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VIDEOCON

VIDEOCON INTERNATIONAL LIMITED

17th Annual Report 2001-2002

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BOARD OF DIRECTORS

Verugopal N. Dhoot

Chairman & Managing Director

Naveen B. Mandhana

Laichand Lalwani

Vishnukumar Rathi

Hariprasad Malpani

Raghunathdas Somani

S. Padmanabhan

Nagesh Dinkar Pinge

Nominee of ICICI

S. G. Gulati

Nominee of IDBI

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, 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 Patiala

State Bank of Mysore

ICICI Bank Ltd.

SBI Commercial & International Bank Ltd.

State Bank of Indore

Indian Bank

UTI Bank Ltd.

The Bank of Rajasthan Ltd.

State Bank of Hyderabad

The Federal Bank Ltd.

Indian Overseas Bank

Bank of Maharashtra

HDFC Bank Ltd.

REGISTERED OFFICE

14 Km. Stone,

Aurangabad - Paithan Road,

Village Chittegaon,

Taluka Paithan,

Dist.-Aurangabad, (Maharashtra)

ADMINISTRATIVE OFFICE

171, Mittal Court, 'C' Wing

Nariman Point,

Mumbai - 400 021.

FACTORY

- 14 Km. Stone, Village Chitegaon, Taluka Paithan, Dist.-Aurangabad, (Maharashtra)
- Village : Chavaj, Via Society Area, Taluka & Distt. Bharuch - 392002 (Gujarat)
- E23 & 24, Electronics Estate, GIDC, Gandhinagar - 302 004 (Gujarat)

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Notice is hereby given that the Seventeenth Annual General Meeting of VIDEOCON INTERNATIONAL LIMITED will be held at 14 Km. Stone, Aurangabad- Paithan Road, Village Chittegaon, Taluka Paithan, Aurangabad- 431105 on Thursday, the 27th March, 2003 at 9.00 A.M. 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 Lalchand Lalwani, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in the place of Shri Vishnukumar Rath, 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 Seventy Five Crores only) divided into 85,000,000 (Eight Crores and Fifty Lakhs) Equity shares of Rs.10/- each and 9,000,000 (Ninety Lakh) preference shares of Rs.100/- each to Rs. 3,750,000,000/- (Rupees Three Hundred and Seventy Five Crores Only) by creating 200,000,000 (Twenty 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.3,750,000,000/- (Rupees Three Hundred Seventy Five Crores Only) divided into 285,000,000 (Twenty eight Crores and Fifty Lakhs) equity shares of Rs.10/- (Rupees Ten only) each and 9,000,000 (Ninety Lakhs) Preference shares of Rs.100/- (Rupees One Hundred) 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 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, Securities and Exchange Board of India, Stock Exchange(s) 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, Letter of Offer 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) for an aggregate value not exceeding Rs.400

Crores (Rupees Four 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, localbodies, 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."

REGISTERED OFFICE

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

For and on Behalf of the Board of Directors

V. N. DHOOT
Chairman & Managing Director

Place : Ahmednagar
Date : January 28, 2003

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.
5. Mr. Lalchand Lalwani and Mr. Vishnukumar Rath, retires by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Mr. Lalchand Lalwani is a first generation entrepreneur, having vast experience of around 30 years to his credit. Mr. Vishnukumar Rath is a commerce graduate having experience of around 15 years to his credit in the diversified fields. Mr. Lalchand Lalwani and Mr. Vishnukumar Rath are Independent Directors on the Board of the Company since 1990.
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.



Bring the Copy of the Annual Report and Attendance Slip with you 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 claims shall lie against the Company or the Investor Education and Protection Fund, once the unclaimed/unencashed dividend is transferred to Investor 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 on 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:

In view of the overall increase in the volume of activities of the Company, coupled with the change in the holding levels of different current assets has resulted in significant increase in the working capital requirements of the Company. 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 above change proposed 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.175 Crores to Rs.375 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. However, as per the provisions of Section 81(1) of the Companies Act, 1956, the further issue of shares to existing members does not require the approval of shareholders at the General Body Meeting.

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.

