

VIDEOCON
THE INDIAN MULTINATIONAL

VIDEOCON COMMUNICATIONS LIMITED

17th
Annual Report
2005-2006

VIDEOCON COMMUNICATIONS LIMITED**BOARD OF DIRECTORS**

Venugopal N. Dhoot
 Pradeepkumar N. Dhoot
 S. Padmanabhan
 Rajesh Rathi
 S. S. Nabar
 B. K. Chopra
 V. D. Dharm
 S. K. Bhandari

Nominee of IFCI Limited

COMPANY SECRETARY

Mandar S. Nargund

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.

BANKERS

State Bank of Hyderabad
 Central Bank of India
 Punjab National Bank
 Ing Vysya Bank Limited
 Indian Bank

REGISTERED OFFICE & FACTORY

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

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NOTICE

NOTICE is hereby given that the Seventeenth Annual General Meeting of **VIDEOCON COMMUNICATIONS LIMITED** ("the Company") will be held on Friday, 30th March, 2007 at the Registered office of the Company at 20 KM Stone, Aurangabad Beed Road, Village Bhalgaon, Aurangabad 431 210 (Maharashtra) at 4.30 P.M. to transact the following business:

ORDINARY BUSINESS:

Adoption of audited Annual Accounts, Directors' Report and Auditors' Report

1. To receive, consider and adopt the audited Balance Sheet as at September 30, 2006, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.

Declaration of Dividend

2. To declare a dividend on Equity Shares.

Reappointment of Directors retiring by rotation

3. To appoint a director in place of Mr. Venugopal N. Dhoot, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Mr. Rajesh Rath, who retires by rotation and being eligible, offers himself for re-appointment.

Reappointment of the Statutory Auditors

5. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s Khandelwal Jain & Co., Chartered Accountants, Mumbai and M/s Kadam & Co., Chartered Accountants, Ahmednagar, be and are hereby appointed as Joint Auditors of the Company to hold office until the conclusion of next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors."

SPECIAL BUSINESS:

Change of Name

6. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 21 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval/sanction/permission of the Central Government or any authorities, statutory or otherwise, as are required, the name of the Company be changed from "Videocon Communications Limited" to "Trend Electronics Limited" and that Clause I of the Memorandum of Association be altered accordingly.

RESOLVED FURTHER THAT the copies of Memorandum and Articles of Association of the Company be altered accordingly to reflect the new name "Trend Electronics Limited" wherever the name "Videocon Communications Limited" appears therein.

RESOLVED FURTHER THAT any one of the Directors of the Company and/or Company Secretary, be and are hereby severally authorized to do all such acts, deeds, matters and things in connection thereto and incidental therewith, for giving effect to this resolution."

Increase in Sitting Fees

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

"RESOLVED THAT pursuant to provisions of Section 31, Section 310 and other applicable provisions, if any, of the Companies Act, 1956, and any notifications/rules/circulars issued by Central Government, from time to time, the Articles of Association of the Company be and is hereby amended and/or altered by substituting existing sub clause (c) of Article 116 of the Articles of Association so as to read as under:

116 (c) Unless otherwise determined by the Company in General Meeting, each Director of the Company other than a Managing Director or Whole Time Director shall be entitled to receive out of funds of the Company for his services in attending each meeting of the Board or a Committee of Board, amount not exceeding Rs.20,000/- or such sum as may from time to time be determined by the Board but not exceeding the maximum amount as prescribed

by the Central Government under the Act or Rule 10B of the Companies (Central Government's) General Rules and Forms, 1956, or any amendment made thereunder, from time to time.

RESOLVED FURTHER that any of the Directors of the Company and/or Company Secretary, be and are hereby severally authorized to do all such acts, deeds, matters and things in connection thereto and incidental therewith, for giving effect to this resolution."

By Order of the Board of Directors

Mandar S. Nargund
Company Secretary

Place : Ahmednagar

Date : February 24, 2007

Registered Office:

