



VIDEOCON

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VIDEOCON COMMUNICATIONS LIMITED
(Formerly Videocon VCR Limited)

10TH ANNUAL REPORT 1998-99

CONTENTS

	<u>Page No.</u>
Notice	2
Directors' Report	3
Auditors' Report	4
Balance Sheet	6
Profit and Loss Account	7
Schedules	8
Notes to Accounts	14
Balance Sheet Abstract & Company's General Business Profile	20
Cash Flow Statement	21
Accounts of Subsidiary Company	24



VIDEOCON COMMUNICATIONS LIMITED

BOARD OF DIRECTORS

Venugopal N. Dhoot
Pradipkumar N. Dhoot
Sanjeev K. Shelgikar
S. Padmanabhan
Yoshinori Maeda
Naoki Saito
Hisao Ishiyama
Nagao Ibayashi

AUDITORS

Khandelwal Jain & Co.
Chartered Accountants
12-B Baldota Bhavan
117, Maharshi Karve Road
Opp. Churchgate Railway Station
Mumbai - 400 020

Kadam & Co.
Chartered Accountants
Ahmednagar College Road
Kothi, Near Badve Petrol Pump
Ahmednagar - 414 001

SOLICITORS

Mulla & Mulla & Cragie & Blunt & Caroe
Kamal & Co.

BANKERS

State Bank of Hyderabad
Central Bank of India
The Vysya Bank Limited
The Sakura Bank Limited
Global Trust Bank Limited

**REGISTERED OFFICE &
FACTORY**

20 Km. Stone, Aurangabad-Beed Road
Village Bhalgaon
Aurangabad
Maharashtra, India

ADMINISTRATIVE OFFICE

171, Mittal Court, 'C' Wing
Nariman Point, Mumbai - 400 021

VIDEOCON COMMUNICATIONS LIMITED

Notice

NOTICE is hereby given that the Tenth Annual General Meeting of VIDEOCON COMMUNICATIONS LIMITED will be held at 20 Km. Stone, Aurangabad-Beed Road, Village Bhalgaon, Aurangabad (Maharashtra) on Monday the 27th day of September, 1999 at 4.00 P.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet and Profit & Loss Account for the year ended 31st March 1999 and reports of the Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. S. K. Shelgikar, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Yoshinori Maeda, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting and to fix their remuneration:

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modifications the following Resolution as an Ordinary Resolution:

"RESOLVED that pursuant to Section 94 and other applicable provisions, if any, of the Companies Act, 1956 the Authorised Capital of the Company be and is hereby increased from Rs.10 Crore divided into 1,00,00,000 Equity Shares to Rs.60 Crore by creating 50,00,000 Preference Shares of Rs.100/- (Rupees One Hundred Only) each and accordingly clause V of the Memorandum of Association of the Company be amended as follows:

"The Authorised Capital of the Company is Rs.60 Crore (Rupees Sixty Crore Only) divided into 10,000,000 (One Crore) equity shares of Rs.10/- (Rupees Ten Only) each and 50,00,000 (Fifty lakhs) Preference Shares of Rs.100/- (Rupees One Hundred Only) each. The Company has power from time to time to increase, or reduce the Capital of the Company and to divide the shares in the Capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or other special rights, privileges or conditions or restrictions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify or abrogate any such rights, privileges or conditions or restrictions in such manner as may for the time being be permitted by the Articles of Association of the Company or the legislative provisions for the time being in force in that behalf."

7. To consider and if thought fit, to pass with or without modifications the following Resolution as a Special Resolution:

"RESOLVED that pursuant to the provisions of Section 81 and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof), and in accordance with the provisions of the Memorandum and Articles of Association of the Company and the regulations/guidelines, if any, prescribed by the Securities and Exchange Board of India or any other relevant authority from time to time to the extent applicable and subject to such approvals, consents, permissions and sanctions and subject to such conditions as may be prescribed by any of them while granting such approvals, consents, permissions and sanctions, which the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee(s) constituted to be constituted by the Board to exercise its powers including the powers conferred by this Resolution) is hereby authorised to accept, if it thinks fit in the interest of the Company, the Board be and is hereby authorised on behalf of the Company to create, issue, offer and allot, in the course of one or more

public or private offerings, up to 50,00,000 preference shares of Rs. 100/- each for an aggregate amount of up to Rs. 50 Crore, to investors (whether residents and/or non-residents and/or institutions/banks and/or incorporated bodies and/or individuals and/or trustees or otherwise, and whether or not such investors are members of the Company), through prospectus and/or offer letter or circular and/or on private/preferential placement basis, in such form, manner and within such period and upon such terms and conditions as the Board may in its absolute discretion deem fit.

