

# VIDEOCON COMMUNICATIONS LIMITED





## BOARD OF DIRECTORS

Venugopal N. Dhoot  
Pradeepkumar N. Dhoot  
S. Padmanabhan  
Rajesh Rathi  
Yoshinori Maeda  
Naoki Saito  
Hisao Ishiyama  
Nagao Ibayashi  
S. S. Nabar  
A. K. Godika

*Nominee of IFCI*

## 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

M/s. Mulla & Mulla & Cragie & Blunt & Caroe  
M/s. Kamal & Co.

## BANKERS

State Bank of Hyderabad  
Canara Bank  
Central Bank of India  
Global Trust Bank Limited  
Sumitomo Mitsui Banking Corporation  
The Vysya Bank Limited

## REGISTERED OFFICE & FACTORY

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

## ADMINISTRATIVE OFFICE

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

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## NOTICE

Notice is hereby given that the 14<sup>th</sup> Annual General Meeting of the members of Videocon Communications Limited will be held on Wednesday, March 31, 2004 at the Registered Office of the Company at 20 K.M Stone, Aurangabad – Beed Road, Village Bhalgaon, Aurangabad at 12.30 p.m. to transact the following business:

## ORDINARY BUSINESS:

1. To receive consider and adopt the Audited Balance Sheet for the Financial Year ended on 30<sup>th</sup> September, 2003 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors' and Auditors thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Mr. Rajesh Rathi, who retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. Naoki Saito, who retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.
5. To appoint a Director in place of Mr. Hisao Ishiyama, who retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.
6. To appoint Auditors to hold office from the conclusion of ensuing Annual General Meeting till the conclusion of the next Annual General Meeting and fix their remuneration.

## SPECIAL BUSINESS:

7. To consider and if thought fit to pass with or without modification the following resolution as Special Resolution:

**"RESOLVED THAT** subject to such consents, permissions or sanctions as may be required from any authorities, statutory or otherwise, and pursuant to the provisions of Section 61 and other applicable provisions, if any, of the Companies Act, 1956 and subject to other applicable legislative provisions, Orders, Guidelines, Rules framed by SEBI in this regard, the consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company to seek Voluntary Delisting of Equity Shares of the Company, listed at The Stock Exchange Limited, Ahmedabad, The Bangalore Stock Exchange Limited, The Calcutta Stock Exchange Association Limited, The Delhi Stock Exchange Association Limited, The Madras Stock Exchange Limited and The Pune Stock Exchange Limited.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to prepare, sign and submit the necessary Forms/Returns/Applications/Documents/Papers as are required to be made/submitted/filed to the above mentioned Stock Exchange(s) and other authorities as are required for Voluntary Delisting of Equity Shares from above mentioned Stock Exchanges.

**RESOLVED FURTHER THAT** the Board of Directors of the Company is hereby further authorised to authorise the committee of Board of Directors or any Director or employee of the Company to complete all the formalities and to do all such acts, deeds and things as are deemed expedient and necessary to give effect to this resolution."

## NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. THE INSTRUMENT APPOINTING PROXY SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

2. Explanatory Statement pursuant to Section 173(2) is enclosed and forms part of this notice.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from Saturday, 20<sup>th</sup> March, 2004 to Wednesday, 31<sup>st</sup> March, 2004 (both days inclusive) for the purpose of Annual General Meeting.
4. Dividend, if declared at the Annual General Meeting, will be paid to those members whose names will appear in the Register of Members as on 31<sup>st</sup> March, 2004.
5. Mr. Rajesh Rathi, Mr. Hisao Ishiyama and Mr. Naoki Saito are liable to retire by rotation at the ensuing Annual General Meeting, particulars whereof are given in the Corporate Governance Report.
6. Unpaid Dividend for the Financial Year 1995-96 has been transferred to Investor Education and Protection Fund. As per the provisions of section 205C of the Companies Act, 1956, the dividend remaining unclaimed for a period of Seven Years from the date(s) they may first become due for payment will be transferred to the Investors' Education and Protection Fund of the Central Government. Shareholders who have not encashed their Dividend Warrants so far, for the financial year 1996-97 onwards are requested to encash the same after due revaluation by Registrar & Transfer Agents of the Company viz. MCS Limited. **The Shareholders are requested to note that no claims shall lie against the Company or Investor Education Fund upon transfer of amounts to the Investor Education and Protection Fund.**
7. With a view to incorporate the details of Shareholders in the Dividend Warrants or any change in the same the shareholders holding the shares of the Company in Physical form are requested to intimate to the Registrar & Transfer Agents of the Company viz. MCS Limited the following details:
  - i. Name of the Sole/first Joint Holder and the folio number
  - ii. Name of the Bank
  - iii. Name of the Branch
  - iv. Complete address of the Bank with Pin code number
  - v. Bank Account Number allotted by the Bank

The Shareholders holding the share in dematerialised form are requested to intimate the changes, if any, to their Depository participants, in their Bank Account details for the purpose of incorporating the same on the Dividend Warrants.
8. The Members are requested to:
  - (a) Intimate to the Company changes, if any, in their Registered Addresses, if any, at an early date.
  - (b) Quote Ledger Folio numbers in all the correspondence.
  - (c) Bring the copy of Annual Report and Attendance Slip with them to the Annual General Meeting.

