

## 16TH ANNUAL REPORT 2000-2001



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**VIDEOCON INTERNATIONAL LIMITED**

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**BOARD OF DIRECTORS**

Venugopal N. Dhoot  
 Vishnukumar Rathi  
 Lalchand Lalwani  
 Hariprasad Maipani  
 Raghunathdas Somani  
 Naveen B. Mandhana  
 S. Padmanabhan  
 K. M. Jaya Rao  
 R. S. Agarwal

*Chairman & Managing Director*

*Nominee of ICICI*

*Nominee of IDBI*

**AUDITORS****Khandelwal Jain & Co.**

*Chartered Accountants*

12 - B, Baldota Bhavan  
 117, Maharshi Karve Road,  
 Opp. Churchgate Railway Station, Mumbai - 400 020

**Kadam & Co.**

*Chartered Accountants*

Ahmednagar College Road, Kothi,  
 Near Badve Petrol Pump, Ahmednagar - 414 001

**SOLICITORS****M/s. Mulla & Mulla & Cragie & Blunt & Caroe****M/s. Kamal & Co.****BANKERS**

State Bank of India  
 Bank of India  
 Bank of Baroda  
 Allahabad Bank  
 Union Bank of India  
 State Bank of Mysore  
 Indian Bank  
 State Bank of Hyderabad  
 State Bank of Patiala  
 State Bank of Indore  
 Bank of Maharashtra  
 Indian Overseas Bank  
 ICICI Bank Ltd.  
 SBI Commercial & International Bank Ltd.  
 The Bank of Rajasthan Ltd.  
 Mashreq Bank Plc  
 The Federal Bank Ltd.  
 UTI Bank Ltd.

**REGISTERED OFFICE**

Auto Cars Compound, Adalat Road, Aurangabad - 431 005

**ADMINISTRATIVE OFFICE**

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

**FACTORY**

- 14 Km. Stone, Village Chitegaon, Taluka Paithan, Distt.-Aurangabad (Maharashtra)
- Village : Chavaj, Via Society Area, Taluka & Distt. Bharuch - 392 002 (Gujarat)

## NOTICE

Notice is hereby given that the Sixteenth Annual General Meeting of **VIDEOCON INTERNATIONAL LIMITED** will be held at Auto Cars Compound, Adalat Road, Aurangabad – 431 005 on Saturday, the 29th September, 2001 at 9.00 A.M. to transact the following business:

### ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2001 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 Hariprasad Malpani, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Shri Ragunathdas Somani, 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.1,750,000,000/- (Rupees One Hundred and Seventy Five Crores only) divided into 85,000,000 (Eight Crores and Fifty Lakhs) Equity Shares of Rs.10/- (Rupees ten only) each and 9,000,000 (Ninety Lakh) Preference Shares of Rs.100/- (Rupees One Hundred Only) each to Rs. 5,750,000,000/- (Rupees Five Hundred and Seventy Five Crores only) by creating 40,000,000 (Four Crores) Preference Shares of Rs.100/- (Rupees One Hundred Only) each and Clause V of the Memorandum of Association of the Company be altered accordingly to read as under:

"V. The authorised capital of the Company is Rs.5,750,000,000/- (Rupees Five Hundred and Seventy Five Crores only) divided into 85,000,000 (Eight Crores and Fifty Lakhs) equity shares of Rs.10/- (Rupees ten only) each and 49,000,000 (Four Crores and Ninety 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 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 Sections 80, 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 authorized to issue and allot, on behalf of the Company, through Prospectus, Offer Letter or Circular and/or on Private Placement Basis, Preference Shares of face value of Rs.100/- (Rupees One Hundred Only) for an aggregate value not exceeding Rs.400 Crores (Rupees Four Hundred Crores Only), exclusive 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 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."

8. 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."

9. 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 17 and other applicable provisions, if any, of the Companies Act, 1956 and subject to confirmation by the appropriate authorities, wherever required, the Registered Office of the Company be shifted from Auto Cars Compound, Adalat Road, Aurangabad - 431 005 to 14 Km. Stone, Aurangabad - Paithan Road, Village Chittagaon, Taluka Paithan, Aurangabad."

