



VIDEOCON



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VIDEOCON APPLIANCES LIMITED

15th Annual Report 2001-2002

VIDEOCON APPLIANCE**BOARD OF DIRECTORS**

Venugopal N. Dhoot
 Pradeepkumar N. Dhoot
 Naveen B. Mandhana
 Avinash Malpani
 S. Padmanabhan
 A. K. Ahuja

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, Kothrud
 Near Badve Petrol Pump, Ahmednagar - 414 001

SOLICITORS

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

BANKERS

Indian Bank
 Allahabad Bank
 Bank of Baroda
 Bank of India
 Indust Ind Bank Ltd.
 Lord Krishna Bank Ltd.
 Punjab National Bank
 State Bank of Bikaner & Jaipur
 State Bank of Hyderabad
 State Bank of Indore
 The Dhanalakshmi Bank Ltd.
 The Federal Bank Ltd.
 UCO Bank
 UTI Bank Ltd.

REGISTERED OFFICE & FACTORY

14 Km. Stone,
 Aurangabad - Pathan Road,
 Village Chiklegachn,
 Taluka Pathan,
 Dist-Aurangabad, (Maharashtra)

ADMINISTRATIVE OFFICE

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

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NOTICE

Notice is hereby given that the Fifteenth Annual General Meeting of **VIDEOCON APPLIANCES LIMITED** will be held on Thursday, the 27th day of March, 2003 at 11:00 A.M. at the Registered Office of the Company at 14 Km Stone, Aurangabad-Paithan Road, Village Chittegaon, Taluka Paithan, Aurangabad- 431105, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at September 30th, 2002 and the Profit and Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To declare dividend on equity shares
3. To appoint a director in the place of Shri Avinash Malpani, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in the place of Shri Naveen B Mandhana, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT pursuant to the provisions of Sections 16, 94 and other applicable provisions, if any, of the Companies Act, 1956, the Authorised Capital of the Company be and is hereby increased from Rs.1,300,000,000/- (Rupees One Hundred Thirty Crores only) divided into 55,000,000 (Five Crores and Fifty Lakhs) Equity shares of Rs.10/- each and 7,500,000 (Seventy Five Lakhs) preference shares of Rs.100/- each to Rs. 1,600,000,000/- (Rupees One Hundred and Sixty Crores only) by creating 30,00,000 (Three Crores) Equity Shares of Rs.10/- (Rupees Ten only) each and Clause V of Memorandum of Association of the Company be altered accordingly to read as under:

"V. The authorised capital of the Company is Rs.1,600,000,000/- (Rupees One Hundred Sixty Crores only) divided into 85,000,000 (Eight Crores and Fifty Lakhs) equity shares of Rs.10/- (Rupees Ten only) each and 7,500,000 (Seventy Five Lakhs) Preference shares of Rs.100/- (Rupees One Hundred only) each. The company has power from time to time to increase, or reduce its capital and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or other special rights, privileges, conditions or restrictions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify or abrogate any such rights, privileges or conditions or restrictions in such manner as may for the time being be permitted by the Articles of Association of the Company or the legislative provisions for the time being in the force in this behalf."

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

"RESOLVED THAT pursuant to the provisions of Section 81 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the provisions of the Memorandum and Articles of Association of the Company and subject also to any approval, consent, permission and or sanction of the Government of India, Reserve Bank of India and any other appropriate authorities, institutions

or bodies, the Board of Directors (hereinafter referred to as "the Board") be and is hereby authorised to issue and allot, on behalf of the Company, through prospectus, Offer Letter or Circular and/or on Private Placement Basis or on Preferential Basis or on Rights Basis, Equity Shares of face value of Rs.10/- (Rupees Ten only) each for an aggregate value not exceeding Rs.100 Crores (Rupees One Hundred Crores Only), inclusive of such premium as may be fixed on the said Securities to such of the institutions, banks, bodies corporate (including companies), trust, mutual fund, local bodies, existing shareholders and/or any other person as the Board may desire in this behalf, whether or not such investor is a member of the Company and such issue/allotment shall be made at such time, price, manner and on such terms and conditions as the Board may, in its discretion deem fit and appropriate at the time of issue/allotment."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution the Board of Directors of the Company be and is hereby authorised to do all acts, deeds and things and to take all steps and give such directions as may be necessary and to settle all questions or difficulties that may arise in such manner as the Board in its absolute discretion may deem fit."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors or Managing Director or Director(s) or any other Officer(s) of the Company to give effect to the aforesaid Resolution."

