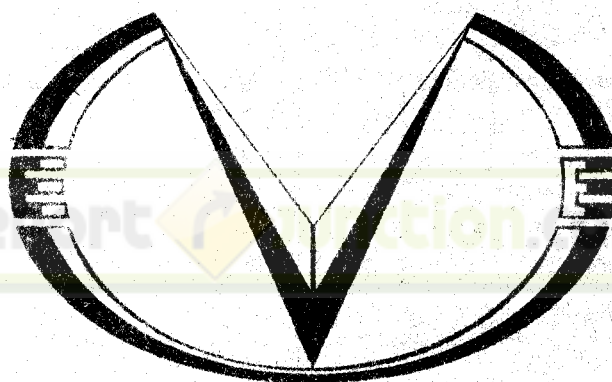


VIDEOCON INTERNATIONAL LIMITED



VIDEOCON

18th Annual Report 2002-2003

VIDEOCON INTERNATIONAL LIMITED**BOARD OF DIRECTORS**

Venugopal N. Dhoot	Chairman & Managing Director
Naveen B. Mandhana	
Lalchand Lalwani	
Vishnukumar Rathi	
Hariprasad Malpani	
Raghunathdas Somani	
S. Padmanabhan	
S. S. Dayama	
Nagesh Dinkar Pinge	Nominee of ICICI
K. Sivaprakasam	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
Allahabad Bank
Bank of Baroda
Bank of India
Bank of Maharashtra
Central Bank of India
HDFC Bank Ltd.
ICICI Bank Ltd.
Indian Bank
Indian Overseas Bank
SBI Commercial & International Bank Ltd.
State Bank of Hyderabad
State Bank of Indore
State Bank of Mysore
State Bank of Patiala
The Bank of Rajasthan Ltd.
The Federal Bank Ltd.
Union Bank of India
United Bank of India
UTI 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 Chittegaon,
Taluka Paithan, Dist.-Aurangabad, (Maharashtra)
Village : Chavaj, Via Society Area,
Taluka & Distt. Bharuch - 392002 (Gujarat)

E 23 & 24, Electronics Estate, G.I.D.C.
Gandhinagar - 302004 (Gujarat)

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NOTICE

Notice is hereby given that the Eighteenth Annual General Meeting of **VIDEOCON INTERNATIONAL LIMITED** will be held at the registered office of the Company 14 KM Stone, Aurangabad-Paithan Road, Village Chittegaon, Taluka Paithan, Aurangabad- 431 105 on Wednesday, the 31st March, 2004 at 9.30 A.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at September 30th, 2003 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 Naveen B Mandhana, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in the place of Shri Hariprasad Malpani, 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 of the Company 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. 2,750,000,000/- (Rupees Two Hundred and Seventy Five Crores Only) by creating 100,000,000 (Ten 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.2,750,000,000/- (Rupees Two Hundred Seventy Five Crores Only) divided into 185,000,000 (Eighteen Crores Fifty Lakhs only) 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 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 are 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) by the Board for an aggregate face value not exceeding Rs.100 Crores (Rupees One 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, localbodies, existing share holders, general public 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 modification, the following resolution as special resolution.

"RESOLVED THAT subject to the provisions of the Companies Act, 1956, including any statutory modifications or re-enactment thereof, the Securities Contract (Regulation) Act, 1956 and the rules framed thereunder and other applicable laws, rules & regulations and guidelines and subject to such other approvals, permissions, sanctions etc. as may be necessary and subject to such conditions as may be prescribed by any authority while granting such approvals, permissions, sanctions etc. which may be agreed to by the Board of Directors (hereinafter referred to as "the Board" which expression shall be deemed to include any committee of the Board for the time being, exercising the powers conferred by the Board), the consent of the Company be and is hereby accorded to the Board to voluntarily de-list the equity shares of the company from The Madras Stock Exchange Ltd, The Stock Exchange, Ahmedabad, The Bangalore Stock Exchange Limited, The Calcutta Stock Exchange Association Ltd, Pune Stock Exchange Ltd, Delhi Stock Exchange Association Limited and Vadodara Stock Exchange Ltd, where the equity shares of the company are presently listed.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all acts, deeds and things as it may in its absolute discretion deem necessary, desirable and appropriate to give effect to the above resolution."

9. 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 Section 255, 257 and other applicable provisions, if any, of the Companies Act, 1956 Shri Subhash S Dayama, retiring Additional Director be and is hereby appointed as Director of the Company liable to retire by rotation."

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 : February 27, 2004

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 Saturday, March 20th 2004 to Wednesday, March 31st 2004 (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 31, 2004.
5. Mr. Naveen B Mandhana and Mr. Hariprasad Malpani, retires by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. Mr. Naveen B Mandhana born on 18.11.1956 is a engineering graduate appointed as director on the Board of the Company on 21.05.1991. Mr. Mandhana is also a director on the Board of Videocon Appliances Limited and is a member of its committee(s). Mr. Hariprasad Malpani born on 03.07.1954 is a director of the company since 30.08.1991. He is not on the Board of any other public limited company.
6. The members are requested to:
 - a) Intimate to Share Transfer Agents of the Company/ Depository Participant changes, if any, in their Registered Addresses at an early date.

