

14th ANNUAL REPORT 2000-2001



VIDEOCON APPLIANCES LIMITED

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BOARD OF DIRECTORS

Venugopal N. Dhoot
Naveen B. Mandhana
Sanjeev K. Shelgikar
Avinash Malpani
S. Padmanabhan
Smt. Renuka Ramnath
S. K. Saha
A. K. Ahuja

Nominee of ICICI
Nominee of UTI
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

Indian Bank
Bank of India
Allahabad Bank
Punjab National Bank
HDFC Bank Ltd.
IndusInd Bank Ltd.
UTI Bank Ltd.
State Bank of Indore
Bank of Baroda
State Bank of Hyderabad
State Bank of Bikaner & Jaipur
The Federal Bank Ltd.
The Dhanalakshmi Bank Ltd.
UCO Bank

REGISTERED OFFICE & FACTORY

14 K.M. Stone, Taluka Paithan,
Chittegaon, Aurangabad (Maharashtra).

ADMINISTRATIVE OFFICE

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



VIDEOCON APPLIANCES LIMITED

NOTICE

NOTICE is hereby given that the Fourteenth Annual General Meeting of **VIDEOCON APPLIANCES LIMITED** will be held at the Registered Office of the Company at 14 K.M.Stone, Aurangabad-Paithan Road, Vill. Chitegaon, Aurangabad, on Saturday the 29th day of September, 2001 at 2.00 p.m. to transact the following business :

ORDINARY BUSINESS :

1. To consider and adopt the Profit and Loss Account for the year ended on 31.03.2001 and the Balance Sheet as on that date and the Report of the Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in the place of Shri Pradipkumar N. Dhoot who retires at this meeting and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Shri S. Padmanabhan who retires at this meeting and being eligible, offers himself for reappointment.
5. To appoint Auditors to hold office from conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

6. To consider and if thought fit, to pass with or without modifications, the following Resolution as a Special Resolution :
"RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act and the subject to the approval of financial

institutions and other appropriate authorities, wherever required, the Board of Directors of the Company be and is hereby authorised to give guarantee and/or provide any security in connection with any loans, either in Rupee or in any other foreign currency, made to other bodies corporate by any Banks/Financial institution/bodies corporate and/or any other person, situated within or outside the country, so however that the aggregate amount of such security and guarantee outstanding at any particular point of time shall not exceed Sixty Per cent of the Paid-up capital and Free Reserves or One Hundred Per cent of the Free Reserves whichever is greater as on the date of giving the Guarantee/Security."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to finalise the terms and conditions subject to which the said security and/or guarantee shall be provided."

By the order of the Board of Directors

Place : Ahmednagar
Date : August 27, 2001

V.N. Dhoot
Director

Registered Office :
14 K.M.Stone,
Aurangabad-Paithan Road
Vill. Chitegaon
Aurangabad.

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NOTES :

1. Explanatory Statement pursuant to Section 173(2) is enclosed and forms part of this notice.
2. 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.
3. The Register of Members and Share Transfer Books of the Company will remain closed from September 12, 2001 to September 29, 2001 (both days inclusive).
4. Dividend, if declared at the meeting, will be paid to those members whose names appear in the Register of Members of the Company as on September 29, 2001.
5. The members are requested to :
 - a) Intimate to the Company changes, if any, in their Registered Addresses at an early date.
 - b) Quote Ledger Folio numbers in all the correspondence.
 - c) Bring the Copy of the Annual Report and Attendance Slip with them to the Annual General Meeting.

EXPLANATORY STATEMENT

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

Item No. 6 :

As a general policy, the company, in the normal course of its business, may provide guarantee and/or security in connection with the loans made to any other bodies corporate by the banks and financial institutions, which in the opinion of the Board, are, directly or indirectly, beneficial to and are in the interest of the company.

Since the securities/guarantees are provided as and when the approvals for financial assistance are received from the lender(s) it may not be feasible for the company to convene a General Body Meeting of the members every time when the guarantee/security is to be provided, since the procedure is very expensive and time consuming.

Hence, as per the provision of Section 372A of the Companies Act, 1956 approval of the members is sought for fixing a ceiling upto which security/guarantee may be provided by the Board of Directors of the company and said resolution is submitted for the approval of the members.

None of the Directors of the Company is, in any way concerned or interested in this resolution.

By the order of the Board of Directors

Place : Ahmednagar
Date : August 27, 2001

V.N. Dhoot
Director

Registered Office :
14 K.M.Stone,
Aurangabad-Paithan Road
Vill. Chitegaon
Aurangabad.

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VIDEOCON APPLIANCES LIMITED

DIRECTORS' REPORT

To
The Shareholders of
VIDEOCON APPLIANCES LIMITED

The Board of Directors of Videocon Appliances Limited have pleasure in placing before the shareholders the 14th Annual Report together with the Audited Accounts for the year ended March 31, 2001.

