New and lower cost FBTs have been supplied to LG Electronics and the commercial supply are likely to commence in the year 2008 – 09.

Loud Speaker – Cost rationalizing by value engineering is under progress.

Colour Television – The Company in order to take advantage of the demand shift from conventional CRT based TV to LCD / Plasma CTV, has introduced on test basis two models of LCD CTV in 20" and 32" segment. Initial response is encouraging and production would be stepped up based on firm indications. Further, the Company is also doing value engineering exercise for its existing product.

DVD – Company has launched U S B compatible DVD's, which are industry standards now.

SERVICE SEGMENT

This segment includes authorized Service Centre of Sony Ericsson Handsets on PAN India basis through own service centre and authorized franchisees. It is a profit centre for the Company. The Company has also tied up with HTC, Palm and Bright Star for service of their products.

3. Wind Power Project

All the five Wind Turbine each of 1.25 MW (total 6.25 MW) installed at Dhule, Maharashtra, have been in operation during the year under review. Stoppages had occurred during the year, which has been rectified by Suzlon Energy Ltd. The Company has also availed the benefit of automatic escalation in Power Purchase Agreement (PPA) at the end of first year. Our application for availing CDM benefits has received the Host Country approval. Further appointment of validators is under progress.

FINANCIALS

1. Share Capital

At present, the paid-up Equity Share Capital of the Company is Rs. 880.73 lac, consisting of 88,07,300 Equity Shares of Rs. 10/- each. The Authorized Share Capital of the Company is Rs. 20.00 crore divided into 2.0 crore shares of Rs. 10/- each. During the year, there has been no change in the number of equity shares.

2. Reserves and Surplus

During Financial Year 2007-08, Reserves of the Company have increased by Rs. 18.71 crore to Rs. 125.90 crore. The share premium account remains unchanged.

3. Loans and Working Capital Limits

The Company is presently operating with Working Capital Limits (utilized) of Rs. 55.71 crore. Working Capital Loan substantially increased during the year from Rs. 12.88 crore.

4. Fixed Assets

Gross fixed assets of the Company at Rs. 99.40 crore have increased by more than Rs. 0.85 crore as compared to the previous year.

5. Investments

Company has an investment of Rs. 8.17 crore including investments in subsidiaries and stocks of other quoted and unquoted companies. 48,60,000 equity Shares of M/s. Panasonic AVC India Co. Ltd. have been sold during the year at a consideration of Rs. 14.58 crore to M/s. Matsushita Electric Industrial Co. Ltd., Japan.

6. Net Current Assets

The Net Current Assets have increased to Rs. 183.11 crore from Rs. 103.40 crore. Sundry debtors of the Company have decreased to Rs. 90.64 crore from Rs. 95.17 crore.

Inventories for the year stand at Rs. 131.09 crore, a increase of Rs. 39.39 crore over the previous year.

Current Liabilities of the Company have down by Rs. 32.55 crore to Rs. 80.44 crore compared to the previous year.

Operational Results

The following factors have impacted the operational results of Financial Year 2007-08:

1. Majority of raw materials like metals and plastics rise globally resulting in higher raw material costs for the company.
2. 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. 219.45 crore i.e. by 24.38% to Rs. 1119.57 crore from Rs. 900.12 crore last year.

2. Expenditure

Total Expenses increased by 24.45% to Rs. 1115.27 crore from Rs. 896.17 crore. 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 23.93% to Rs. 1032.94 crore from Rs. 833.51 crore last year.



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2.2 Personnel Cost: During the year, Personnel expenses have increased by 7.74% to Rs. 18.62 crore from Rs. 17.28 crore in the previous year, mainly due to the increase in compensation and benefits to employees and increase in head counts.

2.3 Selling, General & Administrative Expenses: During the financial year, other operating expenses have increased from Rs. 38.14 crore to Rs. 53.73 crore.

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

During the financial year 2007-08, Operating profits have posted an impressive growth of 36.07% to Rs. 43.49 crore as compared to Rs. 31.95 crore in the previous year.

4. Depreciation and Interest

During financial year 2007-08 depreciation was Rs. 5.67 crore and interest charges increased to Rs. 4.32 crore.

5. Profit before Tax

The profit before tax during Financial Year 2007-08 was Rs. 33.50 crore, which registered a growth of 35.52% as compared to fiscal 2007 (previous year Rs. 24.72 crore).

6. Net Income

During Financial Year 2007-08, the net income of the company was Rs. 23.35 crore, which shows a growth of 43.52% as compared to the previous fiscal (16.27 crore).

OUTLOOK: ISSUES AND RISKS

1. Foreign Currency Risk

The Company 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. Now substantial portion of business is in Indian currency and for the rest Company prudently hedges foreign exchange transactions to cover the risks.

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 to its talent pool for keeping their performance at optimum levels.

3. Competition

The Infocom division operates in a highly competitive space where the Company is directly competing with the few leading global brands in the segments in which the Company is

operating. However, the Company has gained expertise in distribution and is competing with leading multinational brands. Market dynamics of this business are high, impacting the demand and price. The Company has taken this factor in stock building and pricing.

Consumer Electronics Division is feeling pressure from both lower and upper segment player for pricing, product range & quality. The company has kept balance by keeping the good quality at reasonable prices to sustain the pressure.

The Company has entered into Power Purchase Agreement (PPA) with Maharashtra State Electricity Distribution Company Ltd. (MSEDCL) and competition risk stands mitigated.

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

The mobile handset technology is fast changing. Fortunately the technology of all the brands that we deal are advanced and ahead of the market, strengthening our market position.