20 KM Stone, Aurangabad Beed Road,
Village Bhalgaon,
Aurangabad - 431 210 (MS)

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING ("MEETING") IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE COMMENCEMENT OF THE MEETING.
2. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto and forms part of the Notice.
3. Corporate Members intending to send their authorised representatives to attend the ensuing Annual General Meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on its behalf at the ensuing Annual General Meeting.
4. As per the provisions of Articles of Association of the Company, Mr. Venugopal N Dhoot and Mr. Rajesh Rath are liable to retire by rotation and being eligible, have offered themselves for re-appointment as director. Brief resume of these directors, nature of their expertise in specific functional areas and names of companies in which they hold directorship and membership/ chairmanship of Board Committees, as stipulated under Clause 49 of Listing Agreement entered into with the Stock Exchanges in India, are annexed to this notice.
5. Members/Proxies/Representatives are requested to bring their attendance slip, duly filled in, along with their copy of Annual Report to the Annual General Meeting.
6. In case of joint holders attending the Annual General Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
7. The Register of Members and Share Transfer Books shall be closed from Saturday, March 17, 2007 to Friday, March 30, 2007 for determining the names of Members eligible for dividend on Equity Shares, if declared at the 17th Annual General Meeting. The Dividend on Equity Shares, if declared at the Meeting will be paid on or around April 10, 2007 to those Members whose name appear in the Company's Register of Members on March 16, 2007. In respect of shares held in dematerialized form, the dividend will be paid on the basis of particulars of beneficial ownership furnished by depositories as at the end of business on March 16, 2007.
8. Pursuant to the provisions of Section 205A and 205C of the Companies Act, 1956, the Company has transferred the unclaimed dividends for the financial years 1998-1999 to the Investor Education and Protection Fund (IEPF) established by the Central Government. Dividends for the financial year ended 1999-2000 and thereafter, which remain unclaimed for a period of 7 years will be transferred to IEPF. Members who have not encashed dividend warrant(s) for the aforesaid years are requested to obtain duplicate warrant(s) by writing to the Company's Registrar and Share Transfer Agents, M/s. MCS Limited. Members are requested to note that no claims shall lie against the Company or IEPF in respect of any amounts which were unclaimed and unpaid for a period of seven years from the dates they first became due for payment and no payment shall be made in respect of any such claims.

9. Members holding shares in physical form in multiple folios in identical names or joint names in the same order of names are requested to send the share certificates to the Company's Registrar and Share Transfer Agents, M/s. MCS Limited, to consolidate their holdings into a single folio.
10. The shares of the Company are tradeable compulsorily in electronic form and your Company has established connectivity with both the depositories i.e., National Securities Depository Limited and Central Depository Services (India) Limited. In view of the enormous advantages offered by the Depository system, Members are requested to avail the facility of dematerialization of the Company's shares on either of the depositories as aforesaid.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 6

The Board of Directors at their meeting held on 31st October, 2006 decided to change the name of the Company, since, the name of the company resembles to some other Companies, which creates confusion about the identity of the Company. The Board is of the opinion that a new name which focuses on the strategies and product profile of the company would be more appropriate to distinguish the company from others. Accordingly, an application was made to Registrar of Companies for availability of the new name. On application, the Registrar of Companies had made the name "Trend Electronics Limited" available to the Company.

In terms of the provisions of Section 21 of the Companies Act, 1956, the proposed change of name requires the approval of the members, by passing a Special Resolution, in the General Meeting and further approval of the Central Government. The Board recommends the special resolution for the approval of the Members.

None of the Directors of the Company are concerned or interested in the passing of the resolution set out at item no.6 of the Notice.

ITEM NO. 7:

In terms of Article No. 116(c) of the Articles of Association of the Company, the maximum fees payable to the Board of Directors of the Company for attending the meeting of the Board or committee thereof is Rs. 250/- (Rupees Two Hundred Fifty

only). The monetary provisions currently appearing in the Articles of Association for such sitting fees is negligible and needs to be reviewed in conformity with the provisions of Rule 10B of the Companies (Central Government's) General Rules and Forms, 1956. The Central Government vide Notification No. GSR 580(E) dated 24th July, 2003 has notified that the Companies with a paid-up share capital and free reserves of Rs.10 crores and above or turnover of Rs.50 crores or above, can pay to its director by way of sitting fees a maximum of Rs. 20,000/- (Rupees Twenty Thousand only) for attending each meeting of the Board or any committee or sub-committee thereof. Any increase in the sitting fees within the aforesaid limit does not require any Central Government or shareholders approval.

However the existing Article 116(c) of the Articles of Association of the Company restricts the Board of Directors from paying, by way of sitting fees, any amount exceeding Rs. 250/- for attending each meeting of the Board or any committee or sub-committee thereof.

Therefore, the Board proposes to alter the Articles of Association of the Company by substituting the present Sub-clause (c) of Clause 116 of the Articles of Association of the Company by the new Article 116(c) as stated in the text of the resolution.

In terms of the provisions of Section 31 of the Companies Act, 1956, prior approval of the shareholders of the Company is required by passing a Special Resolution at General Body Meeting.

Your Directors recommend the resolution set out at Item No. 7 of the Notice, for approval of the shareholders.

All the directors eligible for receiving sitting fees may be deemed to be interested.

By order of the Board of Directors

Mandar S. Nargund
Company Secretary

Place: Ahmednagar
Date : February 24, 2007

Registered Office:

20 KM Stone, Aurangabad Beed Road,
Village Bhalgaon
Aurangabad - 431 210 (MS)

Brief Profiles of the Directors proposed to be appointed/re-appointed as required by Clause 49 of the Listing Agreement entered into with the Stock Exchanges are:

A. The brief details of Mr. Venugopal N. Dhoot are as under:

Mr. Venugopal N. Dhoot, 55 years, Bachelor of Engineering (Mechanical), is one of the Promoters of the Company and is on the Board, since, December 29, 1998. Mr. Venugopal N. Dhoot is a prominent Industrialist with more than three decades of experience in diversified field to his credit. He is Chairman of FICCI-Consumer Goods Committee and also President of ASSOCHAM. He is advisor to Government of Orissa for industrial development in Orissa.