The Board seeks the consent of the members authorising the Board to issue further 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 shares on preferential basis or through prospectus or through Letter of Offer either on Private Placement basis, Preferential basis, Public Issue 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.

REGISTERED OFFICE

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

Place : Ahmednagar
Date : January 28, 2003

For and on behalf of the Board of Directors

V. N. DHOOT
Chairman & Managing Director



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ANNUAL REPORT 2001-2002

To the Shareholders of Videocon International Limited

The Board of Directors of Videocon International Limited have pleasure in placing before the shareholders the 17th 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 (18 Months)	For the year ended 31.03.2001
Net Sales	46,542	30,765
Other Income	32	26
Profit before Interest Tax and Depreciation	7,101	4,312
Interest	2,705	1,710
Depreciation	2,007	945
Profit before Tax	2,389	1,657
Provision for Taxation	681	110
Profit after Tax	1,708	1,547
Proposed Dividend:		
– Equity	71	71
– Preference	9	21
Corporate Tax on Proposed Dividend	Nil	9
Transferred to General Reserve	600	400
Carried to Balance Sheet	3,695	2,770

PERFORMANCE HIGHLIGHTS

During the period of 18 months, the Net sales achieved by your company amounted to Rs.46,542 Million as against Rs. 30,765 Million for the previous year. The net profit after tax was Rs. 1,708 Million as against Rs. 1,547 Million for the previous year.

Your Company has adopted the strategy to continuously drive the top-line growth through aggressive marketing while continuously striving to improve efficiencies in its operations. The company continues to maintain its leadership position on its own and through its group by focusing on wide network, multi brand strategy, customer service, cost reduction, process improvement. The glass shell division of the Company is doing extremely well. The Company has earned revenue of Rs. 5,414 Million from Glass Shell (Panels) for CTV Picture Tubes and revenue of Rs. 2,559 Million from Glass Shell (Funnels) for CTV Picture Tubes.

DIVIDEND

Your directors are pleased to recommend a dividend of Re.1/- (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 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

The Company's export during the year under review recorded an appreciable growth from Rs. 198 million previous year to Rs. 986 million for the current financial year resulting into foreign exchange earning of Rs. 986 million. The total foreign exchange outgo during the year was Rs. 5,568 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. Indoor shop lighting
4. Emphasis on non-conventional energy sources
5. Review of all areas covered by AC, redefining the requirements and maintaining AC temperature at optimum level on a case to case basis
6. Close monitoring of unit wise energy consumption and reduction in energy consumption by avoiding wastage, optimizing horse power of motors, etc.,
7. 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.

8. Creating overall awareness to avoid wastage of water
9. Close monitoring and controlled distribution of water
10. Improving quality of treated effluent from effluent treatment plants (ETPs) by upgrading and installing 'at source' ETP's.

RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

Your company continued to give utmost importance to the R & D activities. The R & D activities are 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 optimizing the process units. Your company has a well-equipped research and development team, which always strives 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 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.
- Plasma Televisions.
- Bazoon TVs
- Audio Systems

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.
- Compliance with statutory norms and increased customer acceptance.

3. Future plan of action

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

- LCD's.
- 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.
- Various models of Plasma TVs

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 Colour TVs with PIP, Surround Sound, On Screen Display, Remote Control, Super Scene Control, Mixed Screen TV, Internet TV, etc, in the past.

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.

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 recognizes 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 follow on training its employees and continuing basis both the job and through training programs 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. Laichand Lalwani and Mr. Vishnu Kumar Rathi retire by rotation at the Annual General Meeting and being eligible, offer themselves for reappointment.

During the year Mr. Aditya Kumar Ahuja was Nominated by IFCI Limited as Director on the Board of the Company and was co-opted on the Board.

ICICI nominated Mr. Nagesh Dinkar Pinge as their nominee in place of Mr. K M Jaya Rao and IDBI nominated Mr. S G Gulati as their nominee in place of Mr. R S Agarwal. The Board takes this opportunity and place on record its sincere appreciation for the valuable guidance and suggestion given by Mr. K M Jaya Rao and Mr. R S Agarwal during their tenure.