As LCD TV is becoming popular at much more than the expected pace, so it can affect the sales and profitability of the consumer Electronics division. In this scenario company has already launched the LCD TV, which will compensate the CRT TV share erosion.

Wind Energy business has latest design equipment and have no technology risk envisaged.

BUSINESS OUTLOOK

INFOCOM

The rapidly growing mobile users and the rise in the spending of the middle class augurs well for the demand of the companies products like mobile phones, computers and IT peripherals. The Company is further strengthening its infrastructure, manpower and geographical coverage to cater to this growing demand. The Company is also exploring the possibility of expanding its portfolio in the mobile and IT space. The possibility of starting new products like personal health care products is under consideration. The Company has also tied up with a leading US based digital frame manufacturing company for marketing their products.

CONSUMER ELECTRONICS DIVISION

With adaptation of new display technology, following ISO 9001:2000 standards, focused market approach, striving to update with latest technology trends, new value engineered designs and cost rationalization & aim to strengthen Salora

SALORA INTERNATIONAL LIMITED

Brand for CTV, Consumer Electronics Division is very optimistic to improve the performance of the division and is ready to compete with all the leading brands in the market place.

ENERGY – Full potential of turbines is expected to be exploited barring unusual phenomenal.

SUBSIDIARIES**Jadoonet Limited**

The Company is exploring business activities as commensurate with its NBFC status. However, the company has engaged itself on a small scale in distribution / retailing of consumer electronic items like CTV and DVD's.

Salora Components Limited

During the year under review the company developed a cost

effective version of Deflection Yokes involving Aluminum and copper wires. It has been recognized as a cost leadership initiative and the company has bagged the contract to supply over 1.5 million CDY's to the CPT / CTV manufacturer. Also samples have been sent to the overseas buyers in Malaysia / Thailand and is in final stage of evaluation / acceptance.

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.





SALORA INTERNATIONAL LIMITED

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 39th Annual Report together with the Audited Statement of Accounts for the financial year ended 31st March 2008.

FINANCIAL RESULTS

	(Rs in Lacs)	
YEAR ENDED March 31, 2008	YEAR ENDED March 31, 2007	
Net Sales	111124.76	88338.38
Profit before Extra-ordinary items, Interest, Depreciation, Write-offs, Provisions and Tax	3333.09	2945.02
Add - Profit on sale of investment	972.00	-
- Profit on sale of Kashipur land	-	250.90
- Diminution in Value of Investment written back	43.47	-
Interest	431.94	189.42
Depreciation	566.77	534.53
Profit before Tax	3349.85	2471.97
Provision for Taxation	1014.58	845.33
Profit after Tax	2335.27	1626.64
Add:		
Balance in Profit & Loss Account B/F	470.89	307.94
Amount available for Appropriation	2806.16	1934.58
Appropriation		
Proposed Dividend (including dividend tax)	463.69	463.69
General Reserve	233.53	1000.00
Surplus carried to Balance Sheet	2108.94	470.89

DIVIDEND

The Board of Directors has recommended a final dividend of Rs.4.50 per equity share. The dividend, 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 4th July, 2008. The total amount of dividend pay-out (including dividend tax) will be Rs. 463.69 lacs, same amount as for the previous year. The dividend distribution as a percentage of net profit after tax is 20.15 % as compared to 28.51 % in previous financial year.

BUSINESS OPERATIONS

During the period under review, the turnover of the Company registered improved performance. However, the year witnessed rise

in input costs viz. metals, ferrite, plastics etc. Net Sales of Rs.1,111.25 crore was achieved for the year ended 31st March, 2008 (Rs.883.38 crore in 2006-07), posting a growth 25.79%. Profit before extra-ordinary items, interest, depreciation, write-offs and Provisions for the year increased to Rs. 33.33 crore from Rs. 29.45 crore during the preceding year.

SUBSIDIARY COMPANY

The Accounts of Jadoonet Ltd. and Salora Components Ltd., subsidiaries of this Company are annexed (Annexure "C") with a statement pursuant to Section 212 of the Companies Act, 1956.

FINANCE

Interest cost has increased from Rs.189.42 lacs to Rs. 431.94 lacs, due to higher turnover, External Commercial Borrowing of US\$ 5 million and increase in bank interest rates.

FIXED DEPOSITS

During the year the Company has not accepted any fixed deposits.

LISTING OF SECURITIES OF COMPANY

The Equity shares of the Company continue to be listed at The Stock Exchange, Mumbai and National Stock Exchange and listing fees for the year 2008-09 have been paid to each of the above Stock Exchanges.

DEMATERIALISATION

Trading of Equity Shares of the Company in dematerialized form is compulsory for all shareholders w. e. f. 28.08.2000 in terms of the Notification issued by the Securities and Exchange Board of India (SEBI). Your Company has achieved higher level of dematerialization with more than 97% of the total number of equity shares being held in the electronic mode with the two depositories.

DIRECTORS

Shri Rajendra Prasad Khaitan and Shri Sushil Kumar Jiwarajka, Managing Directors of the Company have resigned and are not on the Board of the Company with effect from 1st July, 2007. The Board place on records its deep and sincere appreciation for their efforts and contribution to the growth of the Company during their long tenure.

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Shri P. N. Mehta, Director of the Company will retire by rotation at the forthcoming Annual General Meeting and being eligible, offer himself for re-appointment. It is proposed to re-appoint Shri Mehta as a Director.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of section 217 (2AA) of the Companies Act, 1956 ("Act"), and based on the representations received from the operating management, the Directors hereby confirm that :

- in the preparation of the annual accounts for the year 2007 - 08, the applicable Accounting Standards have been followed, and there are no material departures;