**Registered office:**  
20 KM Stone,  
Aurangabad – Beed Road,  
Village Bhalgaon,  
Aurangabad, Maharashtra.

Place: Ahmednagar  
Date: February 27, 2004

For and on behalf of the Board of Directors of  
**VIDEOCON COMMUNICATIONS LIMITED**

Sd/-  
**P. N. DHOOT**  
DIRECTOR

## Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956:

## ITEM NO. 7:

Presently the Shares of the Company are listed at the following Stock Exchanges in India:

- I) The Stock Exchange Limited, Mumbai, (BSE)
- II) The Stock Exchange Limited, Ahmedabad
- III) The Calcutta Stock Exchange Association Limited
- IV) The Delhi Stock Exchange Association Limited
- V) The Madras Stock Exchange Limited
- VI) The Pune Stock Exchange Limited
- VI) The Bangalore Stock Exchange Limited

With the extensive network of The Stock Exchange Limited, Mumbai, (BSE) and the extension terminals thereof in other cities as well, investors all over India have access to online dealings in the Company's shares. The trading of the Shares of the Company take place in bulk quantity in BSE as compared to Negligible or no trading in the other Stock Exchanges where the shares of the Company are listed/Traded.

The Securities and Exchange Board of India (SEBI), through a notification have made it compulsory that any delivery in Company's shares against Stock Exchange(s) trades shall be compulsory in dematerialized form.

The listing fee paid to the other Stock Exchanges is disproportionately higher as compared to the volume of shares traded at these Stock Exchanges as compared to BSE.

As the BSE have extensive network all over the India, the investors can deal in the shares of the Company all over India and the investors will not suffer any hardship as a result of delisting of shares from all the Stock Exchanges other than BSE.

The delisting of shares will take effect only after necessary permissions/approvals/sanctions as may be required from any authorities, statutory or otherwise. For delisting of shares consent of the members is required by passing Special Resolution. Hence the Board proposes the Special Resolution for your consideration and approval.

None of the Directors of the Company is directly or indirectly concerned or interested in this resolution.

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For and on behalf of the Board of Directors of  
**VIDEOCON COMMUNICATIONS LIMITED**

Sd/-  
**P. N. DHOOT**  
DIRECTOR





## DIRECTORS' REPORT

### The members of

### VIDEOCON COMMUNICATIONS LIMITED

The Board of Directors of Videocon Communications Limited have pleasure in presenting their 14<sup>th</sup> Annual Report together with Audited Accounts for the Financial Year ended on 30<sup>th</sup> September, 2003.

### FINANCIAL RESULTS:

(Rs. In Lacs)

	For the year ended 30.09.2003	For the period ended 30.09.2002 (18 Months)
Net Sales	64,338	80,760
Other Income	176	106
Profit before Interest Tax and Depreciation	4,503	6,514
Interest	1,929	2,707
Depreciation	1,105	1,875
Profit before Tax	1,468	1,932
Provision for Taxation	232	130
Profit after Tax	1,236	1,802
Proposed Dividend:	38	38
Corporate Tax on Proposed Dividend	5	Nil
Transferred to General Reserve	800	900
Carried to Balance Sheet	1001	1,191

### PERFORMANCE HIGHLIGHTS:

During the year under review, the Net Sales achieved by your company amounted to Rs.64,338 lacs as against Rs. 80,760 lacs for the previous period of 18 months. The other income amounted to Rs. 176 Lacs as against Rs.106 Lacs for the previous period. The Net Profit before tax was Rs. 1,468 Lacs and Profit after Tax was Rs.1,236 Lacs as against Rs.1,932 Lacs and Rs. 1,802 Lacs for the previous period.

There has been a steady growth in the performance of the company. The Company has continued to lay its focus on efficiency in its operations, improvement in quality of products, aggressive marketing strategy coupled with latest technology.

### DIVIDEND:

Your Directors are pleased to recommend a dividend of Re. 0.50 (Paise Fifty Only) per Equity Share for the consideration of members. The Equity Dividend amounting to Rs. 37.50 lacs if declared by the shareholders at the ensuing Annual General Meeting, would be paid out of the profits for the year to the shareholders whose names will appear on the register of members on the date of Annual General Meeting. The dividend is free of tax in the hands of the shareholders and the company will be paying Rs. 0.48 Million towards Corporate Tax on this Dividend.

### FIXED DEPOSITS:

Your company has not accepted or renewed any deposits from the Public.

### CONSERVATION OF ENERGY:

Your Company continues to give emphasis on conservation of energy, optimum use of Electrical energy, power and other power sources. As a part of ongoing efforts your Company takes the following steps:

1. Use of advanced technology in the production;
  2. Inspection at regular interval of all the machinery by a team of technical experts to ensure optimum condition of machinery and effectiveness;
  3. Time and motion study of production activity;
  4. Maximum utilization of available resources;
  5. Training to all the personal engaged in the production activity for optimum uses of resources and conservation of energy;
  6. Use of Natural Light, Resources, Solar Energy;
- The Company has formed a Team of Experts engaged in the production activity, which observes the production activity on a continuous basis for optimum utilization of power and energy.

### TECHNOLOGY ABSORPTION:

Your Company is using the latest advance technology for the production.

### RESEARCH AND DEVELOPMENT:

The Research and Development are the back bone of any industry. The Research and Development activities are carried out in house by the Company. The Research and Development activities are carried on continuously in order to keep company poised for better growth and to counter the challenges on its way from the multinationals.

While carrying on research and development the company focus on certain prime areas such as:

1. Launching new and innovative products to meet the changing needs of consumers
2. Increase in the productivity
3. Reduction in the wastage
4. Reduction in the cost of production
5. Improve the quality of products to satisfy the consumers

### Benefits derived as a result of a Research and Development Activity

As a result of Research and Development activity the Company has derived the following benefits:

1. The market share has increased as a result of R & D activities.
2. Improvement in the quality of products.
3. Reduced manufacturing cost.
4. Reduction in wastage and increase in profitability.
5. Launching new products to satisfy the perceived needs of consumers.