For and on behalf of the Board of Directors

Place: Ahmednagar
Date: February 14, 2003

V. N. Dhoot
Director

REGISTERED OFFICE

14 Km. Stone,
Aurangabad Paithan Road,
Village - Chittegaon,
Taluka Paithan,
Aurangabad, Maharashtra

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 A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. The Register of Members and Share Transfer Books of the Company will remain closed from March 14, 2003 to March 27, 2003 (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 March 27, 2003.

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5. Mr. Avinash Malpani and Mr. Naveen B Mandhana retires by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. Mr. Avinash Malpani is on the Board of the Company since 1996 and Mr. Naveen Mandhana is on the Board of the Company since 1988.
6. The members are requested to:
 - a) Intimate to the Company/ their Depository Participant changes, if any, in their Registered Addresses at an early date.
 - b) Quote Ledger Folio/ Client ID numbers in all the correspondence.
 - c) Bring the Copy of the Annual Report and Attendance Slip with them to the Annual General Meeting.
7. Unpaid Dividend for the financial year 1994-1995 had been transferred to Investor Education and Protection Fund. Pursuant to the provisions contained in Section 205A of the Companies Act, 1956, as amended the dividend remaining unclaimed for a period of seven years from the date(s) that 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 1995-1996 onwards, are requested to encash the same after due revalidation by Registrar & Transfer Agents. No claim shall lie against the Investor Education and Protection Fund or against the Company upon transfer of unclaimed/ unencashed amounts to the Investors' Education and Protection Fund.
8. As per the provisions of the Income-Tax Act, 1961 as amended by the Finance Act, 2002, tax shall be deducted at source if the gross dividend payable to Resident Individual Shareholder exceeds Rs.1000/-. Such tax shall not be deducted if the shareholder(s) furnish declaration in Form 15G, in duplicate, if applicable, to the Registrar and Transfer Agents on or before 15th March, 2003. Please note that it would not be possible for the Company to act upon 15G declarations received thereafter.
9. The company consequent upon the introduction of the Depository System (DS), entered into agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Members, therefore, now have the option of holding and dealing in the shares of the Company in electronic form through NSDL or CDSL.

EXPLANATORY STATEMENT

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

Item No.6:

The overall increase in the volume of activities of the Company has resulted in significant increase in the working capital requirements of the company. In order to sustain the growth, the company will have to support the activities with adequate amount of working capital from time to time.

The company, therefore, as a prudent policy, proposes to strengthen its equity base to take care of the incremental working capital requirements.

The aforesaid proposed change will necessitate amendments to the Capital Clause of the Memorandum of Association of the Company.

Pursuant to Section 16 of the Companies Act, 1956 read with Section 94 of the said Act, the above said amendments should be approved by the General Body by way of an Ordinary Resolution. Your Directors recommend the proposed resolution giving effect to the above amendments for your approval.

None of the Directors of the Company is interested in the proposed resolution.

Item No.7:

It is proposed to increase the authorised capital of the Company from Rs.130 Crores to Rs.160 Crores. The proposed change will take care of the incremental working capital requirements.

Under Section 81(1) of the Companies Act, 1956, in the event of a Public Company proposing to increase its subscribed capital by the allotment of further shares in the circumstances specified therein, it is required to offer such further shares to its existing equity shareholders in the proportion of their respective equity shareholdings in the Company. However as per the provisions of Section 81(1) the further issue of shares to existing members does not require the approval of shareholders at the general body meeting.

Pursuant to Section 81(1)(a) of the Act a Public Company may offer its shares in any manner whatsoever to persons other than those mentioned in Section 81(1) if a special resolution to that effect is passed by it in general meeting.

The Board seeks the consent of the members authorising the Board to issue further equity shares to the existing shareholders or persons other than the existing shareholders at such time, price, manner and on such terms and conditions as the Board may, in its discretion deem fit and appropriate at the time of issue/allotment. Detailed terms and conditions including the issue price, premium etc., will be determined by the Board of Directors of the Company in consultation with the Lead Managers/ Advisors/ Consultants and/or depending upon the then prevailing market conditions.

This special resolution is being recommended to authorise the Board to issue equity shares on preferential basis or through prospectus or through letter of offer either on private placement basis, preferential basis, Public or Rights basis.

The Directors of the Company may be deemed to be interested in the Resolution to the extent of allotment, if any, to be made to them, their relatives and to the companies in which they are interested.