VIDEOCON INTERNATIONAL LIMITED

- b) Quote Ledger Folio/ Client ID numbers in all the correspondence.
 c) Bring the Copy of the Annual Report and Attendance Slip with them to the Annual General Meeting.
7. Unpaid Dividend for the financial year 1995-1996 had been transferred to Investor Education and Protection Fund. Pursuant to the provisions contained in Section 205C 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 1996-1997 onwards, are requested to encash the same after due revalidation by Registrar & Transfer Agents. No claims shall lie against the Investor Education and Protection Fund or the Company, once the unclaimed/unencashed dividend is transferred to Investor Education and Protection Fund.

8. In order to provide protection against fraudulent encashment of the warrants, the shareholders holding shares in physical form are requested to intimate the Registrar and Transfer Agents under the signature of the Sole/First joint holders, the following information to be incorporated on the Dividend Warrants:
- Name of the Sole/first joint holder and the folio number.
 - Particulars of Bank Account viz.,
 - Name of the Bank
 - Name of the Branch
 - Complete address of the Bank with Pin code Number
 - Bank Account Number allotted by the Bank

The Shareholders holding the share in dematerialised form are requested to intimate the changes, if any, to their Depository participants, in their Bank Account details for the purpose of incorporating the same on the Dividend Warrants.

EXPLANATORY STATEMENT

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

Item No.6:

The consumer electronic industry has become more capital intensive. The Company at present has two segments viz., Colour Televisions and Glass Shells. The Glass Shells division of the Company is doing exceedingly well and is poised to grow at rapid phase in the years to come. In view of the increase in the demand of the Glass Shells and in order to achieve its strategy of becoming a global player in the field of manufacture of Glass Shells, the Company is planning to enhance its volume of activities. Your company may have to go in for augmentations of the capital base to part finance the long-term working capital requirements. Hence the authorized capital of the Company should be adequately increased to accommodate the proposed augmentation of the long-term working capital requirement. The above proposed change will necessitate amendments to the Capital Clause of the Memorandum of Association of the Company.

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

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.275 Crores. The proposed increase in Authorised Capital will take care of any further issue of Equity shares that the Company may wish to make in future.

In terms of Section 81(1) of the Companies Act, 1956, in the event of a Public Company proposing to increase its subscribed capital by way of 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 person other than those mentioned in Section 81(1), if a special resolution to that effect is passed at its general meeting.

Accordingly, the Board seeks the consent of the members authorizing 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.

The Special Resolution is being recommended for the approval of the member.

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:

Presently the equity shares of the Company are listed at the following stock exchanges:

- The Stock Exchange, Mumbai (BSE)
- The National Stock Exchange of India Limited (NSE)
- The Madras Stock Exchange Limited
- The Stock Exchange, Ahmedabad

- Bangalore Stock Exchange Limited
- The Calcutta Stock Exchange Association Limited
- Pune Stock Exchange Limited
- Delhi Stock Exchange Association Ltd
- Vadodara Stock Exchange Ltd

The Securities and Exchange Board of India (SEBI), through a notification have made it compulsory that any delivery in Company's shares against Stock Exchange(s) trades shall be compulsory in dematerialized form.

With the extensive connectivity of the NSE and the BSE, investors have access to dealings in the equity shares of the company all over the country. The bulk of the trading in the equity shares of the company takes place on the NSE and BSE only. The trading on the other stock exchanges are negligible or no trading takes place. Accordingly, the listing fees paid to the other stock exchanges is dis-proportionately higher with no trading volumes. As a part of the cost reduction measures, the company has proposed the resolution at Item No. 8 to enable it to voluntarily delist its equity shares from the Stock Exchanges of Chennai, Ahmedabad, Bangalore, Calcutta, Pune, Delhi and Vadodara. As per the SEBI regulations, members approval by a Special Resolution is required for the voluntarily de-listing from the stock exchanges. The proposed de-listing will not adversely affect the investor's, as the company's equity shares will continue to be listed on the NSE and BSE. The de-listing will take effect after all approvals, permissions and sanctions are received.

Directors recommend the resolutions for approval of the members.

None of the Directors of the Company are interested in the above resolution.

Item No.9:

Shri Subhash S Dayama was appointed by the Board of Directors of the Company as an additional director on 25th day of July, 2003. He holds office upto the ensuing annual general meeting. As required by Section 257 of the Companies Act, 1956, the Company has received a notice in writing along with deposit from members signifying their intention to propose him as a candidate for the office of the director.

Shri Subhash S Dayama born on 05th Day of June, 1961, is a graduate in commerce having more than 15 years experience to his credit in the diversified fields. Shri Dayama is also a director on the Boards of Shree Dhoot Trading & Agencies Limited, Videocon Housing Finance Limited, Synlene Fabrics Limited and Videocon Properties Limited as an Independent Director. He is a member of committee of Videocon Housing Finance Limited and Chairman of the Audit Committee of Videocon International Limited.

The Board is of the opinion that his vast experience and knowledge will prove beneficial for the future growth and developments of the Company. The Board recommends his appointment as Director of the Company.