### INDUSTRIAL RELATIONS:

During the year the relations with employees have been cordial. The Board takes this opportunity and places on record its sincere appreciation for the support and co-operation all the employees at all level during the year and expect the same in future. The Board also places on record its sincere appreciation to families of its employees.

### HUMAN RESOURCE MANAGEMENT:

The Company has Human Resources Department which focus primarily on the development of the skills of employees at all level. The Human Resource Department also focus on motivation of employees. The Company conducts training programs for the persons at all levels including production and functional area(s). The Experts from other fields are invited to train the employees in view of the changes in technology and latest upgradations. The Lectures and trainings also covers the areas in respect of advanced technology, future challenges, increasing productivity, optimum use of resources, good environment, quality, health, personality development.

### FOREIGN EXCHANGE EARNINGS AND OUTGO:

During the year under consideration your Company has not earn any foreign exchange, however Foreign Exchange out go amounted to Rs. 2,826 Lacs towards import of raw materials, components, spares, capital goods and other expenditure as against Rs. 4,230 Lacs for the previous year.

### DIRECTORS:

As per the provisions of Section 256 of the Companies Act, 1956, Mr. Rajesh Rathi, Mr. Hisao Ishiyama and Mr. Naoki Saito are liable to retire by rotation at the ensuing Annual General Meeting and being eligible they offers themselves for reappointment.

The Board recommends their re-appointment.

### DIRECTORS RESPONSIBILITY STATEMENT:

In terms of Section 217(2AA) of the Companies Act, 1956, we, the Directors of VIDEOCON COMMUNICATIONS LIMITED, state in respect of Financial Year 2002 - 03 that:

- a. in the preparation of annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- b. the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- c. the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. the Directors have prepared the annual accounts on a going concern basis; based on the above and the Internal Audit System, the Board opines that the Company has internal control system commensurate with the size of the Company and the nature of its business.

### PARTICULARS OF EMPLOYEES:

There are no employees drawing remuneration in excess of monetary ceiling prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 during the financial year 2002-2003.

### SUBSIDIARY COMPANIES:

In terms of Section 212 of the Companies Act, 1956, the Annual Report and Accounts of the subsidiary company viz., Videocon VCR Securities Limited is annexed together with statements showing company's interest therein.

### CONSOLIDATED FINANCIAL STATEMENTS:

In accordance with the requirements of Accounting Standard AS-21 prescribed by the Institute of Chartered Accountants of India, the directors present the consolidated financial statements duly incorporating the financial statements of the subsidiary viz., Videocon VCR Securities Limited.

### AUDITORS' REPORT:

The observations made in the Auditors Report are self-explanatory and therefore do not call for further comments under Section 217 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 till the conclusion of the ensuing Annual General Meeting. The Company has received a notice from these Auditors to the effect that their reappointment, if made, would be within prescribed limit under Section 224(1B) of the Companies Act, 1956.

### CASH FLOW STATEMENT:

In requirement of Clause 32 of the Listing Agreement with the Stock Exchanges, the Cash Flow Statement as prepared in accordance with the Accounting Standard on Cash Flow Statement (AS-3) issued by the Institute of Chartered Accountants of India, is given along with balance Sheet and Profit and Loss Account.

### CORPORATE GOVERNANCE:

In terms of the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges Corporate Governance and Management Discussion and Analysis Report is enclosed and forms part of this Report.

### COMPLIANCE CERTIFICATE:

A Compliance Certificate from the Statutory Auditors of the company regarding compliance with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges is enclosed and forms part of this Report.

### ACKNOWLEDGEMENT:

The Directors' take this opportunity and places on record its sincere appreciation for the valuable support and co-operation of Government Authorities, Banks, Financial Institutions and other Authorities Statutory or otherwise and the investors for their trust and confidence on the management of the Company. The Directors also take this opportunity and place on record their gratitude to the employees at all levels for their commitment and dedicated efforts and expect the same in future.

For and on behalf of the Board of Directors of

Place: Ahmednagar  
Date: February 27, 2004

Sd/-  
P. N. DHOOT  
DIRECTOR

## CORPORATE GOVERNANCE

(as required under Clause 49 of the Listing Agreements entered into with the Stock Exchanges)

Corporate governance is a set of systems which aims at increasing the shareholders value and confidence of Investors in the management. As a result of liberalization and deregulation of industry and business, the Corporate Governance has gained tremendous importance in the recent past especially after the second half of 1996. For those who believes the business ethics and stricter compliance with the provisions of the laws the Corporate Governance is a best system and process to ensure the same.

The Corporate Governance is a methodology to ensure that the company is being managed in a right direction to achieve the predetermined goals and objectives by observing the duties, obligations and responsibilities to act in the best interest of the Company, Stakeholders and other concerns who are directly or indirectly associated with the Company.

### COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

The concept of corporate governance primarily hinges on complete transparency, integrity and accountability of the management with an increasingly greater focus in investor protection and public interest. Your Company makes best use of Corporate Governance as a process for achieving the predetermined goals and objectives primarily directing towards addition to maximizing shareholders wealth.

Your Company continues to establish and implement a process of good Corporate Governance to ensure that the Company is being managed to suit the interest of all concerns by ensuring that all the persons engaged in the management of the Company are entrusted with responsibilities and duties in relation to the direction of the corporate affairs are following their duties, obligations and responsibilities to achieve the predetermined goals of the Company.

### BOARD OF DIRECTORS:

The Board of Directors of your Company have an optimum combination of experts and eminent people from different fields such as Finance, Management, Administration, Technical and Marketing.

The Board comprises of total Ten Directors including therein a nominee director of IFCI Limited, in the capacity as lenders. The majority of Directors are Independent/Non-Executive having multidisciplinary approach.