For and on behalf of the Board of Directors

Place: Ahmednagar
Date : February 14, 2003

V. N. Dhoot
Director

REGISTERED OFFICE

14 Km. Stone,
Aurangabad Paithan Road,
Village - Chittegaon,
Taluka Paithan,
Aurangabad, Maharashtra

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 15th Annual Report together with the Audited Accounts for the financial year ended September 30, 2002.

FINANCIAL RESULTS

(Rs. in Million)

	For the period ended 30.09.2002	For the year ended 31.03.2001
Net Sales	14,032	9,015
Other Income	21	15
Profit before Interest Tax and Depreciation	2,527	1,573
Interest	981	726
Depreciation	988	478
Profit before Tax	558	369
Provision for Taxation	119	21
Profit after Tax	440	348
Proposed Dividend:		
- Equity	17	17
- Preference	4	16
Corporate Tax on Proposed Dividend	Nil	3
Transferred to General Reserve	500	300
Carried to Balance Sheet	186	342

PERFORMANCE HIGHLIGHTS

During the period of 18 months under review, the Net sales achieved by your company amounted to Rs. 14,032 Million as against Rs. 9,015 Million for the previous year. The net profit after tax was Rs. 440 Million as against Rs. 348 Million for the previous year.

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. 16.59 Million, if approved by the shareholders at the ensuing Annual General Meeting, would be paid out of the profits for the year. The dividend on Equity Shares is subject to deduction of applicable Income Tax at source as per provisions of Finance Act, 2002.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year Foreign Exchange earnings amount to Rs. NIL. The total foreign exchange outgo during the year was Rs. 803 million towards import of raw materials, Components, Spares, Capital Goods and other expenditure.

CONSERVATION OF ENERGY

As a part of the constant efforts to conserve energy and natural resources your company has taken various steps to reduce consumption of power, fuel, oil, water and other energy sources by way of the followings:-

1. Improved House- Keeping
2. Improvement of power factor
3. Emphasis on non-conventional energy sources
4. Close monitoring of unitwise energy consumption and reduction in energy consumption by avoiding wastage, optimizing horse power of motors, etc
5. A team has been set up to study the possibilities of use of various methods by which the Company optimizes the use of energy without effecting the productivity. The main task of the team is to study the use of energy from different angles such as cost benefit analysis, impact on productivity etc., various alternate proposals in this direction.
6. Creating overall awareness to avoid wastage of water and close monitoring and controlled distribution of water.

RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

The R & D activities are carried on in the in-house R & D Centre. Your company continued to give utmost importance to the R & D activities. Your company has a well-equipped research and development team, which always strives better to introduce the products that will have overwhelming response from the market.

1. Specific areas in which R&D carried out by the company.

The company has carried out Research and Development in the following areas:

- Design of Technologically upgraded Washing Machines inline with the new trends.
- Also competitive design efforts have been put to improve the cosmetic design and render a new outlook to the products.
- Neuro Fuzzy logic machines
- Pulsator Watch
- Bubble Wash Technology

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

Following are the benefits derived as a result of the Research and Development carried out:

- The products are of better quality, better features and improved reliability.
- Productivity has increased.
- Number of components per set is reduced.
- Indigenous development of designs and products at par with Multinational Companies that has resulted in reduction of dependency level on foreign companies.

3. Future plan of action

The objective of the Research and Development in the coming days is to achieve development in the following areas:

- More Automated products
- New Models and varieties of washing machines with advanced features.

Efforts, in brief, made towards technology absorption, adaptation and innovation:

The pioneering efforts made by the Company towards development of new technology enabled it to launch Washing machines of different quality such as Semi Automatic with Unique Bubble wash Technology for Superior Wash Quality, Tangle free wash, Pulsator Wash, Fuzzy Logic.

FIXED DEPOSITS

Your company has not accepted any deposits from the Public.

MATERIAL CHANGES AND COMMITMENTS

There are no material changes and commitment, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the balance-sheet relates and the date of the report.

INFORMATION TECHNOLOGY

Your company has continued to make the IT investments in various strategic areas to improve operational efficiencies and leverage quality information to enhance decision effectiveness.

The SAP is under implementation at factories and branches.

HEALTH, SAFETY AND ENVIRONMENT

Your company recognises its role in health and safety, as well as its responsibility towards environment and society. Safety and environmental control continues to be on top priority and the company is continuously upgrading its capability to meet with required stringent conditions to maintain safeguards.