The Board is confident that the knowledge and wide experience of Mr. Aditya Kumar Ahuja, Mr. Nagesh Dinkar Pinge and Mr. S G Gulati will be of immense help in the growth and development of the Company.

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 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;
- 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;
- 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

Particulars as required under Section 217(2A) of the Companies Act, 1956, 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 Act, 1956, the Annual Reports and accounts of the subsidiary companies, viz., Paramount Global Limited, Videocon Industrial Finance Limited and Videocon (Cayman) Limited for the year ended September 30, 2002 are annexed together with statements showing the extent of the company's interest therein.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the requirements of Accounting Standards AS-21 prescribed by the Institute of Chartered Accountants of India, the Directors present the consolidated financial statements, duly incorporating the financial statements of the subsidiaries viz., Videocon Industrial Finance Limited, Paramount Global Limited and Videocon (Cayman) Limited.

DISCLOSURES

1. 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. The company had filed appeal before Securities Appellate Tribunal. The order passed by Securities and Exchange Board of India was set aside by Securities Appellate Tribunal vide order dated June 20, 2002.

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 period 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

Chairman & Managing Director

Place : Ahmednagar

Date : January 28, 2003

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 PERIOD ENDED 30TH SEPTEMBER 2002

Name of the Employee	Designation/ Nature of Duties	Remuneration	Qualifications	Age	Experience	Date of Commencement of Employment	Last Employment	Name of the Employer	Position Held
S. P. Molasi	Vice President (International Operation)	2,435,698	B. Com. D.B.M.	46	23 years	01.12.84	Lakhanpal Pvt. Ltd.		Sales Supervisor

a) Remuneration includes Basic Salary, Ex-Gratia, H. R. A, Mktg. Allowance, Special Allowance. C. A., L. T. A., Leave Encashment, Medical Reimbursement, Contribution to Provident Fund.

b) The employees are 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.

Place : Ahmednagar

Date : January 28, 2003.

V. N. DHOOT

Chairman & Managing Director



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CORPORATE GOVERNANCE

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

Transparency, accountability and integrity form the cornerstone of effective governance. Today, almost every country has institutionalized a set of corporate governance codes, spelt out best practices and has sought to impose appropriate board structures. 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:

Seventeen years ago, Videocon put in place a core set of values of fairness, kindness, efficiency, quality and effectiveness. This set of core values is legacies which Videocon hands down to its subsidiary and associate companies. Taken in its entirety, these core values translate into the Videocon group's culture and principles which govern every sphere of the group's activities. While from a legal perspective the Videocon group and its affiliates functions as separate entities, the spirit in which business is done is uniform across the entire group. 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 Board of Videocon International Limited has eminent people from different fields such as marketing, finance, and technical on its Board.

The Board has strength of 10 Directors with an Executive Chairman and nominee directors of ICICI, IDBI and IFCI, 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, Remuneration 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 29.9.2001	Attendance in Board Meetings		Other Board		
				Held	Attended	Directorship	Committee Chairmanship	Committee Membership
1	Mr.Venugopal N Dhoot	Promoter Executive	Yes	15	14	14	1	4
2	Mr.Naveen B Mandhana	Independent Non-Executive	No	15	4	2	-	2
3	Mr.Lalchand Lalwani	Independent Non-Executive	Yes	15	7	-	-	-
4	Mr.Vishnukumar Rathi	Independent Non-Executive	No	15	3	1	-	-
5	Mr.Hariprasad Malpani	Independent Non-Executive	No	15	5	-	-	-
6	Mr.Ragunathdas Somani	Independent Non-Executive	No	15	4	1	1	-
7	Mr.S.Padmanabhan	Independent Non-Executive	No	15	3	10	2	6
8	Mr.K.M.Jaya Rao * (Nominee of ICICI)	Independent Non-Executive	No	14	1	-	-	-
	Mr. Nagesh Dinker Pinge ** (Nominee of ICICI)	Independent Non-Executive	No	0	0	1	-	-
9	Mr.R.S.Agarwal *** (Nominee of IDBI)	Independent Non-Executive	No	14	4	1	-	1
	Mr. S G Gulati **** (Nominee of IDBI)	Independent Non-Executive	No	0	0	1	-	-
10	Mr.A K Ahuja ***** (Nominee of IFCI)	Independent Non-Executive	No	1	0	3	-	-