The Board of the Company meets frequently to provide strategic guidelines to the management in order to maximize the long-term value of the Company and to monitor the performance of management in line with the objectives, goals and strategy determined by the Company. The Board also functions through three Committees constituted for achieving the predetermined goals and objectives. The Board has constituted an Audit Committee, Shareholders' Committee and Remuneration Committee.

a) The composition of Board of Directors is as follows:

Sl. No.	Name of Director	Category	Whether attended AGM held on 27.3.2003	Attendance in Board Meetings Attended	Directorship	Other Board Committee Chairmanship	Committee Membership
1	Mr. Venugopal N Dhoot	Promoter Non-Executive	No	5	14	2	7
2	Mr. Pradeepkumar N Dhoot	Promoter Executive	No	8	14	3	8
3	Mr. S Padmanabhan	Independent Non-Executive	No	7	10	2	6
4	Mr. Rajesh Rathi	Independent Non-Executive	Yes	6	1	1	1
5	Mr. Yishinori Maeda	Independent Non-Executive	No	0	NIL	NIL	NIL
6	Mr. Naoki Saito	Independent Non-Executive	No	0	NIL	NIL	NIL
7	Mr. Hisao Ishiyama	Independent Non-Executive	No	0	NIL	NIL	NIL
8	Mr. Nagao Ibayashi	Independent Non-Executive	No	0	NIL	NIL	NIL
9	Mr. A K Godika	Nominee IFCI Limited	No	0	NIL	NIL	NIL
10	Mr. S S Nabar	Independent Non-Executive	No	8	NIL	NIL	NIL

b) 8 Board Meetings were held during the year 2002 - 2003 on the following dates : 31/10/2002, 18/11/2002, 15/12/2002, 31/01/2003, 14/02/2003, 30/04/2003, 25/07/2003, 18/08/2003

c) The Company did not have any pecuniary relationship or transaction with Non-Executive Directors during year 2002-2003.

### NOTES ON DIRECTORS SEEKING APPOINTMENT/REAPPOINTMENT:

Mr. Rajesh Rathi, Mr. Hisao Ishiyama and Mr. Naoki Saito are liable to retire by rotation at the ensuing Annual General Meeting.

Mr. Rajesh Rathi born on 18<sup>th</sup> May 1970, is on the Board of Directors of the Company since 29.09.2001. Mr. Rajesh Rathi is a Commerce Graduate and is having one decades experience to his credit in the field of finance, management and marketing. He is on the Board of Directors of Indian Refrigerator Company Limited. The Board is of the opinion that his knowledge and experience will prove beneficial in the growth and development of the Company. The Board proposes his reappointment.

Mr. Hisao Ishiyama is resident of Japan and is associated with Company since 01<sup>st</sup> June 1999 in the capacity of foreign collaborator viz., Toshiba Corporations represented director. He carries with him vast experience in diversified fields. His wide knowledge and experience will prove beneficial in the growth and development of the Company. The Board proposes his reappointment.

Mr. Naoki Saito is resident of Japan and is on the Board of Directors of the Company since 1<sup>st</sup> December, 1998. Mr. Naoki Saito is representative of companies foreign collaborator viz., Mitsubishi Corporation, a renowned company in the World. His wide knowledge and experience will prove beneficial in the growth and development of the Company. The Board proposes his reappointment.

### AUDIT COMMITTEE:

As per the provisions of Section 292A of the Companies Act, 1956 read with Part II of Clause 49 of the Listing Agreement the Company has formed an Audit Committee. Mr. S S Nabar has been appointed as Chairman in place of Rajesh Rathi and Mr. P N Dhoot has ceased to be member of Audit Committee. The other members of Audit Committee being Mr. Rajesh Rathi and Mr. S Padmanabhan.

During the financial year under consideration, five meetings of the Audit Committee were held on 30<sup>th</sup> October, 2002, 31<sup>st</sup> January, 2003, 10<sup>th</sup> February, 2003, 30<sup>th</sup> April, 2003 and 24<sup>th</sup> July, 2003 respectively and were attended by Auditors and members as hereunder.

SNo	Date of the Audit Committee meeting	Attended by
1	30 <sup>th</sup> October, 2002	Mr. S S Nabar, Mr. Rajesh Rathi, Mr. S Padmanabhan
2	31 <sup>st</sup> January, 2003	Mr. S S Nabar, Mr. Rajesh Rathi, Mr. S Padmanabhan
3	10 <sup>th</sup> February, 2003	Mr. S S Nabar, Mr. Rajesh Rathi, Mr. P N Dhoot
4	30 <sup>th</sup> April, 2003	Mr. S S Nabar, Mr. Rajesh Rathi
5	24 <sup>th</sup> July, 2003	Mr. S S Nabar, Mr. Rajesh Rathi

The following areas are referred to the Audit Committee:

- Overall assessment of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment of external auditor, fixation of audit fee and also approval for payment for any other services.
- Reviewing with management the annual financial statements before submission to the board, focusing primarily on;

- Changes, if any, in accounting policies and practices.
  - Major accounting entries based on exercise of judgment by management.
  - Observations, if any, in draft audit report.
  - Significant changes/amendments, if any, arising out of audit.
  - The going concern assumption.
  - Compliance with accounting standards.
  - Compliance with stock exchange and legal requirements concerning financial statements
  - Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of company at large
- Reviewing with the management, external and internal auditors, adequacy of internal control systems.
  - Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
  - Discussion with internal auditors any significant findings and follow up there on.
  - Reviewing the findings, if any, of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
  - Discussions with external auditors before the audit commence nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
  - Reviewing the company's financial and risk management policies.
  - To look into the reasons for substantial defaults, if any, in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

The Audit Committee shall exercise the following additional powers:

- to investigate any activity within its terms of reference;
- to seek information from any employee;
- to obtain outside legal or other professional advice; and
- to secure attendance of outsiders with relevant expertise, if it considers necessary.