None of the Directors, except Shri Subhash S Dayama is concerned or interested in the said Resolution.

REGISTERED OFFICE

14, KM STONE,
Aurangabad Paithan Road,
Village - Chittegaon,
Taluka Paithan,
Aurangabad

Place: Ahmednagar

Date : February 27, 2004

For and on Behalf of the Board of Directors

V. N. DHOOT
CHAIRMAN & MANAGING DIRECTOR

DIRECTORS' REPORT

To the Shareholders of Videocon International Limited

The Board of Directors have pleasure in presenting the 18th Annual Report together with the audited accounts for the financial year ended on 30th September, 2003.

FINANCIAL RESULTS

	(Rs. in Million)	
	For the year ended 30.09.2003	For the period ended 30.09.2002 (18 Months)
Net Sales	33,600	46,542
Other Income	27	32
Profit before Interest, Tax and Depreciation	5,721	7,101
Interest	2,044	2,705
Depreciation	1,975	2,007
Profit before Tax	1,702	2,389
Provision for Taxation	652	681
Profit after Tax	1,049	1,708
Proposed Dividend:- Equity- Preference	71 7	71 9
Corporate Tax on Proposed Dividend	10	Nil
Transferred to General Reserve	1,250	600
Carried to Balance Sheet	3,324	3,695

PERFORMANCE HIGHLIGHTS

There has been steady growth in the financial and operational performance of the Company during the year under review. The Sales and other income for the financial year under review, were Rs.33,627 Million as against Rs.46,574 Million for the previous financial period. The Profit before tax (after interest and depreciation charges) was Rs.5,721 Million and Profit after tax of Rs.1,049 Million for the financial year under review as against Rs.7,101 Million and Rs.1,708 Million respectively for the previous financial period of 18 months.

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 is free of tax in the hands of the shareholders and the company will be paying Rs. 9.12 Million towards Corporate Tax on this Dividend.

FOREIGN EXCHANGE EARNINGS AND OUTGO

There has been an appreciable growth in the exports by the Company. During the year under review the Foreign Exchange Earnings on account of FOB value of exports amounted to Rs.1,622 Million as against Rs.776 Million in the previous period and other Foreign Exchange Earnings were Rs. Nil as against Rs.210 Million for the previous period.

The total foreign exchange outgo during the year was Rs. 3,320 million towards import of raw materials, Components, Spares, Capital Goods and other expenditure.

CONSERVATION OF ENERGY

In order to conserve energy and natural resources the company has taken constant efforts to conserve energy and natural resources and reduce consumption of power, fuel, oil, water and other energy sources by way of the followings:

1. Optimization of lighting fixtures in administrative areas.
2. Installation of auto poweroff for electrical energy consumption.
3. Energy saving in utility by proper machine planning.
4. Close monitoring of fuel consumption
5. Emphasis on non-conventional energy sources
6. Creating overall awareness to avoid wastage of water and poweroff when not in use.

RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

The Research and Development continues to be backbone of any industry and your company cannot be an exception to this. The Company gives utmost importance to

the R & D activities which are carried out at in-house R & D Centre. The technology used for manufacture of various products of the Company is fully absorbed and new innovations in process control, product development, cost reduction and quality improvements are being made on a continuous basis. The Benefits which are derived as a result of the efforts are product improvement, cost reduction, product development, improved productivity, quality of product and reduced process scrap.

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 new models of colour televisions which are upgraded inline with the new trends.
- Economic with more features
- Colour Televisions with in-built VCD/DVD
- True Flat Televisions
- 5 in one and 7 in one audio systems
- Projector Televisions
- Cosmetic design and new outlook to the TVs

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

The Company has derived the following benefits as a result of the Research and Development:

- Opportunity to compete with foreign players in the Indian and International Markets.
- Technology upgradation.
- Development of new design in products and launch of various new models.
- Attaining accreditation of Companies product in Indian and International Markets.
- Increased capacity and productivity.
- The consumer is benefited on account of better features, better quality & improved reliability with reduced/low prices.
- 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

In the coming days company is aiming to achieve development in the following areas through Research and Development:

- Plasma Television
- Multimedia TV.
- Pure Flat Televisions
- Composite Home Entertainment system
- To work on better features, better quality & improved reliability with reduced/low prices.

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 new models of Colour TVs with inbuilt DVD/VCDs, Projection Televisions, 34" Televisions, True flat Televisions and 5 in one models of Music Players in the recent past.

FIXED DEPOSITS

Your company has not accepted any deposits from the Public.

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 Company continued its efforts to use information technology as a tool to improve efficiency and productivity. The SAP has already been implemented at factories and most of the branches.

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.

VIDEOCON INTERNATIONAL LIMITED

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.

DELISTING

With the extensive connectivity of the NSE and the BSE, investors have access to dealings in the equity shares of the company all over the country. The bulk of the trading in the equity shares of the company take place on the NSE and BSE only. The trading on the other stock exchanges are negligible or no trading take place. Accordingly, the listing fees paid to the other stock exchanges is dis-proportionately higher with no trading volumes. As part of the cost reduction measures, the board has decided, subject to necessary approval, to voluntarily delist its equity shares from the Stock Exchanges of Chennai, Ahmedabad, Bangalore, Kolkatta, Pune, Delhi and Vadodara. The proposed de-listing will not adversely affect the investor's, as the company's equity shares will continue to be listed on the NSE and BSE. As per the SEBI regulations, members approval by Special Resolution is required for the voluntarily de-listing from the stock exchanges. Accordingly, approval of members is being sought at the ensuing Annual General Meeting.