His other directorships in Public Limited Companies (including Private Company which are subsidiary of Public Limited Company) are as follows:

Sr. No.	Company	Position
1.	Videocon Industries Limited	Chairman & Managing Director
2.	Videocon Appliances Limited	Director
3.	Kitchen Appliances India Limited	Director
4.	Videocon Realty and Infrastructures Limited	Director
5.	Videocon Industrial Finance Limited	Director
6.	Uttaranchal Appliances Limited	Director
7.	Videocon Power Limited	Director
8.	Bharat Hotels Limited	Director

Cont...

Sr. No.	Company	Position
9.	Shree Dhoot Trading and Agencies Limited	Director
10.	E mart India Limited	Director
11.	Godavari Consumer Electronics Appliances Pvt. Limited	Director
12.	Gajanan Electronics & Supply Pvt. Limited	Director
13.	Mayur Household Electronics Appliances Pvt. Limited	Director

He holds 110 equity shares of the Company. He is not holding any Committee position in any of the Companies.

B. The brief details of Mr. Rajesh Rathi are as under:

Mr. Rajesh Rathi, 37 years, Commerce Graduate, is on the Board of the Company since November 29, 1998. He carries with him vast experience in the fields of finance, marketing & administration.

His other directorships in Public Limited Companies are as follows:

Sr. No.	Company	Position
1.	Indian Refrigerator Company Limited	Director
2.	VN Cellular Services Limited	Director
3.	VN Communications Systems Limited	Director

He is a member of Audit Committee of the Board of Directors of Indian Refrigerator Company Limited.

He does not hold any equity shares in the Company.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have great pleasure in presenting the Seventeenth Annual Report of Videocon Communications Limited ("the Company") together with the Audited Accounts for the year ended September 30, 2006.

FINANCIAL RESULTS & OPERATIONS

The performance of the Company for the financial year ended September 30, 2006 is as summarized below:

Particulars	Rs. Crores	
	Year ended 30.09.2006	Year ended 30.09.2005
Net Sales	774.25	740.49
Other Income	2.59	1.60
Total Income	776.84	742.09
Profit before Interest, Tax & Depreciation	37.54	41.97
Interest	16.59	14.81
Depreciation	11.52	10.36
Profit before Impairment Loss and Taxation	9.43	16.80
Impairment Loss	5.69	-
Profit Before Tax	3.74	16.80
Provision for Taxation	1.31	3.58
Profit for the Year	2.43	13.22

The Net sales for the financial year ended 2006 amounted to Rs. 774.25 Crores as against Rs. 740.49 Crores for the previous financial year. The Profit after tax amounted to Rs. 2.43 Crores as against Rs. 13.22 Crores for the previous financial year.

DIVIDEND

The Directors of your Company have pleasure in recommending a dividend of 5% i.e., Re. 0.50 (Paise Fifty only), on each equity share of the Company, for the financial year ended September 30, 2006, subject to approval by shareholders at the 17th Annual General Meeting. The equity dividend amounting to Rs. 4.28 Million, including taxes, if approved by the shareholders at the ensuing Annual General Meeting, would be paid out of the profits for the year. The dividend is free of tax in the hands of the shareholders.

FIXED DEPOSIT

Your Company has not accepted any deposit within the meaning of Section 58A of the Companies Act, 1956.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the financial year Foreign Exchange earnings amounted to Rs. Nil and Foreign Exchange outgo was Rs. 41.52 Crores as against Rs. Nil and Rs. 89.73 Crores, respectively for the previous year.

CONSERVATION OF ENERGY

Your Company lays emphasis on conservation of energy. The Company has formed an In-house team of experts to study optimal use of energy. The team works under the guidance of the top management. As continuous efforts, the Company takes various steps such as:

- Training of personnel engaged in the production activity for optimal use of resources and conservation of energy;
- Proper and timely maintenance of all machinery & other equipment;
- Use of advanced technology in production;
- Maximum utilization of available resources;
- Display of Charts at the premises, plant, office showing the ways and means for conservation of energy.

RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

The Company gives utmost importance to R & D. The main focus of Research and Development activity is on:

- Design and development of new models of Audio/Video Systems, VCD players, DVD/DVB/MPEG 4 players, MP3 players, Music Systems, Home Theatre and Composite system;
- Launching innovative products to meet the perceived needs of consumers;
- Increasing the productivity;
- Incorporation of dedicated efficient utilities and optimizing of parameters;
- Improvement in the quality of products;
- Providing technical support services.

The Company has derived the following benefits:

- Development and launch of various new models.
- Increased Capacity and Productivity.
- Products with better features, better quality and improved reliability.