The company has not denied any personnel access to the audit committee of the Company.

### REMUNERATION OF DIRECTORS:

Remunerations of the Executive Directors is approved by the Board of Directors and thereafter approved by the members at the Annual/Extra-Ordinary General Meeting. In fixing remuneration, practices followed by the companies of size and standing similar to the Company and that of the industry standards are taken into consideration. However, no remuneration was paid to any of the directors during the year. The Company pays sitting fees of Rs. 1000/- per meeting to Non-executive directors.

**SHAREHOLDERS' COMMITTEE:**

A Sub-committee of the Board of directors of the Company is constituted under the Chairmanship of Mr. Rajesh Rathil. Other members of the Committee are Mr. Pradeepkumar N. Dhoot and Mr. S. Padmanabhan. The Shareholders' Committee administers the following activities:

- Transfer of Shares
- Transmission of shares
- Issue of Duplicate Share Certificates
- Change of Status
- Change of Name
- Transposition of Shares
- Sub-division of Shares
- Consolidation of Folios
- Shareholders requests for Dematerialization of shares
- Shareholders requests for Rematerialisation of shares
- Redressal of Investor grievances
- Performance of Registrars and Share Transfer Agents.

To expedite the Share Transfer procedure and provide timely services to shareholders the Board has delegated the power of Share Transfer to Registrar & Share Transfer Agents viz. MCS Limited, who process the transfers.

The Company has also prescribed code of conduct for prevention of Insider Trading and the same is being monitored by the aforesaid committee.

**COMPLIANCE OFFICER:**

Mr. Pradeepkumar Nandlal Dhoot, Director is the Compliance Officer.

**SHARE TRANSFER DETAILS:**

The number of Shares transferred during the last Financial Year 2002-2003 are as follows:

Sr. No.	Particulars	Equity Shares
a	Number of transfers	571
b	Average No of Transfer per month	48
c	Number of Shares Transferred	52845

**DEMATERIALISATION/REMATERIALISATION OF SHARES:**

Details of Shares Dematerialised/Rematerialised during the last Financial Year 2002-2003 are as follows:

a.	Number of Demat Transfers approved	-	2056
b.	Number of Sub-committee Meetings held	-	35
c.	Number of Shares Dematted	-	329052
d.	Percentage of Shares Dematted	-	4.39%
e.	Number of Remat requests approved	-	3
f.	Number of Shares Rematted	-	95

**DETAILS OF COMPLAINTS RECEIVED AND REDRESSED DURING THE YEAR 2002 - 03:**

Sl. No.	Particulars	Received	Redressed	Pending as on 30.09.2003
1.	Non receipt of refund orders	Nil	Nil	Nil
2.	Non receipt of dividend warrants	57	57	Nil
3.	Non receipt of share certificates	42	42	Nil
4.	Others	28	28	Nil
	Total	127	127	Nil

**Note:**

Representatives of your company are continuously in touch with Registrar & Share Transfer Agents viz. MCS Limited, to review periodically the outstanding complaints.

**GENERAL BODY MEETINGS:**

- a) Details of location, time and date of last three AGMs are given below:

AGM	AGM Date	Location	Time	No of Special Resolution Passed
11 <sup>th</sup> AGM	30.09.2000	20 KM Stone, Aurangabad - Beed Road, Village Bhalgaon, Aurangabad	12.30 p.m.	Nil
12 <sup>th</sup> AGM	29.09.2001	20 KM Stone, Aurangabad - Beed Road, Village Bhalgaon, Aurangabad	04.00 p.m.	2
13 <sup>th</sup> AGM	27.03.2003	20 KM Stone, Aurangabad - Beed Road, Village Bhalgaon, Aurangabad	03.30 p.m.	Nil

- b) Postal Ballot:

During the Financial Year ended on 30<sup>th</sup> September, 2003 the Company has not passed any Resolution which requires passing of Resolution by Postal Ballot.

**DISCLOSURES:**

- a) Materially significant related party transactions i.e. transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of company at large.
- There are no transactions which may have potential conflicts with the interest of company at large. Transactions with related parties are disclosed in Note No.8 of Schedule 14 B to the Accounts in the Annual Report.
- b) Non-compliance by the company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.
- Nil

**MEANS OF COMMUNICATION:**

The Un-audited Financial Results on quarterly basis are taken on record by the Board of Directors at its meeting within one month of the close of every quarter/half-year respectively and the same are furnished to all the Stock Exchanges where the Company's Shares are listed. The results are also published within 48 hours in two newspapers viz. Free Press Journal, English daily News Paper and Navshakti Regional Language Newspaper.

As per the requirements of newly inserted Clause 51 of the Listing Agreement with the Stock Exchanges the Company also submits the following Statements, Information and reports on the Electronic Data Information Filing and Retrieval (EDIFAR) website maintained by National Informatics Centre (NIC), on-line, as and when they are submitted to the Stock Exchanges:

- Full version of Annual Report including the Balance Sheet, Profit and Loss Account, Directors' Report and Auditor's Report, Cash Flow Statement,
- Corporate Governance Report;
- Quarterly and Half Yearly Un-Audited Financial Statements taken on record by the Board of Directors of the Company;
- Shareholding Pattern
- Statement of Action taken against the Company by any regulatory authority (So far no such action has been taken by any regulatory authority against the Company)
- Such other Statement, information or reports as may be specified by SEBI from time to time in this regard.