* Mr. K M Jaya Rao (Nominee ICICI) was withdrawn from Board by ICICI and resignation considered on 27.07.2002

** Mr. Nagesh Dinker Pinge was appointed as Nominee of ICICI in place of Mr. K M Jaya Rao and was co-opted on 27.07.2002

*** Mr. R.S.Agarwal was withdrawn from Board by IDBI and his resignation was considered on 27.07.2002.

**** Mr. S. G Gulati was appointed as Nominee of IDBI in place of Mr. R S Agarwal and was co-opted on 27.07.2002

***** Mr. A K Ahuja was Nominated by IFCI as director on the Board and was co-opted on 30.04.2002

- b) 15 Board Meetings were held during the year 2001 - 2002 on the following dates :
04/04/2001, 30/04/2001, 09/05/2001, 11/05/2001, 30/07/2001, 27/08/2001, 31/08/2001, 27/10/2001, 15/12/2001, 24/01/2001, 31/01/2002, 13/02/2002, 19/04/2002, 30/04/2002, 27/07/2002.
- 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. Lalchand Lalwani, the other members of the Committee being Mr. S G Gulati, Mr. Vishnukumar Rathi and Mr. Hariprasad Malpani.

The following areas are referred to the Audit Committee:

- Overall assessment of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment of external auditor, fixation of audit fee and also approval for payment for any other services.
- Reviewing with management the annual financial statements before submission to the board, focusing primarily on;
 - Changes, if any, in accounting policies and practices.
 - Major accounting entries based on exercise of judgment by management.
 - Observations, if any, in draft audit report.

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significant changes in assumptions, any, arising out of audit going concern assumption.

- 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, Five meetings of the Committee were held on 27.08.2001, 31.10.2001, 31.01.2002, 30.04.2002 and 26.07.2002. The meetings were attended by Mr.Lalchand Lalwani, Mr.Vishnukumar Rathi, Mr.Hariprasad Malpani and the Auditors of the Company.

Remuneration of Directors

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

Shareholders' Committee

A Sub-committee of the Board of Directors of the Company consisting of Mr.Vishnukumar Rathi (Chairman of the Committee), Mr.Hariprasad Malpani and Mr.Ragunathdas Somani 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. Vinod Kumar Bohra, Company Secretary is the Compliance Officer.

Share Transfer Details

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

	Equity	Bonds
a Number of transfers	13881	1489
b Average No of Transfer per month	771	83
c Number of Shares/Bonds Transferred	524999	118100

Demat/Remat of Shares:

Details of Shares Dematted/Rematted during the last financial year is given below:

a. Number of Demat, Transfers approved	-	33303
b. Number of Sub-committee Meetings held	-	75
c. Number of Shares Dematted	-	11386908
d. Percentage of Shares Dematted	-	15.99
e. Number of Remat requests approved	-	28
f. Number of Shares Rematted	-	10494

Details of Complaints received and redressed during the year 2001 - 02:

Sl. No.	Particulars	Received	Redressed	Pending as on 30.09.2002
1.	Non receipt of refund orders	12	12	Nil
2.	Non receipt of dividend warrants	2206	2141	65
3.	Non receipt of share certificates	2835	2788	47
4.	Others	547	533	14
Total		5600	5474	126

- No. All the 12 complaints outstanding less than 3 days on 30.09.2002 have been subsequently redressed.
2. Representatives of your company are continuously in touch with MCS Limited, Share Transfer Agents of the Company, and review periodically the outstanding complaints.

General Body Meetings

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

AGM	AGM Date	Location	Time	No of Special Resolution Passed
14 th AGM	27.09.1999	Auto Cars Compound, Adalat Road, Aurangabad.	10.00 a.m.	2
15 th AGM	30.09.2000	Auto Cars Compound, Adalat Road, Aurangabad.	09.00 a.m.	-
16 th AGM	29.09.2001	Auto Cars Compound, Adalat Road, Aurangabad	09.00 a.m.	2

b) Postal Ballot:

Postal ballot was not conducted in any of the general body meetings held so far by the Company. Presently, the Company does not have any proposal for postal ballot.