Your Company continues to adapt the latest advances in technology and upgrade its manufacturing base.

INFORMATION TECHNOLOGY

Your Company firmly believes that IT is the backbone of any industry in today's environment. The Company has taken it as a tool to improve the productivity, efficiency and reliability. As such the MySAP, the customized ERP programme, has already been implemented at factories and branches of the Company.

HEALTH, SAFETY AND ENVIRONMENT

Your Company recognizes its role in health and safety, as well as its responsibility towards environment and society. The Company accords high priority to health education and awareness.

APPOINTMENT/REAPPOINTMENT OF DIRECTORS

During the year under review, Mr. Yoshinori Maeda and Mr. Naoki Saito (both representing Mitsubishi Corporation), Mr. Hisao Ishiyama and Mr. Nagao Ibayashi, (both representing Toshiba Corporation) resigned from the Board. The Board places on record its sincere appreciation for the services rendered by the respective Directors during their tenure as Directors of the Company.

During the year, Mr. B. K. Chopra and Mr. S. S. Nabar were appointed as an Additional Director. Subsequently, they were appointed as Director under section 257 of the Companies Act, 1956, at the Annual General Meeting held on March 31, 2006.

Mr. Venugopal N. Dhoot and Mr. Rajesh Rathi retires by rotation at the ensuing Annual General Meeting and being eligible, they offer themselves for re-appointment. The Board recommends their reappointment.

The Brief profiles of directors being re-appointed at the ensuing Annual General Meeting forms part of the notice.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) read with Section 292A of the Companies Act, 1956, we, the Directors of VIDEOCON COMMUNICATIONS LIMITED, state in respect of Financial Year 2005-06 that:

- in the preparation of annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- 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;
- 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;
- the Directors have prepared the annual accounts on a going concern basis;
- the Board has constituted an Audit Committee comprising of three Independent Directors, *inter alia* for holding discussions with the Auditors periodically, review of quarterly, half yearly and annual financial statements before submission to Board, review of observations of Auditors and to ensure compliance of internal control systems;
- the Audit Committee has also been delegated with authority for investigation and access for full information and external professional advice for discharge of the functions delegated to it by the Board;
- the Board agrees that the recommendations of the Audit Committee on any matter relating to financial and management including the audit report would be binding on the Board; and
- based on the above and the Internal Audit System, the Audit Committee, 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 exceeding the monetary ceiling prescribed under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

SUBSIDIARY COMPANIES

As per the requirements of Section 212 of the Companies Act, 1956, the Annual Report and Accounts together with statement showing the extent of the Company's interest in the Subsidiary Company, viz., Videocon VCR Securities Limited have been attached to the Annual Report.

CONSOLIDATED FINANCIAL STATEMENTS

As per the provisions of Clause 32 of the Listing Agreement with the Stock Exchanges and mandatory requirements of Accounting Standard on Consolidated Financial Statements (AS 21) issued by the Institute of Chartered Accountants of India, the Board presents the Consolidated Financial Statement duly incorporating financials of its subsidiary, viz., Videocon VCR Securities Limited.

CASH FLOW STATEMENT

As per the requirements 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.

AUDITORS' REPORT

The Auditors' report is unqualified. The notes to the Accounts referred to in the Auditors Report are self explanatory and therefore 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, retire as the Statutory Auditors at the conclusion of the 17th Annual General Meeting and offer themselves for re-appointment. The Company has received certificates 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.

The Board recommends the appointment of Auditors at the ensuing Annual General Meeting.

CORPORATE GOVERNANCE

As required under clause 49 of the Listing Agreement with the Stock Exchanges, Corporate Governance and Management Discussion and Analysis Report form part of this Annual Report. The Company is in full compliance with the requirements and disclosures that have to be made in this regard. The Auditors' certificate confirming compliance of the Corporate Governance is attached to the Report on Corporate Governance.

ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from the Financial Institutions, Banks and Government Authorities.

Your Directors are happy to place on record their gratitude to the employees at all levels for their commitment and dedicated efforts. The Directors are also thankful to the shareholders for their continued support to the Company.

For and on Behalf of the Board of Directors

S. PADMANABHAN
DIRECTOR

P. N. DHOOT
DIRECTOR

Place : Ahmednagar
Date : February 24, 2007

CORPORATE GOVERNANCE REPORT

This report sets out the compliance status of the Company on Corporate Governance as set out in the Amended Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

The Company continues to follow the basic principles of transparency, integrity and accountability to achieve, sustain growth and deliver long term value to its stakeholders. Philosophy on Corporate Governance is to bestow high standards of transparency, fairness and accountability for performance at all levels and to ensure the best performance through professionalism, social responsiveness, business practices and maximization of operational efficiency. The Company endeavors to maximize the shareholders' value and to protect the interest of stakeholders.