RESOLVED FURTHER that for the purpose of giving effect to any offer, issue or allotment of preference shares as described above, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable for such purpose, and with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in regard to such issue(s) or allotment(s), as it may, in its absolute discretion, deem fit.

RESOLVED FURTHER that the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors, or any one or more wholetime Directors of the Company."

8. To consider and if thought fit, to pass with or without modifications the following Resolution as a Ordinary Resolution:

"RESOLVED THAT Mr. Venugopal N. Dhoot who was appointed as an Additional Director at the Meeting of the Board of Directors of the Company held on 28th December, 1998, and whose term expires at the Annual General Meeting of the Company scheduled to be held on 27th September, 1999, and for the appointment of whom the Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company".

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 25th September, 1999 to 30th September, 1999 (both days inclusive).
3. Dividend, if declared at the meeting, will be paid to those members whose names appear in the Register of Members of the Company as on 30th September, 1999.
4. The members are requested to:
 - a) Intimate to the Company changes, if any, in their Registered Addresses at an early date.
 - b) Quote Ledger Folio numbers in all the correspondence.
 - c) Bring the Copy of the Annual Report and Attendance Slip to the Annual General Meeting.

Registered Office:

20 Km. Stone, Aurangabad-Beed Road
Village Bhalgaon, Aurangabad, Maharashtra, India

By Order of the Board of Directors

Place : Aurangabad
Date : August 18, 1999

P.N. DHOOT
Director

EXPLANATORY STATEMENT

[Pursuant to Section 173(2) of the Companies Act, 1956]

Item No. 6

The Authorised Share Capital of the Company presently stands at Rs. 10 Crore divided into 10,00,000 equity shares of Rs.10/- (Rupee Ten Only) each. In certain circumstances it may be advantageous to issue Preference Shares instead of Debentures or other forms of borrowings by the company, in conformity with the expanding business plans for the current and future years and to commensurate quantum of financing. The Company has decided to increase the Authorised Capital to Rs.60 Crore by creating 50 Lakh Preference Shares of Rs.100/- each.

Item No. 7

With a view to augmenting the Company's resources for its ongoing business, in case it may be expedient and more economical to raise funds through an offer of Preference Shares, the Board may take appropriate decision for issue of Preference Shares worth upto Rs.50 Crore, excluding premium, if any, at any time, on such terms and conditions

as it may deem fit and proper, depending on the prevailing capital market conditions. The Resolution is commended for your approval.

All the Directors may be deemed to be interested in the said Resolution to the extent the Preference Shares may be offered and allotted to them, if any, save as aforesaid, none of the Directors is, in any way concerned or interested in the said Resolution.

Item No. 8

Mr. Venugopal N. Dhoot was appointed as an Additional Director by the Board of Directors as its meeting held on 28th December, 1998. In terms of Section 260 of the Companies Act, 1956 ("the Act"), he holds the office as Director only upto the date of ensuing Annual General Meeting. The Company has received a notice alongwith the prescribed deposit as required by Section 257 of the Act, proposing Mr. Venugopal N. Dhoot as a candidate for the office of a Director. Your Directors recommend the appointment of Mr. Venugopal N. Dhoot as Director of the Company.

None of the Directors of the Company, except Mr. Venugopal N. Dhoot, is concerned or interested in the resolution.



10TH ANNUAL REPORT 1998 - 99

Directors' Report

To
The Members of
VIDEOCON COMMUNICATIONS LTD

Your Directors have pleasure in presenting their Tenth Annual Report with the Statement of Accounts of your Company for the year ended 31st March, 1999.

FINANCIAL RESULTS

Particulars	(Rs. in Lacs)	
	1998-99	1997-98
Sales & Other Income	26,956	13,622
Gross Profit Before Interest & Depreciation	1,372	992
Interest	792	701
Depreciation	478	207
Profit before Taxation	102	84
Provision for Taxation	6	4
Profit available for Appropriation	452	55
Proposed Dividend	38	38
Corporate Tax on Proposed Dividend	4	4
Transfer to General Reserve	20	8
Transfer to Balance Sheet	390	5

DIVIDEND

Your Directors have recommended for consideration of the Shareholders at the Annual General Meeting, payment of Dividend of Rs. 0.50 per share for the year ended 31st March, 1999. The dividend payout for the year will be Rs. 38 lacs. In addition to this the Company shall also pay tax on dividend amounting to Rs. 4 lacs under the amended law relating to taxation of dividends, taking the total payment to Rs. 42 lacs. Consequently members will receive entire dividend free of any tax.