10. 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 255 and 257 and other applicable provisions, if any, of the Companies Act, 1956, Mr. S. Padmanabhan, retiring Additional Director, be and is hereby appointed as a Director of the Company."

**Registered Office :**

Auto Cars Compound  
Adalat Road  
Aurangabad - 431 005  
Maharashtra.

By Order of the Board of Directors

Place : Aurangabad

Date : August 27, 2001

**V. N. DHOOT**

Chairman and Managing Director

**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 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 :**

In view of the proposed enhancement in volume of activities, your Company may have to go in for augmentations of the capital base to part finance the proposed projects. Hence the authorized capital of the Company should be adequately increased to accommodate the proposed augmentation of the capital base. The above change proposed will necessitate amendment 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 authorized capital of the Company from Rs.175 Crores to Rs. 575 Crores. The proposed increase in Authorised Capital will take care of any further issue of shares that the Company may wish to make in future.

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.

Pursuant to Section 81(1A) 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.

Hence as per the provisions of Section 81 of the Act, the consent of the members is sought authorizing the Board to issue further shares to persons other than the existing shareholders.

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.

**Item No. 8 :**

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.

**Item No. 9 :**

The main production facility of the Company is situated at 14 Km Stone, Aurangabad – Paithan Road, VIII. Chittegaon, Taluka Paithan, Aurangabad and most of the administrative, accounting and other allied activities are carried out from there.

Hence, in order to facilitate effective and efficient management of the company it is advantageous to have the registered office of the Company at the same place.

In light of the above, consent of the shareholders of the Company is solicited through a Special Resolution in terms of Section 17 of the Companies Act, 1956, for shifting the Registered Office of the Company. Hence the said resolution is recommended for the consent of the Members.

None of the Directors is interested in the proposed resolution.

**Item No. 10 :**

Mr. S. Padmanabhan was appointed as an Additional Director as per the provisions of Section 260 of the Companies Act, 1956 during the year and he is liable to retire at the ensuing Annual General Meeting. The company has received a notice proposing his appointment under the provisions of Section 257 of the Companies Act, 1956 as a candidate for the office of a Director. The Board is of the opinion that his knowledge and experience would be of immense help for the overall progress of the Company and hence the Board recommends his appointment as a Director and also this resolution, to be passed as an ordinary resolution.

None of the Directors except Mr. S. Padmanabhan is concerned or interested in this resolution.

**Registered Office :**

Auto Cars Compound

Adalat Road

Aurangabad - 431 005

Maharashtra

By Order of the Board of Directors

Place : Aurangabad

Date : August 27, 2001

**V. N. DHOOT**

Chairman and Managing Director



## DIRECTORS' REPORT

To  
 The Shareholders of  
**VIDEOCON INTERNATIONAL LIMITED**

The Board of Directors of Videocon International Limited have pleasure in placing before the shareholders the 16th 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	32,466	30,048
Profit before Interest, Tax and Depreciation	4,312	4,157
Interest	1,710	1,777
Depreciation	945	847
Profit before Tax	1,657	1,533
Provision for Taxation	110	123
Profit after Tax	1,547	1,410
Proposed Dividend :		
– Equity	71	142
– Preference	21	9
Corporate Tax on Proposed Dividend	9	33
Transferred to General Reserve	400	300
Carried to Balance Sheet	2,770	1,780

### PERFORMANCE HIGHLIGHTS

During the year under consideration, the total sales achieved by your Company amounted to Rs.32,440 Million as against Rs. 30,030 Million for the previous year. This represents a growth of 8.03% over the previous year. The net profit after tax was Rs.1,547 Million as against Rs.1,410 Million for the previous year.

Your Company has always focused on enhancing its competitive edges in cost leadership, brand strength, wide distribution network and innovative product development to expand its market share. This has helped the Company to maintain its leadership position even in the upcoming stiff competition from domestic as well as international brands.

### DIVIDEND

Your Directors are pleased to recommend a dividend of Re.1.00 (Rupee one only) per equity share for the consideration of members. The equity dividend amounting to Rs. 71.21 Million, 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 and the Company will be paying Rs.7.26 Million towards Corporate Tax on this Dividend.

### FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year under consideration your Company earned foreign exchange of Rs.198 Million out of exports. The total foreign exchange outgo during the year was Rs.4,697 Million towards

import of raw materials, Components, Spares, Capital Goods and other expenditure.

### CONSERVATION OF ENERGY

Your Company has taken various steps to reduce consumption of power, fuel, oil, water and other energy sources by improved house-keeping, improvement of power factor, indoor shop lighting, etc. Main emphasis has been on use of non-conventional energy sources. The Company has set up a team, which is studying the possibilities of use of various methods by which the Company optimizes the use of energy without affecting the productivity. The main task of the team is to study from different angles such as cost benefit analysis, impact on productivity, etc., various alternate proposals in this direction.

### RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

Your Company continued to give utmost importance to the R & D activities carried on in the in-house R & D Centre. The R & D centre has been providing technical support services for solving problems related to the operations and are being extensively used to provide data for optimising the process units. 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:

- Development of HIGH END TVs.
- Design of TV circuits suitable to Indian transmission conditions.
- Design of INTERNET TV.
- Design and Development of COMBI TV.
- Design of ASIC of TV sets.
- Design of software for TV user interface.
- Design of Technologically upgraded TVs inline with the new trends.
- Also competitive design efforts have been put to improve the cosmetic design and render a new outlook to the TVs.

#### 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:

- End consumer is benefited on account of better features, better quality & 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:

- PIP TV with two tuners.
- Internet TV with overlay cashing and Ticker facility.
- Internet TV with better storage area, such as floppy disk drive and Hard disk drive.
- Multimedia TV.
- Single chip TV Development.

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

The basic technology, which is required for consumer electronics appliances like TV, Audio, Video, etc. is scattered worldwide. Due to this scattering of technology over the countries like Japan, America, Europe and Korea, it requires great efforts to collect the technology. To get acquainted with the latest technology, Engineers have been trained at Toshiba, Samsung, etc. for a period of upto one year.

The pioneering efforts made by the Company towards development of new technology enabled it to launch Colour TVs with PIP, Surround Sound, On Screen Display, Remote Control, Super Scene Control, Mixed Screen TV, Internet TV, etc.

Moreover the product is tropicalised and is perfectly suitable to Indian conditions. Continuous efforts are being made to upgrade technology to increase yields and improve the product quality.

**EXPANSION OF GLASS SHELL UNIT**

Colour picture tube manufacturing capacity will need to be beefed up to keep pace with the growing requirements of India's colour TV industry. Your Company is the only leading manufacturer of glass parts required for the manufacture of picture tubes. The Company has taken a long-term viewpoint, as there is a global shortage of the product. The shortage is likely to continue following shift in the demand from small and medium TVs to large and flat TVs, which require 30% more glass.

Today the operating margins in glass shells are in the vicinity of 150%. Currently there is a shortage of shells worldwide. Hence, your Company is going in for doubling of its glass shell capacity with a marginal investment.

**INTEGRATED TV PLANT**

Your Company has inaugurated the Integrated TV (ITV) Plant at Aurangabad which use the most modern methods of manufacturing. The Company is now able to manufacture all major components and thereby reduce dependence on imports, which restrict its foreign competitors in their ability to import finished goods and components.

**FIXED DEPOSITS**

Your Company has not accepted any deposits from the Public.

**HUMAN RESOURCES MANAGEMENT**

Your Company continued to lay emphasis on the development of Human resources. The main focus of training activities during the year 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.

**APPOINTMENT/REAPPOINTMENT OF DIRECTORS**

Mr. Hariprasad Malpani and Mr. Ragunathdas Somani retire by rotation at the Annual General Meeting and being eligible, offer themselves for reappointment. During the year Mr. S. Padmanabhan was appointed as an Additional Director on the Board of the Company. Your Directors welcome the new Director.