II. BOARD OF DIRECTORS:

1. Composition of the Board of Directors as on September 30, 2006

Category	Directors	No. of Directors
Promoter-Non Executive	Mr. V. N. Dhoot Mr. P. N. Dhoot	2
Non Executive - Independent	Mr. S. Padmanabhan Mr. Rajesh Rathi Mr. S. S. Nabar Mr. Vivek D. Dharm Mr. B. K. Chopra	5
Nominee Director- Rep. IFCI Limited	Mr. S. K. Bhandari	1

2. Board/Committee Meetings and Proceedings:

a. Scheduling and Selection of Agenda Items:

The meetings are being convened by giving appropriate advance notice after obtaining the approval of the Chairman of the Board/ Committee. Detailed agenda, management reports and other explanatory statements are circulated in advance amongst the members for facilitating meaningful, informed and focussed decisions. To address specific urgent need, meetings are

3. Board Meetings and Attendance:

8 Board Meetings were held during the year 2005 -06 on the following dates:

October 29, 2005, December 8, 2005, January 30, 2006, February 23, 2006, April 27, 2006, March 31, 2006, June 1, 2006 and July 31, 2006

Sl. No.	Name of Director	Whether attended AGM held on 31.03. 2006	Attendance in Board Meetings		Other Board		
			Total	Attended	Directorship	Committee Chairmanship	Committee Membership
1	Mr. Venugopal N Dhoot Promoter - Non Executive Director	No	8	8	13	0	0
2	Mr. Pradeepkumar N Dhoot Promoter - Non Executive Director	No	8	8	14	1	4
3	Mr. S Padmanabhan Non Executive - Independent	No	8	7	13	Nil	7
4	Mr. Rajesh Rathi Non Executive - Independent	No	8	7	3	Nil	1
5	Mr. S S Nabar Non Executive - Independent	Yes	8	5	4	Nil	1
6	B K Chopra Non Executive - Independent	Yes	8	6	1	Nil	1
7	Mr. Vivek D. Dharm Non Executive - Independent	Yes	8	6	9	2	3
8	Mr. S K Bhandari Nominee - IFCI Limited	No	8	Nil	Nil	Nil	Nil

also being called at shorter notice. The Board is also authorized to pass Resolution by Circulation for all such matters which are of utmost urgent nature.

b. Availability of Information to the Members:

The Members have unqualified access to all information available with the Company. In fact, all items in the agenda are supported by detailed background information to enable the members to take informed decisions. The information generally provided to the Members include:-

- Periodical reports such as Quarterly, Half yearly financial results;
- Minutes of the meeting of Audit and other Committees of the Board;
- Establishment and operations of Joint Venture, Subsidiary or collaboration etc;
- Divestment of Joint Ventures, Subsidiaries;
- Acquisitions/Amalgamation etc;
- Minutes of the Board Meeting, Annual General Meetings of Subsidiary Companies and significant transactions if any;
- Related Party Transactions.

c. Recording minutes of the proceedings:

Minutes of the proceedings each board/committee meetings are recorded. Draft minutes are circulated amongst all members for their comments. The minutes of the proceedings of the meetings are entered in the minutes book.

d. Follow up mechanism:

The guidelines for the Board/Committee meetings facilitate an effective post meeting follow-up, review and reporting process for the actions taken on decisions of the Board and Committees.

e. Compliance:

The board periodically reviews the compliance reports to ensure adherence to all applicable provisions of law, rules and guidelines.

f. Code of conduct:

The Company has laid down code of conduct which binds all the board members and senior management of the Company. A declaration to this effect is appended to this report.



4. Brief Details of Directors proposed to be re-appointment:

The brief details of directors retiring by rotation and seeking re-appointment are appended to the Notice convening the ensuing 17th Annual General Meeting.

III. BOARD COMMITTEES:

Currently the board has constituted three committees i.e., Audit Committee, Shareholders/Investors Grievance Committee and Remuneration Committee.

1. Audit Committee:

(i) Composition: (As of 30th September, 2006)

Name of the Committee Member	Category
Mr. S. S. Nabar- Chairman	Non Executive Independent
Mr. Rajesh Rathi	Non Executive Independent
Mr. S Padmanabhan	Non Executive Independent

(ii) Scope of Audit Committee:

The terms of reference are broadly as under:

- 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 rendered by the auditors.
- Review of Quarterly un-audited results before submission to the auditors and the Board,
- Reviewing with management the annual financial statements, before submission to the board, focusing primarily on:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
 - 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.
 - Qualification in the draft audit report.
 - 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 the 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.
- Financial Statements and Investments made by Subsidiaries.
- To review the functioning of Whistle Blower Mechanism, if any.

The Audit Committee also reviews:

- Management discussion and analysis of financial conditions and results of operations.
- Statement of significant related party transactions, if any.
- Management Letters/Letters of internal control weaknesses issued by the Statutory Auditors.
- Internal Audit Reports relating to internal control weaknesses; and
- The appointment, removal and terms of remuneration of the Chief Internal Auditor.