HUMAN RESOURCES MANAGEMENT

The Company continues to focus on training its employees on a continuing basis, both on the job and through training programmes conducted by internal and external experts.

INDUSTRIAL RELATIONS

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

APPOINTMENT/REAPPOINTMENT OF DIRECTORS

Mr. Avinash Malpani and Mr. Naveen B Mandhana retire by rotation at the Annual General Meeting and being eligible, offer themselves for reappointment.

During the year Mrs. Renuka Ramnath was withdrawn from the Board by ICICI Bank Ltd., Mr. Mathew Sabastian was nominated in Place of Mr. S K Saha and Mr. P V Narsimhan was nominated in the place of Mr. Mathew Sabastian. The board places on record its sincere appreciation to the Nominee Director for the valuable guidance received during their respective tenure.

VIDEOCON APPLIANCES LIMITED**DIRECTORS' RESPONSIBILITY STATEMENT**

In terms of Section 217(2AA) of the Companies Act, 1956, we, the Directors of VIDEOCON APPLIANCES LIMITED, state in respect of Financial Year 2001-02 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;

PARTICULARS OF EMPLOYEES

There are no employees drawing remuneration within the monetary ceiling prescribed under Section 217(2A) of the Companies Act, 1956, as amended upto date.

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.

CASH FLOW STATEMENT

In conformity with the provisions of Clause 32 of the listing agreement with Stock Exchanges, the cash flow statement for the year 2001-02 is annexed hereto.

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.

COMPLIANCE CERTIFICATE

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.

ACKNOWLEDGEMENTS

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

V.N.DHOOT
Director

Place : Ahmednagar
Date : February 14, 2003

CORPORATE GOVERNANCE

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

The Corporate Excellence is always achieved only through a good corporate governance practice. Time and again it is proved that transparency, accountability and integrity form the cornerstone of effective governance. Corporate Governance is a phenomenon that stipulates parameters of accountability, control and reporting functions of the Board of Directors and encompasses the relationship among various participants in determining the direction and performance of the corporation. It also calls for establishing a proper and viable relationship amongst the various participants of a corporation, i.e., the Board, management team and other stakeholders.

In recent years, there have been perceptible changes in the corporate ownership on account of exponential growth of capital market activities and active monitoring of corporate activities by financial institutions. It was that growing need that brought Corporate Governance into focus.

The concept of Corporate Governance hinges on total transparency, integrity and accountability of the management team. It is a system of making management accountable to the shareholders for effective management of the companies, in the interests of the company and also with adequate concern for ethics and values. Corporate Governance recognizes issues like maintaining continuity by succession planning, identifying opportunities and allocation of resources towards the right priority.

For those who value Corporate Governance it is the mark of an era, where the Corporate Governance has been made mandatory through Clause 49 of the Listing Agreement. 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. Corporate Governance is considered as an important tool for shareholder protection and maximization of their long-term values. The cardinal principles such as accountability, responsibility, transparency and fair disclosure serve as the means for achieving this.

Company's Philosophy on Code of Governance:

The Company has always given importance to the building up of the confidence of investors and thereby increasing the shareholder value. The Company is dedicated to the principle of creating wealth and adding value for all its stakeholders, ever since there has been a shift in the management's approach to enhancing shareholder value.

The company is committed to the concept of Differentiation, loyalty, higher market share, stronger selling price and lower costs that results in higher earnings per share and increased shareholder value. To ensure the success, the Company offers global quality products backed by expert technical advice and services.

The Company always upheld the rights of the shareholders to the information on performance of the company. Hence the company has started giving more emphasis to the system corporate accounting and disclosure practices that -

- Shows properly the company's going concern value or net assets value.
- Assist the capital market analysts and credit rating agencies in doing objective assessment of corporate strength and potentialities.
- Improve the quality of financial statements published and financial disclosure practices adopted by corporate.
- Provide a unique opportunity for various company departments - marketing, finance, production, administration etc., to put their heads together in appraising the attributes and costs involved and values derived.
- Depict the sound capital structure and improved capital-gearing ratio.

Board of Directors:

The Board of VIDEOCON APPLIANCES LIMITED has eminent people from different fields such as marketing, finance, and technical on its Board.

The Board has strength of 6 Directors including a nominee director of IFCI Ltd., nominated in the capacity as lenders. The Board comprises of a majority of Independent/Non-Executive Directors with a balanced mix of Finance, Technical and Management skills.