Disclosures

- a) Materially significant related party transactions i.e. transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of company at large.

There are no transactions which may have potential conflicts with the interests of company at large. Transactions with related parties are disclosed in Note No.12 of Schedule 14 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.

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. The Company had filed appeal before Securities Appellate Tribunal. The Order passed by SEBI was set aside by Securities Appellate Tribunal vide order dated 20th June, 2002

Means of Communication

The un-audited financial Results on quarterly basis and the Half-yearly results subjected to limited review by the auditors in the prescribed form, are taken on record by the Board of Directors at its meeting within one month of the close of every quarter/half-year respectively and the same are furnished to all the Stock Exchanges where the company's shares are listed. The results are also published within 48 hours in two newspapers, one in English (Times of India or Free press Journal) and the other in Regional Language (Navshakti or Maharashtra Times).

Management Discussion and Analysis Report:

Management Discussion and Analysis Report forms part of this Annual Report.

General Shareholder Information

- Annual General Meeting
The 17th Annual General Meeting will be held on March 27, 2003 at 9.00 a.m. at 14, K.M.Stone, Village Chitegaon, Taluka Paithan, Dist- Aurangabad (Maharashtra) Pin: 431 105
- Financial Calendar 2001-2002
April 2001- September 2002
Financial Calendar for 2002-2003
Financial Year: October 1, 2002 To September 30, 2003
First Quarterly Result : Last Week of January 2003
Second Quarterly Result : Last Week of April 2003
Third Quarterly Result : Last Week of July 2003
Fourth Quarterly Result : Last Week of October 2003
Annual General Meeting for year ending September, 2003 : March, 2004
- Date of Book Closure
Friday, March 14, 2003 to Thursday, March 27, 2003 (both days inclusive)
- Dividend Payment Date
April 21, 2003 (Tentatively)

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The equity shares of your company are listed on Mumbai, National, Ahmedabad, Bangalore, Calcutta, Chennai, Delhi, Pune and Vadodra Stock Exchanges. The company has paid Listing Fees for financial year 2002- 2003.

The names and addresses of the respective stock exchanges are given below:

Sl. No. Name and Address of the Stock Exchange

1. The Stock Exchange
1st Floor, New Trading Ring, Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001.
2. National Stock Exchange of India Ltd.
Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai – 400 051
3. The Madras Stock Exchange Ltd.
Exchange Building, Post Box No.183, 11, Second Line Beach,
Chennai – 600 001
4. The Stock Exchange
Kamdhenu Complex, Opp. Sahajanand College,
Panjarapole, Ahmedabad – 380 001
5. Bangalore Stock Exchange Ltd.
Stock Exchange Towers, No.51, 1st Cross, J.C. Road, Bangalore – 560 052
6. The Calcutta Stock Exchange Association Ltd.
7, Lyons Range, Calcutta – 700 001
7. Pune Stock Exchange Ltd.
Shivleela Chambers, 752, Sadashiv Peth, R.B.Kumthekar Marg,
Pune – 411 030
8. Delhi Stock Exchange Association Ltd.
3&4/B Asraf Ali Road, New Delhi – 110 002
9. Vadodara Stock Exchange Ltd.
Fortune Tower, Sayajigunj, Vadodara – 390 005.

Stock Code at Mumbai Stock Exchange is: **500947**

Stock Code at National Stock Exchange is: **"VDOCONINTL"**.

6. Market Price Data

Average monthly High and Low prices on The Stock Exchange, Mumbai are given below:

Month	High	Low
Apr '01	28.00	22.50
May '01	33.80	22.45
Jun '01	33.65	23.05
Jul '01	26.00	21.40
Aug '01	26.00	18.55
Sep '01	22.70	16.00
Oct '01	24.00	17.20
Nov '01	28.30	21.00
Dec '01	27.00	19.55
Jan '02	23.75	21.05
Feb '02	27.40	21.30
Mar '02	30.90	22.00
Apr '02	31.80	26.85
May '02	35.70	26.45
June '02	42.05	29.55
July '02	46.70	28.00
Aug '02	33.15	29.00
Sept '02	30.95	23.35