(iii) Meetings and Attendance:

During the financial year under consideration, five meetings of the Committee were held on October 29, 2005, January 30, 2006, February 23, 2006, April 27, 2006 and July 31, 2006.

Name of the Committee Member	Category	Meetings held during respective tenure	Meetings attended
Mr. S S Nabar-Chairman	Non Executive - Independent	5	5
Mr. Rajesh Rathi	Non Executive - Independent	5	5
Mr. S Padmanabhan	Non Executive - Independent	5	5

The Statutory Auditors and Head of Internal Audit attended and participated in the meetings. The Company Secretary is the de-facto Secretary of the Committee.

2. Remuneration Committee:

(i) Composition (As of 30th September, 2006)

Name of the Member	Category
Mr. Rajesh Rathi-Chairman	Non Executive-Independent
Mr. S S Nabar	Non Executive-Independent
Mr. S Padmanabhan	Non Executive-Independent

(ii) Scope of Remuneration Committee:

The following matters are referred to the Remuneration Committee:

- Fixing the remuneration payable to the Directors;
- Determining the remuneration policy of the Company;
- Reviewing the performance of employees and their compensation; and
- To attend to any other responsibility as may be entrusted by the Board.

(iii) Directors' Remuneration:

- The Promoter Directors are not paid any sitting fee.
- The non-executive/independent directors are paid only sitting fees for attending Board/Committee meetings. The details of sitting fee paid to non executive directors during the year under review are as follows:

Name of Director	Sitting fee paid (Rs.)
Mr. S Padmanabhan	4,750
Mr. Rajesh Rathi	4,750
Mr. S S Nabar	2,750
Mr. B K Chopra	1,500
Mr. V D Dharm	1,500

(iv) Meetings and Attendance:

One meeting of members of remuneration committee was held on January 30, 2006.

Name of the Member	Meetings held	Meetings attended
Mr. Rajesh Rathi	1	1
Mr. S S Nabar	1	1
Mr. S Padmanabhan	1	1

(v) Stock Options:

The Company has not issued any stock options to its Directors.

3. Shareholders/Investors Grievance Committee:

(i) Composition: (As on 30th September, 2006)

Name of the Member	Category
Mr. Rajesh Rathi-Chairman	Non Executive - Independent
Mr. Pradeepkumar N Dhoot	Promoter Non Executive
Mr. S Padmanabhan	Non Executive-Independent

(ii) Scope of Shareholders/Investors grievance Committee:

The 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 Dematerialisation/Rematerialisation of shares

The Board has delegated the power of Share Transfer to Registrar & Share Transfer agents, who process the transfers. The Committee also looks after Redressal of Investors Grievances and performance of the Registrar and Transfer Agents of the Company.

The committee monitors violations of the code of conduct prescribed by the Company for prevention of insider trading.

(iii) Compliance Officer:

Mr. Mandar S. Nargund, Company Secretary is the Compliance Officer.

(iv) Share Transfer Details:

The number of Shares transferred during the year under review is given below:

Sr.	Particulars	Equity
a	Number of transfers	542
b	Average No of Transfers per month	45
c	Number of Shares Transferred	39,653

(v) Demat/Remat of Shares:

Details of Shares Dematerialised/Rematerialised during the year under review is given below:

- Number of Demat Transfers approved - 1,647
- Number of Sub-committee Meetings held - 31

c. Number of Shares Demated	- 142,027
d. Percentage of Shares Demated	- 0.02
e. Number of Remat requests approved	- 0
f. Number of Shares Remated	- 0

(vi) Details of complaints received and redressed during the year 2005 - 06:

Sr. No	Particulars	Received	Redressed	Pending as on 30.09.2006
1.	Non receipt of refund orders	Nil	Nil	Nil
2.	Non receipt of dividend/interest/redemption warrants	38	38	Nil
3.	Non receipt of share certificates	39	39	Nil
4.	Others	2	2	Nil
	Total	79	79	Nil

Note: Representatives of the company are in constant touch with MCS Limited, Registrar and Share Transfer Agents of the Company, and review periodically the outstanding complaints.

IV. GENERAL BODY MEETINGS

1) Details of location, time and date of last three Annual General Meetings (AGM s)

AGM	AGM Date	Location	Time	No of Special Resolution Passed
14 th AGM	31.03.2004	20 KM Stone, Aurangabad-Beed Road, Village Bhalgaon, Aurangabad - 431 210 (MS)	12.30 P.M	1
15 th AGM	31.03.2005	20 KM Stone, Aurangabad-Beed Road, Village Bhalgaon, Aurangabad - 431 210 (MS)	9.00 A.M	Nil
16 th AGM	31.03.2006	20 KM Stone, Aurangabad-Beed Road, Village Bhalgaon, Aurangabad - 431 210 (MS)	4.30 P.M.	Nil

2) Postal Ballot:

During the year under review no resolution(s) were transacted through Postal Ballot.