CONSERVATION OF ENERGY

Your Company took a number of steps during the year to optimise the utilisation of power, fuel, oils and water. This included more usage of solar energy for lighting purposes, improved house keeping, better maintenance of machinery and best possible production planning and material handling.

RESEARCH & DEVELOPMENT

The Research & Development Division of your Company continued to work on development of the products best suited to the needs of the customers.

FOREIGN EXCHANGE EARNINGS AND OUTGO

The foreign exchange outgo during the year was Rs. 1,895 Lacs on account of Raw materials, Components, Spare parts, Capital goods, technical know-how fees, royalty and payment of dividend to collaborators. During the year there were no foreign exchange earnings. The Company is hopeful of entering into the field of exports in the near future.

FIXED DEPOSITS

Your Company has not accepted any Deposits from the Public.

AUDITORS' REPORT

The observations made in the Auditors' Report are self explanatory and do not call for any further clarifications under Section 217(3) of the Companies Act, 1956.

AUDITORS

M/s. Khandelwal Jain & Co., Chartered Accountants, Mumbai and M/s. Kadam & Co., Chartered Accountants, Ahmednagar, Auditors of the Company hold office until the conclusion of the ensuing

Annual General Meeting. The Company has received certificates from these Auditors to the effect that their reappointment if made, would be within prescribed limit under Section 224(1) of the Companies Act, 1956.

DIRECTORS

Mr. S. K. Shelgikar and Mr. Yoshinori Maeda, Directors of the Company are liable for retirement by rotation and being eligible, offer themselves for reappointment.

PARTICULARS OF EMPLOYEES

None of the employees is covered by the provision of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

SUBSIDIARY COMPANY

Accounts relating to Subsidiary Company VIDEOCON VCR SECURITIES LIMITED - pursuant to section 212 of the Companies Act, 1956 is attached to the Balance Sheet.

CASH FLOW STATEMENT

Cash Flow Statement for the year 1998-99 is attached to the Balance Sheet.

YEAR 2000

Your Company has started efforts to tackle the Y2K problem since July 1998. The computer systems in the manufacturing set up as also in the administrative set up were examined thoroughly by the technically competent personnel. Those found unsuitable were either modified or discarded. The exercise in the final stage and almost entire computer hardware and software has been made Y2K compliant except some stand alone machines which are not related to process control or important data processing work.

CORPORATE GOVERNANCE

The management of your company firmly believes on the basic principles of corporate governance - transparency, integrity and accountability. Efforts have been made to professionalise the management of the Company more and more. All the directors on the board are experienced professionals. Four of them are the representatives of the collaborators of the Company. The Board formulates the strategies and major policies which are actually implemented by the Committee of Board.

The most important function of evaluation of performance of different divisions of the Company is done by the Audit Committee. It is headed by Mr. S.Padmanabhan. The Committee meets every month and examines the performance of each division one by one in light of the standards fixed at the beginning of each year. Overall report of the Audit Committee is submitted to the Board.

INDUSTRIAL RELATIONS

Relations with the staff members and the workforce continued to be cordial and satisfactory.

ACKNOWLEDGEMENTS

Your Directors place on record their sincere appreciation for the assistance and co-operation received from the Central Government, State Government, Financial Institutions and Banks. The Board also appreciates energetic performance of the employees at all levels.