7. Registrar and Transfer Agents

M/s. MCS Limited

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

8. Share Transfer System

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

9. a) Shareholding Pattern as on 30.09.2002 is as given below:

SL NO.	CATEGORY	NO. OF SHARES HELD	%AGE OF HOLDING
1.	Promoters	20339210	28.56
2.	Persons acting in Concert	4950564	6.95
3.	Mutual Funds and UTI	2912913	4.09
4.	Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions, Non-Government Institutions)	2613509	3.67
4.	FIs	323512	0.45
5.	Private Corporate Bodies	5258132	7.38
6.	Indian Public	34039875	47.80
7.	NRIs/OCBs	256483	0.36
8.	Any other (please specify)- GDR	518243	0.73
Grand Total		71212441	100.00

b) Distribution of Shareholdings on 30.09.2002 is given below:

Share Holding of Nominal Value of Rs.	Number of Share Holders	% to Total	No. of Shares	Amount (in Rs.)	% to Total
UP TO 5,000	599967	98.40	25556134	255561340	35.89
5,001 TO 10,000	5899	0.97	4536513	45365130	6.37
10,001 TO 20,000	2161	0.35	3155951	31559510	4.43
20,001 TO 30,000	654	0.11	1666912	16669120	2.34
30,001 TO 40,000	278	0.05	997188	9971880	1.40
40,001 TO 50,000	194	0.03	910027	9100270	1.28
50,001 TO 100,000	304	0.05	2137511	21375110	3.00
100,001 AND ABOVE	246	0.04	32252205	322522050	45.29
TOTAL	609703	100.00	71212441	712124410	100.00

10. Dematerialization of Shares and liquidity

The Securities and Exchange Board of India (SEBI), through a notification have made it compulsory that any delivery in the Company's shares against Stock Exchange trades became compulsory in demat format. As on 30.09.2002, 52122244 equity shares (73.19 % of the total number of shares) have been dematerialized.

11. Outstanding GDRs/ ADRs/ Warrants or Nil

Conversion Instruments, Conversion Date and like impact on equity

12. Plant locations

- 1) 14 Km. Stone, Village Chittegaon, Taluka Paithan, Dist. Aurangabad, Maharashtra
- 2) Village Chavaj, Via Society Area, Taluka & Dist. Bharuch – 392 002. Gujarat
- 3) E23 & 24, Electronics Estate, GIDC, Gandhinagar - 302 004 (Gujarat)

13. Address for Correspondence

14 Km. Stone, Village Chittegaon
Taluka Paithan, Dist. Aurangabad
Maharashtra.
Tel: 02431-251501
Fax: 02431-251551

COMPLIANCE CERTIFICATE OF THE AUDITORS

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

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

The Management Discussion and Analysis presents the Industry Overview, Opportunities and Threats, Initiatives by the Company and overall strategy of Videocon becoming a market driven producer/supplier of various innovative models and ranges of CTVs. The Company is very optimistic of capturing a substantial share of the CTV market in the midst of the threats faced due to the liberalization and increased competition.

1. Industry Structure and Developments:

The Indian Consumer Durable Industry is broadly divided into three distinct segments: viz., White Goods, Brown Goods and the Small Domestic Appliances.

Brown Goods consist of Color TV's, Video Products and Home Entertainment products while Washing Machines, Refrigerators, Dishwashers, etc., make up the White Goods.

All other small appliances like Irons, Heaters, Vacuum Cleaners, Fans, Water purifiers, etc., constitute the small appliances segment.

Brown Goods :

Colour TV is the most dominant product both volume wise and value wise in the Brown Goods Sector.

The Colour TV market is expected to grow by 15 percent from 5.8 million units in 2001 to approximately 6.7 million units in 2002.

The Indian flat television market is estimated at 215,000 units in the year 2001 (Jan- December). The dominant size in the flat TV segment is the 21-inch category with 87 percent market share. The 29-inch and above and 25-inch categories constitutes 6 percent and 4 percent of the market respectively, while the 14-inch and 15-inch categories constitute a low 3 percent.