The Reports, Statements of the Company are available for information of the investors at the SEBI site at [www.sebidifar.nic.in](http://www.sebidifar.nic.in).

**GENERAL SHAREHOLDER INFORMATION:**

- Annual General Meeting

The 14<sup>th</sup> Annual General Meeting will be held on Wednesday, March 31, 2004 at 12.30 p.m. at the Registered Office of the Company at 20 K.M.Stone, Aurangabad - Beed Road, Village Bhalgaon, Aurangabad, (Maharashtra).

- Financial Calendar

Financial Year 2002-03

1<sup>st</sup> October, 2002 to 30<sup>th</sup> September, 2003

Financial Year 2003 - 2004

1<sup>st</sup> October, 2003 to 30<sup>th</sup> September, 2004

First Quarterly Results: Last week of January, 2004

Second Quarterly Results: Last week of April, 2004

Third Quarterly Results: Last week of July, 2004

Fourth Quarterly Results: Last week of October, 2004

Annual General Meeting for year ending September, 2004: March, 2005

- Date of Book Closure

Saturday, 20<sup>th</sup> March, 2004 to Wednesday, 31<sup>st</sup> March, 2004 (both days inclusive)

- Dividend Payment Date

April 26, 2004 (Tentatively)

- Listing On Stock Exchanges

The equity shares of your company are listed on The Stock Exchange, Mumbai (BSE), The Stock Exchange Limited, Ahmedabad, The Bangalore Stock Exchange Limited, The Calcutta Stock Exchange Association Limited, The Delhi Stock Exchange Association Limited, The Madras Stock Exchange Limited, and The Pune Stock Exchange Limited. The company has paid Listing Fees for financial year 2003 - 2004.

The name and address of the respective stock exchanges are given below:

**Sl. No. Name and Address of the Stock Exchange**

- The Stock Exchange 1<sup>st</sup> Floor, New Trading Ring, Phiroze Jeejeebhoy Towers, Dalai Street, Mumbai - 400 001.
- The Madras Stock Exchange Ltd. Exchange Building, Post Box No.18311, Second Line Beach, Chennai - 600 001
- The Stock Exchange Kamdhenu Complex, Opp. Sahajanand College, Panjarapole, Ahmedabad - 380 001
- Bangalore Stock Exchange Ltd. Stock Exchange Towers No.51, 1<sup>st</sup> Cross, J.C. Road, Bangalore - 560 052
- The Calcutta Stock Exchange Association Ltd. 7, Lyons Range Calcutta - 700 001
- Pune Stock Exchange Ltd. Shivleela Chambers, 752, Sadashiv Peth R.B.Kumthekar Marg, Pune - 411 030
- Delhi Stock Exchange Association Limited 3&4/4B Asraf Ali Road, New Delhi - 110 002

Stock Code at Mumbai Stock Exchange is: 517228



6. Market Price Data

Average monthly High and Low prices of the Companies share price at BSE and BSE sensex are given below:

Month	High	Low	Sensex High	Sensex Low
October, 2002	11.95	9.15	3038.92	2828.48
November, 2002	13.20	9.50	3245.98	2928.63
December, 2002	14.80	11.10	3413.83	3186.62
January, 2003	11.95	9.55	3416.92	3199.18
February, 2003	11.95	9.50	3341.61	3218.37
March, 2003	11.30	7.55	3311.57	3039.83
April, 2003	11.30	8.00	3221.90	2904.44
May, 2003	12.55	9.05	3220.48	2934.78
June, 2003	18.00	11.30	3632.84	3170.38
July, 2003	17.30	12.75	3835.75	3534.06
August, 2003	22.45	12.80	4277.64	3722.08
September, 2003	20.00	12.05	4473.57	4097.55

7. Registrar and Transfer Agents

M/s. MCS Limited  
Sri Venkatesh Bhavan, Plot No.27, Phase II, Road No.11, MIDC Marol, Andheri (E), Mumbai - 400 093. Ph. : (022) 28321128, 28245988, Fax : (022) 28350456

8. Share Transfer System

Applications for transfer of shares held in physical form are received at the office of the Registrars and Share Transfer Agents of the Company. All valid transfers are processed within 15 days from the date of receipt.

9. a) Shareholding Pattern as on 30.09.2003 is as given below:

SL NO.	CATEGORY	NO. OF SHARES HELD	%AGE OF HOLDING
A.	Promoters Holding		
	Indian Promoters	1804365	24.06
	Foreign Promoters	1875000	25.00
2.	Persons acting in Concert		
	Sub Total	3679365	49.06
B.	Non-Promoters Holding		
3.	Institutional Investors		
a)	Mutual Funds and UTI	627233	08.36
b)	Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions, Non-Government Institutions)	1675	00.02
c)	FII's		
	Sub Total	628908	08.38
4.	Others		
a)	Private Corporate Bodies	138146	1.84
b)	Indian Public	2804031	37.39
c)	NRIs/OCBs	249550	03.33
d)	Any other (please specify)		
	Sub Total	3191727	42.56
	<b>Grand Total</b>	<b>7500000</b>	<b>100.00</b>

b) Distribution of Shareholding as on 30.09.2003 is as given below:

Share Holding of Nominal Value of Rs.	Number of Share Holders	% To Total	No. of Shares	Amount (In Rs.)	% To Total
UPTO 5,000	27479	98.14	2254948	22549480	30.06
5,001 TO 10,000	291	1.04	230692	2306920	3.08
10,001 TO 20,000	119	0.42	173651	1736510	2.32
20,001 TO 30,000	39	0.14	97737	977370	1.30
30,001 TO 40,000	20	0.07	71751	717510	0.96
40,001 TO 50,000	17	0.06	80381	803810	1.07
50,001 TO 100,000	19	0.07	146808	1468880	1.96
100,001 AND ABOVE	18	0.06	4444032	44440320	59.25
<b>Total</b>	<b>28002</b>	<b>100.00</b>	<b>7500000</b>	<b>75000000</b>	<b>100.00</b>

10. Dematerialization of Shares and liquidity

The Securities and Exchange Board of India (SEBI), through a notification have made it compulsory that any delivery of your Company's shares against stock exchange trades become compulsory in dematerialised format. As on 30.09.2003, 15,88,347 i.e. 21.18% of total outstanding shareholding have been dematerialized.