On behalf of the Board of Directors

P. N. DHOOT
Director

Place : Aurangabad
Date : August 18, 1999

VIDEOCON COMMUNICATIONS LIMITED

Auditors' Report

To
The Members of
VIDEOCON COMMUNICATIONS LIMITED

We have audited the attached Balance Sheet of VIDEOCON COMMUNICATIONS LTD., as at 31st March, 1999 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that:-

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, and on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of the audit, we annex hereto a Statement on the matters specified in Paragraphs 4 and 5 of the said Order.
2. Further to our comments in Annexure referred to in paragraph 1 above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper Books of Account as required by Law have been kept by the Company so far as appears from our examination of the Books of the Company;
 - c) The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the Books of Account of the Company;
 - d) In our opinion, the Profit and Loss Account and Balance Sheet comply with the mandatory Accounting Standards referred to in section 211(3C) of the Companies Act, 1956.
 - e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, subject to Note 7, Schedule 15B, regarding accounting for royalty and technical know-how on payment basis on receipt of RBI approval and read with other notes and the accounting policies thereon, give the information required by the Companies Act, 1956 in the manner so required and present a true and fair view:
 - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1999; and
 - (ii) In the case of the Profit and Loss Account of the Profit for the year ended on that date.

For and on behalf of
KADAM & CO.
Chartered Accountants
U.S.KADAM
Proprietor

KHANDELWAL JAIN & CO.
Chartered Accountants
MANOJ DAGA
Partner

Place : Aurangabad
Date : August 18, 1999



10TH ANNUAL REPORT 1998 - 99

Annexure to the Auditors' Report

Statement referred to in paragraph 1 of our Report of even date to the Members of the Videocon Communications Limited on the accounts for the year ended 31st March 1999.

1. The Company has maintained proper records showing full particulars, including quantitative details and situations of fixed assets, except in respect of certain items of furnitures and fixtures, where unitwise aggregate cost and location are not available. As per the information and explanations given to us, physical verification of fixed assets has been carried out in terms of the phased programme of verification of its fixed assets adopted by the Company. In our opinion, the frequency of verification is reasonable, having regard to the size of the Company and nature of its business. To the best of our knowledge, no material discrepancies were noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. As per the information furnished, the stock of finished goods, work-in-process, stores, raw materials, components and spare parts have been physically verified during the year by the management. In our opinion, having regard to the nature and location of stocks, the frequency of the verification is reasonable.
4. In our opinion and according to the information and explanations given to us, procedure of physical verification of stocks followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
5. In our opinion, discrepancies noticed on verification between physical stock and book records were not material in relation to the operations of the Company and the same have been properly dealt with in the books of accounts.
6. In our opinion and according to the information and explanations given to us, the valuation of abovementioned stocks is fair and proper, in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. As per the information furnished, the Company has not taken/granted loans, secured or unsecured, from/to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. As informed to us, there are no companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.
8. In respect of loans and advances in the nature of loans given by the Company, where stipulations have been made, the parties are generally repaying the principal amounts as stipulated and have also been regular in payment of interest wherever applicable.
9. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
10. In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangement entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party have been made at prices which are reasonable, having regard to the prevailing market prices as available with the Company for such transactions of goods, materials or services made with other parties.
11. As per the information furnished, the Company has regular procedure for determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
12. The Company has not accepted any deposits during the year from the public within the meaning of the provisions of Section 58A of the Companies Act, 1956 and rules made thereunder.
13. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap. We are informed that the Company does not have any disposable by-products.
14. In our opinion, the Company has an internal audit system commensurate with the size of the Company and the nature of its business.
15. As per information furnished, the Central Government has not prescribed maintenance of cost records as required under Section 209(1)(d) of the Companies Act, 1956 in respect of the Company's products.
16. According to the information and explanations given to us and records examined by us, the Provident Fund dues and the Employees' State Insurance dues wherever applicable, have been regularly deposited during the year with the Appropriate Authorities.
17. According to the information and explanations given to us, there are no undisputed amounts payable in respect of income-tax, wealth-tax, sales-tax, customs duty and excise duty which have remained outstanding as at 31st March, 1999 for a period exceeding six months from the date they became payable.
18. According to the information and explanations given to us and records examined by us, no personal expenses have been charged to revenue account, other than those payable under contractual obligations or in accordance with the generally accepted business practice.
19. The Company is not a sick company within the meaning of Clause (0) of Section 3(1) of the Sick Industrial Companies (Special Provisions) Act, 1985.