From 215,000 units in 2001, the flat television market has shown significant growth in the first half of 2002 with sales estimated at 190,000 units. The growth in the flat colour television market is expected to continue and a sales estimate of approximately 350,000 to 400,000 units for the year 2002 appears a realistic estimate at this point.

There are three categories of colour television manufacturers presently operating in India; the first consists of the Indian brands, which have over 50% of the domestic market share. The other category consists of multinational brands that constitute about 35% of the market. The third category consists of the other residual brands that contribute 15% of the market.



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VIDEOCON INTERNATIONAL LIMITED

The Company caters to all income segments with a wide range of models in each CTV segment.

White Goods :

Washing Machines and Refrigerators are the two important products in the white goods sector.

Washing Machines

Videocon was the first company to introduce Washing Machine in the Indian Market and over the years it remained the market leader in this segment.

The Indian Washing Machine industry is estimated at 1,296,000 units in 2001-2002, a marginal growth of 4 percent over the previous year.

Overall, the market consists of three categories- washers, semi-automatic and fully automatic. Videocon is the market leader with 23 percent market share. The semi-automatic washing machine is the dominant segment with sales estimated at 1,009,000 units. This segment constitutes 78 percent of the market and is further classified into single tub and twin tub categories. Videocon is the major player in single tub washing machine with 34 percent share. The twin tub semi-automatic category is estimated at 935,000 units and is the largest component of the washing machine market with 72 percent market share. Videocon is the market leader in this segment with 26 percent market share.

Videocon has consolidated its position as the market leader in the washing machine industry. Technologically speaking, Videocon has all the three main washing technologies available in the market, i.e., the pulsator, the agitator and the tumble wash. Videocon has introduced technologically advanced features like fuzzy logic followed by neuro fuzzy, bubble wash, 100 percent tru dry and auto soak.

Refrigerators

The market is relatively mature. Till recently the market was dominated by standard 165 ltr single door refrigerator. Frost free variety introduced 3-4 years back has grown rapidly to capture 13% of the total market. Sales in this segment are seasonal. Growth in this segment will now be coming in from replacements to the Frost Free Refrigerator segment.

Audios

The Indian audio market is estimated at Rs.980 crores in 2001-2002. This excludes sales from stand-alone VCD/MP3 player and car audio systems estimated at Rs.200 Crores and Rs. 320 Crores respectively. Videocon's by itself and its associates comprehensive audio range covers mono radio, recorders, stereo radio cassette recorders, walkmans, compos and portable CD stereo radio recorders.

The increase in disposable incomes and increase in penetration level have primarily driven this market size. The largest increase in the segment is coming from the first time buyers.

The entry of multinationals in the Indian Market over the past several years had intensified competition. To start MNCs have targeted the premium segment and slowly adopted reducing pricing and heavy marketing. Today, investors are looking at both aspects that is quality and as well price. It is because of intense advertising campaign undertaken by all the players in the market coupled with easy finance schemes available, the penetration levels are increasing.

However, your company has distinctive product ranges and a very strong direct selling network to cater to all the market and market segments. With the captive manufacture of Glass Shells the company enjoys cost advantage vis-à-vis the competitors. Videocon is the leading manufacturer of Glass Shell in the Country.

In addition to the above, overall growth of consumer durables market is expected due to the following factors:

- Change from one homogenous to several fragmented niche markets.
- Fragmentation of families into smaller units.
- Increasing trend towards double income families.
- Greater propensity for conspicuous consumption.
- Rising disposable income with greater propensity for consumption of consumer goods.
- Considerable latent demand, as penetration levels are low.
- Explosion in availability of software like cable and satellite T.V.
- Urbanization of attitude due to rapid expansion of TV coverage.
- Greater exposure in rural markets leading to consumption driven by desire.
- Multiple TVs per household

The following are some of the key elements, which will enable the Company to achieve greater progress and market share :

- In India, it is the quality of service provided after sales by the manufacturer of any product is of utmost importance. Due to the typical conditions in India, the Indian consumers place a high value on after sales service and support, since the purchase of a consumer durable product represents a high relative percentage of the average Indian consumers' income. The company, through its extensive service/support network located throughout India, provides services at the customer's doorstep within 1/2 days. The Company has deployed more than 500 service vans to ensure 'Right first time' in the least possible time at the consumer's home. Jobs like Gas Charging in Refrigerators and TV Chassis changes, which previously had to be undertaken at the Service Station are now being carried out at the consumer's home itself.
- The manufacturing of consumer electronic products by company is in modern vertically integrated facilities. The company by having its facilities within India, is able to reduce dependence on import, tariffs protection and which restrict its foreign competitors in

their ability to import finished goods and components. The company also has advantage of reduced taxes and other incentives granted by certain states in India for locating manufacturing facilities in such states.