11. Outstanding GDRs/ ADRs/ Warrants or Conversion Instruments, Conversion Date and like impact on equity - Nil

12. Plant location

20 K. M. Stone, Aurangabad - Beed Road, Village Bhalgaon, Aurangabad, (Maharashtra), Tel.: 0240 - 2644505.

13. Address for Correspondence:

20 K. M. Stone, Aurangabad - Beed Road, Village Bhalgaon, Aurangabad, (Maharashtra). Tel.: 0240 - 2644505.

COMPLIANCE CERTIFICATE OF THE AUDITORS

A certificate from the auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

The Management Discussion and Analysis Report presents the information in respect of Industry structure and developments, Opportunities and Threats, Segment-wise or product wise performance, Outlook, Risk and Concerns, Internal Control System and their adequacy, Discussion on financial performance with respect to operational performance and Material development in Human Resources/ Industrial Relations front, including number of people employed.

Industry Structure and Developments:

The Indian Consumer Durable Industry is broadly divided into three distinct segments viz., White goods, Brown Goods and the small domestic appliances. Brown Goods consist of Color TVs, Video Products and Home Entertainment products while Washing Machines, Refrigerators, Dishwashers, etc make up the White Goods. All other small appliances like Irons, Heaters, Vacuum Cleaners, Fans, Water purifiers, etc constitute the small appliances segment.

The year 2003 has been good year for the Indian CTV market. Overall CTV sales closed at around 7.5 - 8.0 million sets. In the Last year, CTV sales have been driven by major sporting event like Cricket World Cup.

The flat Television segment is constantly improving its share in the overall CTV market. The reducing price gap between conventional and flat screen TVs has resulted in enhanced sale in the flat Television segment. The Indian flat television market has witnessed significant growth in the last two years. This is a consequence of the introduction of low-priced entry level models, along with growing consumer awareness on the technical and aesthetic features of flat televisions. The share of flat TV sales in the overall CTV sales is increasing. Videocon has introduced a number of feature- packed models to consolidate its position in the flat CTV segment.

The Government has reduced the customs duty on raw materials and inputs used for manufacturing electronic components to nil for most items, while duty on capital goods for manufacturing electronics hardware has been reduced to nil. The special additional customs duty of four percent has been abolished. The peak rate of customs duty has been reduced from 25 percent to 20 percent, which means, lower production cost for electronics manufactures, and competition will ensure lower prices to consumers.

The market was on high on account of sporting event and gifts/discounts/schemes launched by all the market player in the last year. Customers attraction to catch cricket live coupled with exciting schemes and gifts gave a boost to the market.

Some of the factors leading to growth in televisions demand are:

- ❖ Growth of population and house holds in the country
- ❖ Growing household income leading to higher disposable income for consumer durables
- ❖ Easy availability of good software programs
- ❖ Cheaper and easier access to consumer finance
- ❖ Better rural electrification, leading to growth in rural markets.
- ❖ Availability of a wide range of products at different price points to cater to all segment of customers.
- ❖ Reduction in CTV prices constantly to increase ability to purchase amongst households with lesser disposable income
- ❖ B&W to CTV shift, CTV to Flat CTV shift and multiple CTV ownership

The Indian market for stand-alone VCD players witnessed a phenomenal surge to 4 million units in 2002-2003. Of this, organised market sales account for approximately 1.35 million units and constituted 34 percent of the total market. The major surge was in the unorganized segment with sales estimated at approximately 2.65 million. This segment contributed 66 percent to overall sales. Videocon enjoys market share of around 18.5%. The primary reason for the boom in the Indian stand-alone VCD player market include the introduction of low-priced models and easy availability of low-priced softwares. The total market for DVD players in the organised sector is estimated at only 45,000 units in the year 2003 and overall at 300,000 units. DVD players are not economical when compared to VCD players. The non availability of cheap and high-quality DVD software is the other major detrimental factor in the low sales of DVD players.

The Indian market is presently more favourable to VCD players and this segment is expected to continue its growth, especially in rural and semi-urban areas. New models with attractive features such as graphic equalizers and sound effects will be introduced and the slimmer VCD players will get more popular. The share of the unorganised segment in the sales of VCD players is likely to come down over time, since the VCD players available in unorganized markets are of relatively low quality.

Today, customers are looking at both aspects that is quality and as well price. It is because of intense advertising campaign undertaken by all the players in the market coupled with easy finance schemes available, the penetration levels are increasing.

Videocon has distinctive product ranges and a very strong direct selling network to cater to all the market and market segments.

Opportunities and threats:

- The demand of VCD/DVD players are increasing and is expected to increase further on implementation of CAS.
- The reduction in the prices of VCD and DVD are generating potential market from rural and semi-urban areas.
- The demand is also likely to get generated on account of shift from VCD to DVD in coming years on account of fast and rapid change in the technology.
- The aggressive marketing and pricing by Indian Companies to counter the competition with multinationals are putting margins under pressure. The companies are working under very low margins. The decline in pricing by the manufacturers as a whole will have impact on the Company's revenues and profits.
- The cost on marketing, advertising and after sale services are increasing tremendously.