At the ensuing meeting there are no resolutions proposed to be put through postal ballot.

V. 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 the company at large.	There are no transactions, which may have potential conflicts with the interests of Company at large. Transactions with related parties are disclosed in Note No. 7(b) 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
c)	Whistle Blower Policy and affirmation that no personnel have been denied access to the audit committee.	The Company has implemented Whistle Blower Policy and no personnel have been denied access to the Audit Committee.
d)	Details of Compliance with mandatory requirements and adoption of the non mandatory requirements of this clause	The Company has complied with mandatory requirements and adopted the following non mandatory requirements: i) The Company has constituted a remuneration committee. ii) Whistle Blower Policy.

VII. Means of Communication

- (i) The Company regularly intimates its un-audited as well as audited financial results to the Stock Exchange, as soon as these are taken on record/approved. These financial results are published in Free Press Journal (English) and Navshakti (Marathi) dailies with wide circulation. The results are posted on www.videoconcommunications.com and Electronic Data Information Filing and Retrieval website namely www.sebidifir.nic.in. The same is also accessible through hyperlink "EDIFAR" from SEBI's official website, www.sebi.gov.in.

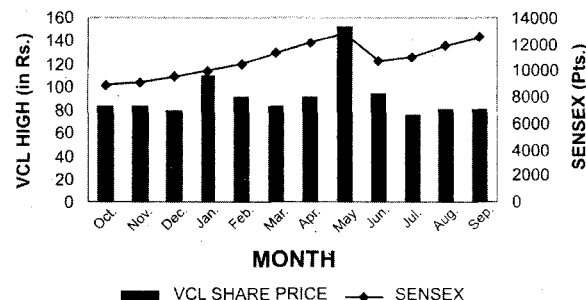
The official news releases and the presentations made from time to time to investors and financial analysts at investors' meets, if any, are also displayed on the Company's website. The results are not sent individually to the shareholders.

- (ii) Management Discussion and Analysis report forms part of the Report of the Directors

VIII. General Shareholder Information

1. Annual General Meeting	The 17 th Annual General Meeting will be held on March 30, 2007 at 4.30 p.m. at 20 KM Stone, Aurangabad-Beed Road, Village Bhalgaon, Aurangabad – 431 210 (MS)																																							
2. Financial Calendar	Financial Calendar for 2006-2007 Financial Year: October 1, 2006 - September 30, 2007 First Quarterly Result: On or before January 31, 2007 Second Quarterly Result : On or before April 30, 2007 Third Quarterly Result : On or before July 31, 2007 Fourth Quarterly Result: On or before October 31, 2007 Annual General Meeting for year ending September, 2007: On or before March 31, 2008.																																							
3. Date of Book Closure	March 17, 2007 to March 30, 2007 (both days inclusive)																																							
4. Dividend Payment Date	April 10, 2007 (Tentatively)																																							
5. Listing On Stock Exchanges	The equity shares of your Company are listed on: Bombay Stock Exchange Limited (BSE) 1 st Floor, New Trading Ring, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 Stock Code is: 517228 The company has paid Listing Fees for financial year 2006-2007. The share holders of the Company at their meeting held on 31.03.2004 have accorded approval for delisting of equity shares from The Madras Stock Exchange Limited, The Stock Exchange, Ahmedabad, Bangalore Stock Exchange Limited, The Calcutta Stock Exchange Association Limited, Pune Stock Exchange Limited, Delhi Stock Exchange Limited. The Company has complied the formalities for delisting.																																							
6. Market Price Data	Monthly High and Low prices at BSE are given below: (Amount in Rs.) <table><tr><th>Month</th><th>High</th><th>Low</th></tr><tr><td>October-05</td><td>81.85</td><td>57.25</td></tr><tr><td>November-05</td><td>82.95</td><td>65.15</td></tr><tr><td>December-05</td><td>78.80</td><td>68.05</td></tr><tr><td>January-06</td><td>109.75</td><td>70.80</td></tr><tr><td>February-06</td><td>90.85</td><td>77.50</td></tr><tr><td>March-06</td><td>83.00</td><td>71.00</td></tr><tr><td>April-06</td><td>91.00</td><td>67.00</td></tr><tr><td>May-06</td><td>151.75</td><td>85.00</td></tr><tr><td>June-06</td><td>93.00</td><td>56.00</td></tr><tr><td>July-06</td><td>75.50</td><td>58.10</td></tr><tr><td>August-06</td><td>79.90</td><td>65.30</td></tr><tr><td>September-06</td><td>79.90</td><td>71.00</td></tr></table>	Month	High	Low	October-05	81.85	57.25	November-05	82.95	65.15	December-05	78.80	68.05	January-06	109.75	70.80	February-06	90.85	77.50	March-06	83.00	71.00	April-06	91.00	67.00	May-06	151.75	85.00	June-06	93.00	56.00	July-06	75.50	58.10	August-06	79.90	65.30	September-06	79.90	71.00
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STOCK PRICE PERFORMANCE - VCL vs SENSEX