For and on behalf of
KADAM & CO.
 Chartered Accountants

KHANDELWAL JAIN & CO.
 Chartered Accountants

U.S.KADAM
 Proprietor

MANOJ DAGA
 Partner

Place : Aurangabad
 Date : August 18, 1999

VIDEOCON COMMUNICATIONS LIMITED

Balance Sheet

as at 31st March, 1999

Particulars	Schedule	As at	
		31st March, 1999 (Rupees)	31st March, 1998 (Rupees)
I. SOURCES OF FUND :			
1. Share Holders' Funds			
a. Share Capital	1	75,000,000	75,000,000
b. Reserves & Surplus	2	153,873,115	152,371,217
2. Loan Funds			
a. Secured Loans	3	1,078,912,596	369,186,248
b. Unsecured Loans	4	497,500,000	237,500,000
TOTAL		1,805,285,711	834,057,465
II. APPLICATION OF FUNDS			
1. Fixed Assets	5		
a. Gross Block		1,390,023,318	453,372,882
b. Less : Depreciation		118,603,970	70,850,434
c. Net Block		1,271,419,348	382,522,448
d. Capital Work-in-progress		27,656,816	42,390,602
e. Technical know-how Fees		14,423,576	19,231,434
2. Investments	6	1,313,499,740	444,144,484
3. Current Assets, Loans & Advances	7	33,654,960	33,655,000
a. Inventories		412,310,736	307,878,251
b. Sundry Debtors		399,685,648	197,247,377
c. Cash and Bank Balances		57,742,334	30,363,339
d. Other Current Assets		2,427,428	1,506,685
e. Loans and Advances		57,844,723	55,707,539
		930,010,869	592,703,191
Less : Current Liabilities & Provisions	8		
a. Current Liabilities		463,939,598	233,363,539
b. Provisions		7,940,260	7,028,007
		471,879,858	240,391,546
Net Current Assets		458,131,011	352,311,645
4. Miscellaneous Expenditure (To the extent not written off or adjusted)	9	NIL	3,946,336
TOTAL		1,805,285,711	834,057,465
Significant Accounting Policies And Notes on Accounts	15		

As per our report of even date

For and on behalf of
KADAM & CO.
Chartered Accountants
U. S. KADAM
Proprietor

Place : Aurangabad
Dated : August 18, 1999

For and on behalf of
KHANDELWAL JAIN & CO.
Chartered Accountants
MANOJ DAGA
Partner

For and on behalf of the board
P. N. DHOOT *Director*
S. PADMANABHAN *Director*



10TH ANNUAL REPORT 1998 - 99

Profit & Loss Account

for the year ended on 31st March, 1998

Particulars	Schedule	Current Year ended on 31st March, 1999		Previous Year ended on 31st March, 1998
		(Rupees)		(Rupees)
I. INCOME				
Sales/Income from Operations			2,689,785,920	1,357,073,023
Other Income	10		5,822,724	5,151,396
TOTAL			2,695,608,644	1,362,224,419
II. EXPENDITURE				
Cost of Goods Consumed/Sold	11		2,186,779,274	1,023,358,173
Salaries, Wages & Employees' Benefits	12		31,849,118	29,898,124
Manufacturing and Other Expenses	13	343,690,572		209,803,100
Less : Transferred from General Reserve		3,946,336		NIL
[Refer Note 6, Schedule 15 B]			339,744,236	209,803,100
Depreciation			47,803,669	20,684,859
Interest & Finance Charges	14		79,221,613	70,092,258
TOTAL			2,685,397,910	1,353,836,514
III. PROFIT BEFORE TAX			10,210,734	8,387,905
Less : Provision for Taxation			600,000	350,000
IV. PROFIT FOR THE YEAR			9,610,734	8,037,905
Add : Transferred from Debenture Redemption Reserve			35,000,000	NIL
Less : Payment of Income Tax for earlier years			NIL	2,583,755
Add : Balance brought forward			529,150	NIL
V. BALANCE AVAILABLE FOR APPROPRIATION			45,139,884	5,454,150
VI. APPROPRIATIONS				
i. Proposed Dividend			3,750,000	3,750,000
ii. Corporate Tax on Proposed Dividend			412,500	375,000
iii. Transfer to General Reserve			2,000,000	800,000
iv. Balance Carried to Balance Sheet			38,977,384	529,150
TOTAL			45,139,884	5,454,150
Significant Accounting Policies and Notes on Account	15			

As per our report of even date

For and on behalf of
KADAM & CO.
Chartered Accountants

U. S. KADAM
Proprietor

Place : Aurangabad
Dated : August 18, 1999

For and on behalf of
KHANDELWAL JAIN & CO.
Chartered Accountants

MANOJ DAGA
Partner

For and on behalf of the board
P. N. DHOOT Director

S. PADMANABHAN Director