## VIDEOCON COMMUNICATIONS LIMITED

- > The Consumer electronics market is very price-sensitive. A surge has already been seen in the demand for CTV vis-à-vis price cuts. Pricing of a product largely depends upon the cost of input, distribution, marketing and general industry scenario in the light of the level of competition.
- > The expenditure on research and development activities is inevitable due to all round development activities.
- > The Government has reduced the customs duty on raw materials and inputs used for manufacturing electronic components to nil for most items, while duty on capital goods for manufacturing electronics hardware has been reduced to nil. The special additional customs duty of four percent has been abolished. The peak rate of customs duty has been reduced from 25 percent to 20 percent, which means, lower production cost for electronics manufactures, and competition will ensure lower prices to consumers.

### Initiatives by the Company:

The Company has taken following initiatives:

- > The Company has launched various new models in the past and expects to do the same work in the years to come. The company is planning to launch new products with multi brand name(s).
- > The company is concentrating its efforts on reduction of costs by improvising its operations. Though there is going to be reduction in cost on account of the reduction of duties by the Government.
- > The Company has adopted the strategy to market aggressively its product to compete with other players.
- > Focusing on further modernization of manufacturing process to improvise quality thereby reducing cost.
- > The employees at all level are being trained and equipped with change in technology and advancement.
- > More stress on after sale services
- > The company is targeting to attract rural customers and semi-urban customers, since customers in rural areas are showing preference to branded goods rather than un-branded.
- > Tying up with major brands for distributing companys product under schemes or as gift for the purchases of their products.

In nutshell, the Company is all geared to scale new heights and meet the challenges posed by the deregulation scenario with its strength in marketing network, its strategic alliances with leading players in the sector, advanced technology, highly modernized manufacturing facility, product improvement and cost reduction exercises

### Product-wise performance and Outlook:

The Company has only one segment. The sales from electronic appliances amounted to Rs. 69,551 Lacs as against Rs.85,912 Lacs for the previous period under review.

The consumer electronics sector is undergoing a major transformation. The analog technologies are giving way to digital technologies. Digitalization in turn is leading to convergence of consumer, computer, communication, broadcast cable technologies and the contents. A digital signal can be far more easily processed than an analog one. The company has geared itself to meet the changes in the future.

- > The cost of production is likely to get reduced to the electronic manufactures since the Government has reduced the customs duty on raw materials and inputs used for manufacturing electronic components to nil for most items, while duty on capital goods for manufacturing electronics hardware has been reduced to nil. The special additional customs duty of four percent has been

abolished. The peak rate of customs duty has been reduced from 25 percent to 20 percent, which means, lower production cost for electronics manufactures.

- > The Company is equipped with the best and the most sophisticated technology to suit Indian needs.
- > The Company is also expanding its manufacturing capacities to achieve economies of scale and global competitiveness.
- > The Company as a part of reducing manufacturing cost of products has explored the possibility of manufacturing various components at the in-house facility.

Last but not least, the Company expect to perform better in the current year under review on account of its initiatives, as mentioned above and opportunities available to it.

### Risks and concerns:

- > The aggressive marketing and price wars by Multinational Companies are the major risks and concerns of the Company. There is cut through competition in the market.
- > The overall margins are under pressure. The manufacturers are working on very thin margin.

### Internal Control Systems and their adequacy:

The well established Internal Audit Department of the Company has clearly laid down powers and responsibilities that are required to ensure the adequacy of the Internal Control System. Internal checks and controls are exercised by strictly adhering to the various procedures laid at the time of Delegation of Authorities and other Procedures. The delegation clearly indicates the powers along with the monetary limits, wherever necessary, that can be exercised by various levels of the Managers in the Company. Similarly, the Company has well defined role for all the functional areas, viz., Production, Sales, Administration, Personnel, etc.

### Material Developments in Human Resources / Industrial Relations front, including number of people employed:

The Company believes in retention of the talent to keep itself growing at rapid phase and speed. The Company has developed a HRD Plan with the parameters to achieve Excellent Rank.

The HRD plans and training in the past has institutionalized and created a sense of belongingness in the minds of the employees, which inturn is giving more productivity and more output per employee.

With the much talented manpower available with it the Company is able to establish itself in the market and retain its position in the market. It is the work and industrial front which is enabling company to focus in other areas and grow at rapid speed. Approximately, the Company has 349 staff members and confirmed employees with 590 trainees and 348 contracted labours. The Company is poised to take on the challenges with its work force and march towards achieving its mission with success.

### CAUTIONARY STATEMENT:

Statement in the Management Discussion and Analysis describing the Companys objectives, projections, estimates, expectations may be "forward-looking Statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Companys operation include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and other incidental factors. Further, the discussion following herein reflects the perceptions on major issues as on date and the opinions expressed here are subject to change without notice.

The Company undertakes no obligation to publicly update or revise any of the opinions or forward-looking statements expressed in this report, consequent to new information, future events, or otherwise.

## Annexure to Directors' Report

## COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of

**VIDEOCON COMMUNICATIONS LIMITED**

We have examined the compliance of conditions of Corporate Governance of Videocon Communications Limited, for the year ended on 30<sup>th</sup> September, 2003, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of the certificate of the corporate governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with, in all material respect, the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that no investor grievance were pending for a period exceeding one month against the Company, as per the records maintained by the Investors Grievance Committee and as per the certificate of the Registrars and Transfer Agents of the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For and on behalf of  
**KADAM & CO.**  
Chartered Accountants  
**U.S.KADAM**  
Proprietor  
Place : Ahmednagar  
Date : February 27, 2004

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