HUMAN RESOURCES MANAGEMENT

The Company continues to focus on training its employees on a continuing basis, both on 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. Naveen B Mandhana and Mr. Hariprasad Malpani retire by rotation at the Annual General Meeting and being eligible, offer themselves for reappointment.

During the year Mr. K Sivaprakasam was Nominated by IDBI as Director on the Board of the Company in place of Mr. S G Gulati. The Board takes this opportunity and place on record its sincere appreciation for the valuable guidance and suggestion given by Mr. S G Gulati during his tenure.

During the year Mr. S S Dayama was appointed as Additional Director by the Board. The Company has received notice from the members signifying his candidature for the appointment in the office of the directors.

The Board is confident that the knowledge and vast experience of Mr. K Sivaprakasam and Mr. Subhash S Dayama 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 2002-03 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 Audit Committee comprises 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.
- The company has not denied any personnel access to the audit committee of the Company.

PARTICULARS OF EMPLOYEES

There are no employees drawing remuneration in excess of monetary ceiling prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 during the financial year 2002-2003.

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, 2003 are annexed together with statements showing the extent of the company's interest therein.

Middle East Appliances LLC, a Wholly owned subsidiary of the Company was incorporated in the Sultanate of Oman on 17.08.2003 with initial capital of RO 5,05,000. As the first accounting year of the subsidiary has not ended, the stand alone accounts are not prepared.

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.

Middle East Appliances LLC, a Wholly owned subsidiary of the Company was incorporated in the Sultanate of Oman on 17.08.2003. As the first accounting year of the subsidiary has not ended the financial statements of the Company have not been prepared. However the Company has compiled financial information for the period as on 30th September, 2003 and the same have been considered for the purpose of consolidation.

AUDITORS' REPORT

The observation made in the Auditors' Report are self-explanatory and therefore do not call for further comments under Section 217 of the Companies Act, 1956.

AUDITORS

M/s.Khandelwal Jain & Co., Chartered Accountants, Mumbai and M/s.Kadam & Co., Chartered Accountants, Ahmednagar, Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting. The Company has received certificates from these Auditors to the effect that their reappointment, if made, would be within prescribed limit under Section 224(1B) of the Companies Act, 1956.

CASH FLOW STATEMENT

In conformity with the provisions of Clause 32 of the listing agreement with Stock Exchanges, the cash flow statement for the year 2002-03 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

The Board placed on record its appreciation for the assistance and co-operation received from the Financial Institutions, Banks and Government Authorities.

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

For and on Behalf of the Board of Directors

Place : Ahmednagar
Date : February 27, 2004

V.N.DHOOT
Chairman and Managing Director

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CORPORATE GOVERNANCE

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

The Clause 49 lays down several corporate governance practices which, listed companies are required to adopt. While most of the practices laid down in clause 49 require mandatory compliance, others are only recommendatory in nature. This report sets out the compliance status of the Company with the requirements of corporate governance, as set out in clause 49, for the financial year 2002-03. Corporate Governance is considered as an important tool for shareholder protection and maximization of their long-term values. The cardinal principles such as accountability, responsibility, transparency and fair disclosure serve as the means for achieving this.

Company's Philosophy on Code of Governance:

The Company believes in maintaining the highest level of transparency, accountability and integrity in its functioning and the dissemination of information to all its constituents, which form the cornerstone of effective governance. 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.

The Company has always given importance to the building up of the confidence of investors and thereby increasing the shareholder value. The Company is dedicated to the principle of creating wealth and adding value for all its stakeholders.

The Company always upheld the rights of the shareholders to the information on performance of the company by giving more and more emphasis to the system corporate accounting and disclosure practices such as -

- 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.
- Depict the sound capital structure and improved capital-gearing ratio.

Board of Directors:

The Board of Videocon International Limited consists of an Executive Chairman designated as Chairman and Managing Director and ten eminent people as independent directors from different fields such as marketing, finance, and technical on its Board. The Executive Chairman has been delegated clearly defined work responsibility.

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 Holders 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 27.3.2003	Attendance in Board Meetings		Other Board	
				Attended	Directorship	Committee Chairmanship	Committee Membership
1	Mr. Venugopal N Dhoot	Promoter Executive	No	13	14	2	7
2	Mr. Naveen B Mandhana	Independent Non-Executive	No	5	1	-	2
3	Mr. Lalchand Lalwani	Independent Non-Executive	Yes	3	-	-	-
4	Mr. Vishnukumar Rath	Independent Non-Executive	No	4	1	-	-
5	Mr. Hariprasad Malpani	Independent Non-Executive	No	5	-	-	-
6	Mr. Ragnunathdas Somani	Independent Non-Executive	No	3	1	-	-
7	Mr. S. Padmanabhan	Independent Non-Executive	No	7	10	2	6
8	Mr. Nagesh Ping	Independent Non-Executive	No	2	3	-	1
9	Mr. S G Gulati (Nominee of ICI)	Independent Non-Executive	No	1	1	-	-
	Mr. K Sivaprakasam** (Nominee of IDBI)	Independent Non-Executive	No	0	2	-	-
10	Mr. A K Ahuja (Nominee of IFCL)	Independent Non-Executive	No	1	3	-	-
11	Mr. S S Dayama***	Independent Non-Executive	No	3	4	1	1