- It is because of increasing liberalisation and entry of leading Multi National Companies, a strong R&D base and introduction of latest technology products, competition in the domestic market has intensified forcing the domestic players to adopt aggressive marketing strategy and promotional campaigns to protect their market shares. The Company, in order to protect its market share, has resorted to a multi-brand strategy utilising different brands suitably positioned in various segments. The multi-brand strategy adopted by the Company has enabled the group to retain a major share of the market albeit in different brand names.
- The brand 'VIDEOCON', under which all of the company's products are marketed and distributed, is one of the well-recognized brand names in India. It is only with a hardcore effort of the management, employees, workforce, dealers, franchisees, Media's which has virtually made it possible to strengthen and develop the brand.
- The company manufactures, markets or distributes a very wide range of models catering the needs of all sectors. Each and every product has covered the spectrum from the least to most expensive in their respective categories, thus meeting requirement of all class of customers.
- The company sells its products through a well expanded network of independent retail outlets located throughout India which are supported by the company's strong sales force. The company relies on a strong trade push strategy through a well-defined Trade Relationship Management Policy. This depth of reach is especially important for the rural market, which is one of the major target segments for the company's product. The company's broad product range and frequent visits by its sales people to retail outlets ensure that the company's products receive maximum shelf space and are adequately promoted. The company provides from time to time a variety of incentives and promotions to dealers from time to time, which are often tailored to foster good relationships and to increase sales.

2 Opportunities and threats:

- ✓ The market being thrown open and lots of multinationals coming in and for a variety of product ranges introduced by them and aggressive pricing and Marketing, there is a need to have a look on the product ranges offered by the company including quality, price, marketing etc.,
- ✓ The market for the consumer electronic good is increasing in the rural areas. The customers in rural areas are showing the preferences for the branded goods instead of local made products.
- ✓ With the increase in income level and purchasing power and consequent changes in the aspiration levels of the people, there is likely an upward trend in the demand for consumer electronic goods. Particularly those who are going for household appliances are likely to increase many folds in the near future.
- ✓ The Consumer electronics market is very price-sensitive. A surge has already been seen in the demand for CTV vis-à-vis price cuts. Pricing of a product largely depends upon the cost of input, distribution, marketing and general industry scenario in the light of the level of competition. Over the period costs and interest rates are going to be the key issues that are likely to shape the growth rates in the industry. Costs of major inputs have been on the rise. Inflation linked increases in other expense, including wages and increasing advertising expenditure only add further to the situation. The players are operating on thin margins and it could be possible that their investments in brands would reduce sharply. Lower priced products with basic features account for a major market share of the domestic market on account of large number of households in middle to lower income segments.
- ✓ Further expenditure on research and development activities is inevitable due to all round development activities.

3. Initiatives by the Company:

The Following initiatives are being taken by the Company:

- The Company is concentrating its efforts on reduction of costs by undertaking specific exercises in different fields such as Implementation of Linear Programming Models etc.,
 - Focusing on modernization of manufacturing process to improvise quality and reduction of costs.
 - More stress on after sales services
 - Reaching the rural market and targeting rural customers
 - The employees at all levels are being made aware of the changed conditions and the challenges of the open market through continuous education and video shows. They are also being trained to tackle the situations under different circumstances.
 - Company has put in place SAP Software that would integrate all business applications like the Accounting, Finance, Costing, Marketing, Stores Management, etc.,
 - Company has launched many new models and hopeful of launching many more models with the continued research and development.
- The Company is quite confident that the overall productivity, profitability would improve in a sustainable manner, as a result of this programme.