FINANCIAL RESULTS

	(Rs. in Million)	
	2000-01	1999-00
Sales and Other Income	9,521	8,801
Profit before Interest, Tax and Depreciation	1,573	1,584
Interest	726	746
Depreciation	478	482
Profit before tax	369	356
Provision for Taxation	21	7
Profit after tax	348	349
Available for Appropriation	678	665
Proposed Dividend		
Equity	17	17
Preference	16	6
Corporate Tax on Proposed Dividend	3	5
Transferred to General Reserve	300	250
Carried to Balance Sheet	342	213

PERFORMANCE HIGHLIGHTS

The consumer goods industry faced an intense competition due to liberalisation and entry of multinationals. In spite of that your Company showed an overall performance during the year under consideration and achieved a turnover of Rs. 9,521 Million as against Rs. 8,801 Million for the previous year representing a growth of 8.18% over the previous year. The net profit after tax was Rs. 348 Million.

DIVIDEND

Your Directors are pleased to recommend a dividend of Re. 0.50 per equity share for the consideration and declaration by the members at the ensuing Annual General Meeting. The equity dividend amount of Rs.16.59 Million would be paid out of the profits for the year, if approved by the shareholders at the Annual General Meeting. The dividend is free of tax in the hands of the shareholders and the Company will be paying Rs. 1.69 Million towards Corporate Tax on this Dividend.

CONSERVATION OF ENERGY

The Company is making all round efforts for the conservation of energy and reduction of consumption of electrical energy by improved house-keeping, monitoring the use of solar lights and equipments, improvement of power factor, energy efficient lighting, etc. More emphasis has been on best possible production planning which optimises the use of energy without affecting the productivity. The measures taken by your Company have resulted in substantial saving in the cost of production.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year under consideration your Company earned foreign exchange of Rs. 2.36 Million. The total foreign exchange outgo during the year was Rs.1,068 Million towards import of raw materials, Components, Spares, Capital Goods, Investments, Dividend and other expenditure.

FIXED DEPOSITS

Your Company has not accepted any deposits from the Public.

RESEARCH AND DEVELOPMENT AND TECHNOLOGY ABSORPTION

Keeping in view tomorrow's technology and market trends, your Company continues to give utmost importance to the R & D activities with a well-equipped research and development team, which always strives better to work on development of the products best suited to the needs of the customers.

1) Specific area in which R & D carried out by the Company

The Company has carried out R & D in the Washing machine section, with the aim of improving washability, Reduction in consumption of detergents, Energy Saving, Reduction in cost per wash and Extension of life of cloths and to achieve the above, work was carried out in the following areas:

- 1) Bubble Wash Technology
- 2) Fuzzy controls
- 3) Neuro Fuzzy controls
- 4) Agitator wash system
- 5) Multi cascade and
- 6) Dual Voltage.

The Company has also carried out Research and Development in Refrigerator and Air-Conditioner segments in the following areas:

- a) Usage of Non CFC Refrigerant in Refrigerators.
- b) Usage of Non CFC blowing agent in the insulation of refrigerators.
- c) Designing of Compressor with oil cooler parts.
- d) Modification of Thermostat temperature settings to reduce the number of cycles per hour thereby increasing the off time of the compressor.
- e) Introduction of transparent accessories to enhance the Aesthetics.

2) Benefits derived as a result of the above R & D

The Research & Development carried out by the Company yielded good results and the Company has made developments in the existing models and introduced various new models of Washing Machines, Refrigerators and Air-Conditioners with more features as given below:

- a) Washing Machines with the FUZZY logic controls.
- b) Washing Machines with NEURO FUZZY technology.
- c) Washing Machines with agitator technology and Multi Cascade technology.
- d) Refrigerator PU Foam operation successfully converted to Non CFC (Cyclopentane) without affecting the performance.
- e) Non CFC Refrigerant change over to R134-A is decided and work is going on for the implementation of this.
- f) Improved performance with the reduction in compressor failure rate; and
- g) All the new models developed are implemented in production and commercialized successfully.

3) Future plan of action

The future plan of action would be to work out on the following technologies

- a) BLDC motor for fully automatic washing machines.
- b) Automatic detergent dispenser.
- c) Spin/rinse tube in spin tub
- d) Detergent free washing machine.
- e) R134-A implementation for all refrigerators.
- f) Direct cool and frost free models.
- g) 50 Litres model refrigerator development.

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- h) Development of LED Displays, Thermostat Control from outside the Refrigerator, Digital Clock, etc.

Technology absorption, adaptation and innovation

- 1) Efforts are being made towards technology absorption, adaptation and innovation of.
 - New technology for manufacturing of various models with added features.
 - Upgradation of technology to increase yields and improve the product quality.
 - Development of various products and models to suit all classes of people of different income groups.
 - Development of Air-Conditioners with same features at affordable prices.
- 2) The efforts made by the Company in the areas of technology adaptation and innovation has helped the company in the
 - Launching of new models;
 - Product improvement by adding new provisions;
 - Product development;
 - Import substitution resulting in foreign exchange saving for the nation.
- 3) The Company has imported Designs and Drawings and the same are fully absorbed.