* Mr. S G Gulati (Nominee IDBI) was withdrawn from Board by IDBI and resignation considered on 25.07.2003

** Mr. K Sivaprakasam was appointed as Nominee of IDBI in place of Mr. S G Gulati and was co-opted on 25.07.2003

*** Mr. Subhash S Dayama was appointed as Additional Director by the Board on 25.07.2003.

- b) 13 Board Meetings were held during the year 2002 - 2003 on the following dates :
19/10/2002, 21/10/2002, 31/10/2002, 04/01/2003, 13/01/2003, 28/01/2003, 31/01/2003, 17/04/2003, 30/04/2003, 16/06/2003, 25/07/2003, 04/09/2003, 09/09/2003
- c) The Company did not have any pecuniary relationship or transaction with Non-Executive Directors during year 2002-2003.

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. Mr. Subhash S Dayama was appointed as Chairman of the Audit Committee during the year under review in place of Mr. Lalchand Lalwani. The other members of the Committee being Mr. Lalchand Lalwani, Mr. Vishnukumar Rath and Mr. Hariprasad Malpani. Mr. S G Gulati ceased to be member of audit committee consequent to resignation.

The following areas are referred to the Audit Committee:

- a) Overall assessment of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b) Recommending the appointment of external auditor, fixation of audit fee and also approval for payment for any other services.
- c) Reviewing with management the annual financial statements before submission to the board, focusing primarily on;
 - Changes, if any, in accounting policies and practices.
 - Major accounting entries based on exercise of judgment by management.
 - Observations if any, in draft audit report.
 - Significant changes/amendments, if any, arising out of audit.
 - The going concern assumption.
 - Compliance with accounting standards.
 - Compliance with stock exchange and legal requirements concerning financial statements
 - Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of company at large.

- d) Reviewing with the management, external and internal auditors, and adequacy of internal control systems.
- e) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- f) Discussion with internal auditors any significant findings and follow up there on.
- g) Reviewing the findings, if any, of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- h) Discussions with external auditors before the audit commence nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- i) Reviewing the company's financial and risk management policies.
- j) To look into the reasons for substantial defaults, if any, in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

The Audit Committee shall exercise the following additional powers:

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

During the financial year under consideration, five meetings of the Committee were held on 30/10/2002, 26/01/2003, 30/01/2003, 29/04/2003 and 24/07/2003. All the meetings held were attended by Mr. Lalchand Lalwani, Mr. Vishnukumar Rath, 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.

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l) 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:

- Transfer of Shares
- Transmission of shares
- Issue of Duplicate Share Certificates
- Change of Status
- Change of Name
- Transposition of Shares
- Sub-division of Shares
- Consolidation of Folios
- Shareholders requests for Dematerialisation of shares
- Shareholders requests for Rematerialisation of shares

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

The Company has also prescribed code of conduct for prevention of Insider Trading and the same is being monitored by the aforesaid committee.

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	8269	803
b Average No of Transfer per month	689	66
c Number of Shares Transferred	273396	128300

Demat/Remat of Shares:

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

a. Number of Demat Transfers approved	-	20100
b. Number of Sub-committee Meetings held	-	43
c. Number of Shares Demated	-	1114738
d. Percentage of Shares Demated	-	1.57
e. Number of Remat requests approved	-	26
f. Number of Shares Remated	-	2191

Details of Complaints received and redressed during the year 2002 - 03:

Sl. No.	Particulars	Received	Redressed	Pending as on 30.09.2003
1.	Non receipt of refund orders	Nil	Nil	Nil
2.	Non receipt of dividend warrants	1089	1089	Nil
3.	Non receipt of share certificates	1908	1899	9
4.	Others	872	872	Nil
	Total	3869	3860	9

Note:

- All the 9 complaints pending were outstanding for less than 30 days as on 30th September, 2003 and have been subsequently redressed.
- 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
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
17 th AGM	27.03.2003	14 KM Stone, Aurangabad-Paithan Road, Village Chittegaon, Taluka Paithan, Aurangabad - 431 105	09.00 a.m.	-

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

- 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.10 of Schedule 14 B to the Accounts in the Annual Report.
- Non-compliance by the company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.
NIL

Means of Communication

The Un-audited Financial Results on quarterly basis subjected to Limited Review by the Auditors of the Company, 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 viz. Free Press Journal, English daily News Paper and Navshakti Regional Language Newspaper.