7. Registrar and Transfer Agents	M/s. MCS Limited Harmony, 1st Floor, Sector 1, Khanda, New Panvel (West)- 410 206, District - Raigad (Maharashtra) Ph : (022) - 5502 5235 Fax : (022) - 5502 5256
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 30.09.2006 is as given below:

Category of shareholder	Total no. of shares	Total shareholding as a % of total no. of shares	
		As a % of (A+B)	As a % of (A+B+C)
(A) Shareholding of Promoter and Promoter Group			
(1) Indian			
Individuals / Hindu Undivided Family	150		
Bodies Corporate	1,804,030	24.05	24.05
Sub Total	1,804,180	24.06	24.06
(2) Foreign			
Bodies Corporate	1,875,000	25	25
Sub Total	1,875,000	25	25
Total shareholding of Promoter and Promoter Group (A)	3,679,180	49.06	49.06
(B) Public Shareholding			
(1) Institutions			
Mutual Funds / UTI	2,600	0.03	0.03
Financial Institutions / Banks	1,625	0.02	0.02
Sub Total	4,225	0.06	0.06
(2) Non-Institutions			
Bodies Corporate	164,838	2.2	2.2
Individuals			
Individual shareholders holding nominal share capital up to Rs. 1 lakh	2,217,547	29.57	29.57
Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	1,434,210	19.12	19.12
Sub Total	3,816,595	50.89	50.89
Total Public shareholding (B)	3,820,820	50.94	50.94
Total (A)+(B)	7,500,000	100	100
(C) Shares held by Custodians and against which Depository Receipts have been issued			
Total (A)+(B)+(C)	7,500,000	-	100

b) Distribution of Shareholding as on 30.09.2006 is as given below:

Share Holding of Nominal Value of Rupees	Number of Shareholders	% to Total	No. of Shares	Amount (in Rs.)	% to Total
Up to 5,000	20,903	98.02	1,694,524	16,945,240.00	22.59
5,001 to 10,000	222	1.04	178,326	1,783,260.00	2.38
10,001 to 20,000	113	0.53	168,290	1,682,900.00	2.24
20,001 to 30,000	24	0.11	62,446	624,460.00	0.83
30,001 to 40,000	9	0.04	31,223	312,230.00	0.42
40,001 to 50,000	12	0.06	56,442	564,420.00	0.75
50,001 to 1,00,000	21	0.10	143,787	1,437,870.00	1.92
1,00,001 and above	22	0.10	5,164,962	51,649,620.00	68.87
Total	21,326	100.00	7,500,000	75,000,000	100.00

10. Dematerialization of Shares and liquidity:	The Securities and Exchange Board of India (SEBI), through a notification has made it mandatory that any delivery in the Company's shares against stock exchange trades shall be in demat form. As on 30.09.2006, 3,640,680 equity shares (representing 48.54% of the total number of shares) have been dematerialized.
11. Outstanding GDRs/ ADRs/ Warrants or Conversion Instruments, Conversion Date and like impact on equity (30.09.2006)	Nil
12. Plant locations	20 KM. Stone, Aurangabad- Beed Road, Village Bhalgaon, Dist. Aurangabad - 431 210 Maharashtra
13. Address for Correspondence	20 KM. Stone, Aurangabad- Beed Road, Village Bhalgaon, Dist. Aurangabad - 431 210 Maharashtra The correspondence address for shareholders in respect of their queries is: M/s. MCS Limited Harmony, 1st Floor, Sector 1, Khanda, New Panvel (West)- 410 206, District - Raigad (Maharashtra) Ph : (022) - 5502 5235 Fax : (022) - 5502 5256

DECLARATION

The Board has laid down a code of conduct for all Board Members and Senior Management of the Company which is posted on the Website of the Company. The Board Members and Senior Management have affirmed compliance with the code of conduct.

For VIDEOCON COMMUNICATIONS LIMITED

J.L. BANGAD

MANDAR S NARGUND

HEAD- OPERATIONS

COMPANY SECRETARY

CEO/CFO CERTIFICATION

We, Head-Operations and the Chief Financial Officer, certify to the Board that:

- The Financial Statements and the Cash Flow Statements for the year have been reviewed and to the best of our knowledge and belief are true and present a true & fair view of the Company's affairs.
- To the best of our knowledge and belief, no transactions entered are fraudulent, illegal or violate the Company's Code of Conduct.
- We accept the responsibility for establishing and maintaining internal controls, evaluate the effectiveness, disclosing the deficiencies to the Auditors & the Audit Committee and take steps or propose to take steps to rectify these deficiencies.
- We have indicated to the Auditors and the Audit Committee:
 - Significant changes in Internal Control processes during the year,
 - Significant changes in Accounting Policies; and
 - Instances of significant fraud of which they have become aware.

HEAD OPERATIONS

CHIEF FINANCIAL OFFICER

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.