HUMAN RESOURCES MANAGEMENT

The Company continued its efforts towards the overall development of its human capital by training employees in various strategic areas. The main focus of training activities had been to orient the employees to effectively face the new and emerging challenges emanating from the competitive environment and liberalization in the consumer goods sector.

INDUSTRIAL RELATIONS

Relations with the staff members and the workforce continued to be cordial and satisfactory during the year under consideration.

DEPOSITORY SYSTEM

The Securities and Exchange Board of India (SEBI), through a notification have made it compulsory that any delivery in your Company's shares against stock exchange trades became compulsory in demat format. As on 31.03.2001, 34.13% of the outstanding shareholding have been dematerialised.

PARTICULARS OF EMPLOYEES

Particulars as required under Section 217(2A) of the Companies Act, read with the Companies (Particulars of Employees) Rules, 1975 in respect of employees of the Company is set out in the Annexure to this Report.

CORPORATE GOVERNANCE

The development of capital market is always dependent on good Corporate Governance and hence there is a need for setting up of high standards of Corporate Governance. The concept of Corporate Governance mainly deals with the accountability of the management of the Company towards the shareholders as well as other outside agencies. In order to establish better corporate governance the accounting systems maintained by the Company are being made more transparent with better internal control systems.

Though the code of Corporate Governance introduced by the Securities and Exchange Board of India is required to be implemented in terms of the Listing agreement with the Stock Exchanges within the financial year 2001-02, your Company has already taken initiatives to comply with the substantial portion of the Code from now onwards.

AUDIT COMMITTEE

An Audit Committee of the Board has been constituted under the Chairmanship of Mr. Avinash Malpani, the other members of the Committee being Mr. Pradipkumar N. Dhoot and Mr. Naveen B. Mandhana, to look into the various accounting and other related aspects.

AUDITORS' REPORT

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

DIRECTORS

Shri Pradipkumar N. Dhoot and Shri S. Padmanabhan retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) read with Section 292A of the Companies Act, 1956, we, the Directors of Videcon Appliances Limited, state in respect of Financial Year 2000-01 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 judgements 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;
- e) the Board has constituted an Audit Committee comprising of three 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;
- f) 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;
- g) 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
- h) 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.



VIDEOCON APPLIANCES LIMITED

CASH FLOW STATEMENT

Cash Flow Statement for the year 2000-01 is attached to the Balance Sheet.

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

Place : Ahmednagar
Date : August 27, 2001

V.N. DHOOT
Director

ANNEXURE TO DIRECTORS' REPORT

STATEMENT OF PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS OF SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 2001.

Name of the Employee	Designation/ Nature of Duties	Remuneration Rs.	Qualifications	Age	Experience	Date of Commencement of Employment	Last Employment	
							Name of the Employer	Position Held
1. Shri C. P. Jaggi *	Director	3,874,948	B. E. (Hons.)	57 years	36 years	01.01.1992	LML Ltd.	General Manager

a) Remuneration includes Basic Salary, Ex-Gratia, H.R.A., L.T.A., Mktg. Allowance, C.C.A., Contribution to Provident Fund, Gratuity.

b) The employee is in wholetime employment of the Company and the employment is contractual in nature.

c) None of the employees listed above is a relative of any Director of the Company.

* Part of the year

By Order of the Board of Directors

Place : Ahmednagar
Date : August 27, 2001

V. N. DHOOT
Director

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AUDITORS' REPORT

To The Members of
Videocon Appliances Limited

We have audited the attached Balance Sheet of **VIDEOCON APPLIANCES LTD.**, as at 31st March, 2001 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that :

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, and on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of the audit, we annex hereto a Statement on the matters specified in Paragraphs 4 and 5 of the said Order.
2. Further to our comments in Annexure referred to in paragraph 1 above, we report that :
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper Books of Account as required by law have been kept by the Company so far as appears from our examination of the Books of the Company;
 - c) The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the Books of Account of the Company;
 - d) In our opinion, the Profit and Loss Account and Balance Sheet comply with the mandatory Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
 - e) According to the information and explanations given to us and on the basis of written representation from

the Directors of the Company, taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2001 from being appointed as a Director under Section 274(1)(g) of the Companies Act, 1956.

- 1) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, *subject to Note B-9, Schedule 14 regarding accounting for royalty and technical know-how fees on payment basis on receipt of RBI approval* and read with the other notes and the accounting policies thereon, give the information required by the Companies Act, 1956 in the manner so required and present a true and fair view :
 - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2001; and
 - (ii) In the case of the Profit and Loss Account, of the Profit for the year ended on that date.

For and on behalf of

KADAM & CO.
Chartered Accountants

U. S. KADAM
Proprietor

KHANDELWAL JAIN & CO.
Chartered Accountants

MANOJ DAGA
Partner

Place : Ahmednagar
Date : August 27, 2001

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