As per the requirements of newly inserted Clause 51 of the Listing Agreement with the Stock Exchanges the Company also submits the following Statements, Information and reports on the Electronic Data Information Filing and Retrieval (EDIFAR) website maintained by National Informatics Centre (NIC), on-line, as and when they are submitted to the Stock Exchanges:

- Full version of Annual Report including the Balance Sheet, Profit and Loss Account, Directors' Report and Auditor's Report, Cash Flow Statement,
- Corporate Governance Report;
- Quarterly and Half Yearly Un-Audited Financial Statements taken on record by the Board of Directors of the Company;
- Shareholding Pattern
- Statement of Action taken against the Company by any regulatory authority (So far no such action has been taken by any regulatory authority against the Company)
- Such other Statement, information or reports as may be specified by SEBI from time to time in this regard.

The Reports, Statements of the Company are available for information of the investors at the web: www.sebidiffr.nic.in.

Management Discussion and Analysis Report:

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

General Shareholder Information

1. Annual General Meeting

The 18th Annual General Meeting will be held on March 31, 2004 at 9.30 a.m. at 14, K.M.Stone, Village Chittegaon, Taluka Paithan, Distt- Aurangabad (Maharashtra) Pin: 431 105

2. Financial Calendar

Financial Calendar for 2003-2004

Financial Year : October 1st 2003 To September 30th 2004

First Quarterly Result: Last Week of January 2004

Second Quarterly Result : Last Week of April 2004

Third Quarterly Result : Last Week of July 2004

Fourth Quarterly Result : Last Week of October 2004

Annual General Meeting for year ending September, 2004 : March, 2005.

- Date of Book Closure : March 20, 2004 to March 31, 2004 (both days inclusive)

- Dividend Payment Date : April 26, 2004 (Tentatively)

- Listing On Stock Exchanges

The equity shares of your company are listed on Mumbai, National, Ahmedabad, Bangalore, Kolkata, Chennai, Delhi, Pune and Vadodara Stock Exchanges. The company has paid Listing Fees for financial year 2003- 2004.

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

Sl. No. Name and Address of the Stock Exchange

- The Stock Exchange 1st Floor, New Trading Ring, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.
- National Stock Exchange of India Ltd., Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai - 400 051
- The Madras Stock Exchange Ltd., Exchange Building, Post Box No.18311, Second Line Beach, Chennai - 600 001
- The Stock Exchange Kamdhenu Complex, Opp. Sahajanand College Panjarapole, Ahmedabad - 380 001
- Bangalore Stock Exchange Ltd Stock Exchange Towers No.51, 1st Cross, J.C. Road, Bangalore - 560 052
- The Calcutta Stock Exchange Association Ltd., 7, Lyons Range, Kolkata - 700 001
- Pune Stock Exchange Ltd., Shivleela Chambers, 752, Sadashiv Peth, R.B.Kumthekar Marg, Pune - 411 030
- Delhi Stock Exchange Association Ltd., 3&4/B Asraf Ali Road, New Delhi - 110 002
- 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 along with Sensex High and Low for the respective period are given below:

Month	High	Low	Sensex High	Sensex Low
Oct '02	24.75	22.00	3038.92	2828.48
Nov '02	32.85	23.40	3245.98	2928.63
Dec '02	37.40	29.60	3413.83	3186.62
Jan '03	31.80	26.60	3416.92	3199.18
Feb '03	29.10	26.60	3341.61	3218.37
Mar '03	27.25	21.00	3311.57	3039.83
Apr '03	25.00	20.50	3221.90	2904.44
May '03	28.60	23.30	3220.48	2934.78
June '03	33.90	27.40	3632.84	3170.38
July '03	34.90	30.15	3835.75	3534.06
Aug '03	68.00	30.20	4277.64	3722.08
Sept '03	75.10	54.00	4473.57	4097.55

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.

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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 30.09.2003 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	1891692	2.66
3.	Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions, Non-Government Institutions)	2587772	3.53
4.	FIs	6358234	8.93
5.	Private Corporate Bodies	5926247	8.32
6.	Indian Public	28415899	39.91
7.	NRI/OCBs	241014	0.34
8.	Any other (please specify)- GDR	501809	0.70
	Grand Total	71212441	100.00

- b) Distribution of Shareholding as on 30.09.2003 is as given below:

Share Holding of Nominal Value of Rs.	Number of Share Holders	% To Total	No. of Shares	Amount (In Rs.)	% To Total
UPTO 5,000	551142	98.62	21968668	219686680	30.85
5,001 TO 10,000	4627	0.83	3539314	35393140	4.97
10,001 TO 20,000	1696	0.30	2491563	24915630	3.50
20,001 TO 30,000	493	0.09	1233469	12334690	1.73
30,001 TO 40,000	208	0.04	737464	7374640	1.04
40,001 TO 50,000	173	0.03	814231	8142310	1.14
50,001 TO 100,000	243	0.04	1757886	17578860	2.47
100,001 AND ABOVE	257	0.05	38669846	386698460	54.30
TOTAL	558839	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 30.09.2003, 53316807 equity shares (74.87 % of the total number of shares) have been dematerialized.