The Board of the Company meets frequently at regular intervals for planning, assessing, and evaluating all important businesses. The Board has constituted an Audit Committee, Share Transfer Committee, Remuneration Committee.

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

Sl. No.	Name of Director	Category	Whether attended AGM held on 29.9.2001	Attendance in Board Meetings		Other Board		
				Held	Attended	Directorship	Committee Chairmanship	Committee Membership
1	Mr.Venugopal N Dhoot	Promoter Executive	Yes	13	13	14	1	4
2	Pradeepkumar N Dhoot	Promoter Non-Executive	No	13	13	14	0	4
3	Mr.Naveen B Mandhana	Independent Non-Executive	No	13	10	2	0	2
4	Mr.Sanjeev K Shelgikar*	Independent Non-Executive	No	7	0	0	0	0
5	Mr.Avinash Malpani	Independent Non-Executive	No	13	8	1	0	2
6	Mr.S Padmanabhan	Independent Non-Executive	No	13	5	10	2	6
7	Smt Renuka Ramnath (Nominee)	Independent Non-Executive	No	13	0	0	0	0
8	Mr. A K Ahuja (Nominee)	Independent Non-Executive	No	13	1	3	0	0
9	Mr.S K Saha (Nominee)	Independent Non-Executive	No	10	2	0	0	0
	Mr. Mathew Sabestian (Nominee)	Independent Non-Executive	No	2	0	0	0	0
	Mr. P V Narasimhan (Nominee)	Independent Non-Executive	No	2	0	0	0	0

- Mr.Sanjeev K Shelgikar resigned from the Board and his resignation was considered on 16.01.2002
 - Smt. Renuka Ramnath was withdrawn from board by ICICI
 - Mr. S K Saha was withdrawn from the Board by UTI
 - Mr. Mathew Sabestian was appointed in place of Mr. S K Saha and was subsequently withdrawn by UTI.
 - Mr. P V Narasimhan was appointed in place of Mr. Mathew Sebastian and was subsequently withdrawn from Board of UTI.
- b) 13 Board Meetings were held during the year 2001 – 2002 on the following dates : 23/04/2001, 30/04/2001, 19/07/2001, 31/07/2001, 27/08/2001, 01/10/2001, 31/10/2001, 16/01/2002, 31/01/2002, 22/02/2002, 30/04/2002, 27/07/2002, 19/08/2002
- c) The Company did not have any pecuniary relationship or transaction with Non-Executive Directors during year 2001-2002.

Audit Committee

As per the requirement of Part II of Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956 the Company has formed an Audit Committee under the Chairmanship of Mr. Avinash Malpani, the other members of the Committee being Mr.P. N. Dhoot and Mr. Naveen B. Mandhana.

The following areas are referred to the Audit Committee:

- a) 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.
- b) Recommending the appointment of external auditor, fixation of audit fee and also approval for payment for any other services.
- c) 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.
- d) Reviewing with the management, external and internal auditors, and adequacy of internal control systems.
- e) 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.
- f) Discussion with internal auditors any significant findings and follow up there on.
- g) 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.
- h) 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.

- i) Reviewing the company's financial and risk management policies.
- j) 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:

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

During the financial year under consideration, Four meetings of the Committee were held on 27.08.2001, 31.10.2001, 30.04.2002 and 26.07.2002. The meetings were attended by Mr.Avinash Malpani, Mr.Naveen B Mandhana, Mr.S Padmanabhan and the Auditors 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.

J) Shareholders' Committee

A Sub-committee of the Board of directors of the Company consisting of Mr. Avinash Malpani (Chairman of the Committee), Mr.Naveen B. Mandhana and Mr.P. N. Dhoot has been constituted to administer the following activities:

- a. Transfer of Shares
- b. Transmission of shares
- c. Issue of Duplicate Share Certificates
- d. Change of Status
- e. Change of Name
- f. Transposition of Shares
- g. Sub-division of Shares
- h. Consolidation of Folios
- i. Shareholders requests for Dematerialisation of shares
- j. Shareholders requests for Rematerialisation of shares

The Board has delegated the power of Share Transfer to Registrar & Share Transfer agents, who process the transfers.

Compliance Officer

Mr. Sunil Kumar Vaya, Company Secretary is the Compliance Officer.

Share Transfer Details

The number of Shares transferred during the last financial year is given below:

	Equity
a Number of transfers	3700
b Average No of Transfer per month	206
c Number of Shares Transferred	413491