**DIRECTORS' RESPONSIBILITY STATEMENT**

In terms of Section 217(2AA) read with Section 292A of the Companies Act, 1956, we, the Directors of Videocon International 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 judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the Directors have prepared the annual accounts on a going concern basis;
- e) the Board has constituted an Audit Committee comprising of four 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;
- 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.

**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.

**SUBSIDIARY COMPANIES**

Pursuant to the requirements of Section 212 of the Companies



**ANNUAL REPORT 2000-2001**

Act, 1956, the Annual Reports and accounts of the subsidiary companies, viz., Paramount Global Limited for the year ended 31st October, 2000 and Videocon Industrial Finance Limited, and Videocon (Cayman) Limited for the year ended March 31, 2001 are annexed together with statements showing the extent of the Company's interest therein.

**DISCLOSURES**

On 19th April, 2001, Securities & Exchange Board of India (SEBI) passed an order under Section 11 and Section 11 B of the SEBI Act, 1992 prohibiting the Company to raise money from capital markets for a period of 3 years from the date of order i.e. till 18th April, 2004.

The Order was issued ex-parte without giving any opportunity to the Company to be heard or cross examination of the material witnesses, which is against the principles of natural justice. Your Company has already filed an appeal against the order which is pending before the Securities Appellate Tribunal.

The Company has been advised by its lawyers that on the facts and in the circumstances of the case the said order of SEBI is not good in law and therefore not tenable.

It may be noted that the Company has not raised any money from public since 1993. Also, all the fund requirements of the Company for the ongoing expansion projects have been already tied-up.

As such, there is no impact of the Order on the performance of the Company.

**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(1-B) of the Companies Act, 1956.

**CASH FLOW STATEMENT**

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

**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**

*Chairman and Managing Director*

Place : Ahmednagar  
Date : July 30, 2001

**ANNEXURE TO DIRECTORS' REPORT**

To  
The Board of Directors of  
**Videocon International Limited**

We have reviewed implementation of Corporate Governance procedure set by Videocon International Limited ("The Company") for the year ended 31st March, 2001 with the relevant records and documents maintained by the Company as furnished to us for our review. Based on our verification and information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with Stock Exchanges.

**KADAM & CO.**

*Chartered Accountants*

**U. S. KADAM**

*Proprietor*

Place : Ahmednagar  
Date : July 30, 2001

**KHANDELWAL JAIN & CO.**

*Chartered Accountants*

**MANOJ DAGA**

*Partner*

**VIDEOCON INTERNATIONAL LIMITED****CORPORATE 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 :**

Your 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 Company has co-opted eminent people from different fields such as marketing, finance, and technical on its Board.

The Board has strength of 8 Directors with an Executive Chairman and nominee directors of ICICI and IDBI, nominated one each by them 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 Executive Chairman has been delegated clearly defined work responsibilities as Chief Executive Officer.

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 and Project Management Committee.

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

Sl. No.	Name of Director	Category	Whether attended AGM held on 30.9.2000	Attendance in Board Meetings		Other Board		
				Held	Attended	Directorship	Committee Chairmanship	Committee Membership
1.	Mr. Venugopal N. Dhoot	Promoter Executive	Yes	14	14	15	—	—
2.	Mr. Naveen B. Mandhana	Independent Non-Executive	No	14	14	2	—	2
3.	Mr. Lalchand Lalwani	Independent Non-Executive	No	14	12	—	—	—
4.	Mr. Vishnukumar Rathi	Independent Non-Executive	No	14	9	—	—	—
5.	Mr. Hariprasad Malpani	Independent Non-Executive	No	14	2	—	—	—
6.	Mr. Ragunathdas Somani	Independent Non-Executive	No	14	0	—	—	—
7.	Mr. S. Padmanabhan *	Independent Non-Executive	No	0	0	13	—	2
8.	Mr. K. M. Jaya Rao (Nominee of ICICI)	Independent Non-Executive	No	14	1	—	—	—
9.	Mr. R. S. Agarwal ** (Nominee of IDBI)	Independent Non-Executive	No	12	3	1	—	1

\* Mr. S. Padmanabhan was appointed as Additional Director on 25.01.2001.

\*\* Mr. R. S. Agarwal was appointed as Director on 16.05.2000.