11. Outstanding GDRs/ ADRs/ Warrants or Conversion Instruments, Conversion Date and like impact on equity - Nil

12. Plant locations

- 1) 14 Km. Stone, Aurangabad - Paithan Road, Village Chittegaon, Taluka Paithan, Dist. Aurangabad, Maharashtra
- 2) Village Chavaj, Via Society Area, Taluka & Dist. Bharuch - 392 002. Gujarat
- 3) E-23&24, Electronic 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 of Videocon International Limited presents the Industry Overview, Opportunities and Threats, Initiatives by the Company and overall strategy of Videocon for the year 2002-2003 and its outlook for the future. This outlook is based on assessment of the current business environment, it may vary due to future economic and other developments both in India and Abroad. This Management Discussion and Analysis statement of the Annual Report has been included in adherence to the spirit enunciated in the code of Corporate Governance approved by the Securities and Exchange Board of India.

1. Industry Structure and Developments:

The Indian Consumer Durable Industry is broadly divided into three distinct segments viz.,

Brown Goods	White Goods	Small Domestic Appliances
<ul style="list-style-type: none"> > Colour Televisions > Video Products > Home Entertainment Products etc., 	<ul style="list-style-type: none"> > Washing Machines > Refrigerators > Dishwashers etc., 	<ul style="list-style-type: none"> > Vacuum Cleaners > Fans, > Water purifiers, > Heaters > Irons etc.,

Brown Goods :

In the Brown Goods the Company has Colour Television as the most dominant product both volume wise and value wise.

The Colour Television market in the year 2003 has been good largely on account of Cricket World Cup and the aggressive promotions by all the color television manufacturers. The flat Television segment is constantly improving its share in the overall CTV market. The reducing price gap between conventional and flat screen TVs has resulted in enhanced sale in the flat Television segment. Overall the year 2003 has been good year for the Indian CTV market. Overall CTV sales are likely to close at around 7.5 - 8.0 million sets. In the Last year, CTV sales have been driven by major sporting events like Cricket World Cup.

The Indian flat television market has witnessed significant growth in the last two years. This is a

consequence of the introduction of low-priced entry level models, along with growing consumer awareness on the technical and aesthetic features of flat televisions

The share of flat TV sales in the overall CTV sales is increasing. Videocon has introduced a number of feature-packed models to consolidate its position in the flat CTV segment. The company introduced Mega Flat and Bazzon Flat in 21-inch segment. Later, the company introduced 24-carat TV in the premium flat TV segment that comes with a 24-carat real gold plated panel. The Company has launched DVD TV, a 21-inch flat television with an in-built DVD player with 600 W PMPO sound output and SRS trubass, the DVD TV delivers deep, rich bass experience. The Company has launched 29 inch flat TV with three exciting new models of Bazoomba.

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

Audio:

According to a report by the research organisation ORG-GFK, the Indian audit market in the year 2002-03 is estimated at around Rs.873 Crores. Total sales in terms of units is estimated at around 6,375,500

Developments:

The year 2004 has started on an encouraging note for the Indian electronic Industry. The Government has reduced the customs duty on raw materials and inputs used for manufacturing electronic components to nil for most items, while duty on capital goods for manufacturing electronics hardware has been reduced to nil. The special additional customs duty of four percent has been abolished. The peak rate of customs duty has been reduced which means, lower production cost for electronics manufactures, and competition will ensure lower prices to consumers.

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. Today, customers 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.

Videocon 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.

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

- > The multi branding strategy of Videocon has helped the group to retain its leadership in the industry. The Videocon group's leading brands include Videocon, Sansui, Akai, Toshiba, Kenstar and Kenwood.
- > Extensive service/support network located throughout India provides service at customers doorsteps within ½ to 1 day, to which the Indian consumer place a high value.
- > In house manufacture of Glass Shells puts company in cost advantageous position.
- > The company also takes advantage of reduced taxes and other incentives granted by certain states in India for locating manufacturing facilities in such states.
- > The company manufactures, markets or distributes a very wide range of models catering the needs of all sectors. Each and every product has cover 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.

2 Opportunities and threats:

- > The sales of Colour Televisions in the year 2003 was good and increased on account of sporting events like Cricket World Cup. With no such major event scheduled in 2004, manufacturers will need to be more innovative in the coming year.
- > The aggressive marketing and pricing by Indian Companies to counter the competition with multinationals are putting margins under pressure. The companies are working under very low margins. The decline in pricing by the manufacturers as a whole will have impact on the Company's revenues and profits.
- > The cost on marketing, advertising and after sale services are increasing tremendously.
- > 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.
- > 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.
- > The Government has reduced the customs duty on raw materials and inputs used for manufacturing electronic components to nil for most items, while duty on capital goods for manufacturing electronics hardware has been reduced to nil. The special additional customs duty of four percent has been abolished. The peak rate of customs duty has been reduced from 25 percent to 20 percent, which means, lower production cost for electronics manufactures, and competition will ensure lower prices to consumers.

VIDEOCON INTERNATIONAL LIMITED

3. Initiatives by the Company:

The Company has taken following initiatives:

- The Company is concentrating its efforts on reduction of costs on account of the reduction of duties by the Government and by setting up facilities for components required for manufacturing of final items.
- Company has launched many new models and hopeful of launching many more models with the continued research and development.
- The Company is expanding globally to establish itself as one of the global player in the market by exporting its products to certain countries and setting up manufacturing facilities wherever it is beneficial and advantageous to the Company.
- The Company is expanding its dealer network in semi-urban and rural markets and making available its latest technology products in these markets, where till date only un-branded items are sold.
- Concentrating on Plasma Televisions.
- Focusing on modernization of manufacturing process to improvise quality and reduction of costs.
- More stress on after sales services
- Company has put in place SAP Software that would integrate all business applications like the Accounting, Finance, Costing, Marketing, Stores Management, etc.,

4. Product-wise performance:

The product wise performance of the company is as hereunder:

The Colour TV business constitutes the largest business segment of the Company. TV and its Assemblies accounts for nearly 51 % of the revenue. During the year the company has earned Rs. 18,361 Million out of sale of TV Sets, Assemblies/sub-Assemblies of TV Sets and Video product Assemblies.

Further the company earns a sizeable portion of its revenue from the manufacturing of Glass Shells which are used in the manufacture of TVs. The Company has earned a revenue of Rs. 4,611 Million from Glass Shell (Panels) for CTV Picture Tubes and a revenue of Rs. 1,466 Million from Glass Shell (Funnels) for CTV Picture Tubes.

The other major contributor to the revenue of the company is Audio and other Electrical and Electronic Appliances. The contribution from this sector is around 29 %. The Company has earned around Rs. 10,396 Million from sale of Audio and other Electrical and Electronic Appliances including Assemblies and Sub-Assemblies thereof.

The Company has earned a revenue of Rs. 1,198 Million from the sale of Air-Conditioners.

5. Outlook:

- The margin in the industry may come under pressure since there are no sporting events like Cricket World Cup in year 2003 which could boost the sale and demand for Colour Television. However the company expects that it can beat the slow down in demand with aggressive marketing and introducing various models under various schemes and also exploring the opportunities available in the global market.
- The consumer electronics sector is undergoing a major transformation. The analog technologies are giving way to digital technologies. Digitalization in turn is leading to convergence of consumer, computer, communication, broadcast cable technologies and the contents. A digital signal can be far more easily processed than an analog one. The company is planning to tap this.
- The Government has reduced the customs duty on raw materials and inputs used for manufacturing electronic components to nil for most items, while duty on capital goods for manufacturing electronics hardware has been reduced to nil. The special additional customs duty of four percent has been abolished. The peak rate of customs duty has been reduced from 25 percent to 20 percent, which means, lower production cost for electronics manufactures, and competition will ensure lower prices to consumers.
- The Company has adopted the best and the most sophisticated technology to suit Indian needs. The Company is also expanding its manufacturing capacities to achieve economies of scale and global competitiveness.
- The company as a part of global diversification has been planning international forays in the same industry and has successfully forayed into Middle East in the

current year under review by setting up a Wholly owned subsidiary at Muscat, Sultanate of Oman and is planning to tap the other international market(s).

- The Company as a part of reducing manufacturing cost of products has explored the possibility of manufacturing various components at the in-house facility by setting up standalone facilities.
- Last but not least, the Company expect to perform better in the current year under review on account of its initiatives, as mentioned above and opportunities available to it.

6. Risks and concerns:

- The aggressive marketing and price wars by Multinational Companies are the major risks and concerns of the Company.
- The overall margins are under pressure. The manufacturers are working on very thin margin.
- The Industry is becoming more and more capital intensive. Today players in this markets are required to keep more stocks of various ranges of products and particularly on credit basis.

7. Internal Control Systems and their adequacy:

The company has an internal control system commensurate with its size and nature of business which provides for:

- Accurate recording and custody of assets
- Compliance with applicable statutes, policies procedures, listing requirements, management guidelines and circulars,
- Transactions being accurately recorded, cross verified and promptly reported
- Efficient use and safeguarding of resources.
- Adherence to applicable accounting standards and policies
- Information technology system which include controls for facilitating the above.

The well established Internal Audit Department of the Company has clearly laid down powers and responsibilities that are required to ensure the adequacy of the Internal Control System. A Manual containing the scope and functions of the Internal Audit Department has been issued. This manual contains various controls and checklists that are to be carried out before execution of any activity. Internal checks and controls are exercised by strictly adhering to the various procedures laid at the time of Delegation of Authorities and other Procedures. The delegation clearly indicates the powers along with the monetary limits, wherever necessary, that can be exercised by various levels of the Managers in the Company. Similarly, the Company has well defined manuals for all the functional areas, viz., Production, Sales, Administration, Personnel, etc.

8. Material Developments in Human Resources / Industrial Relations front, including number of people employed:

The Company believes in talent acquisition and retention, to augment its plan of making its presence more prominent in global markets. The Company has developed a HRD Plan with the parameters to achieve Excellent Rank. Steps have been taken to create a sense of belongingness in the minds of the employees, which in turn gives maximum contribution per employee while gearing them to face the challenges in the competitive business environment and achieve the desired goals.

The Company is poised to take on the challenges with its work force of more than 4500 employees in the business environment and march towards achieving its mission with success.

CAUTIONARY STATEMENT:

Statement in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be "forward-looking Statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operation include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and other incidental factors. Further, the discussion following herein reflects the perceptions on major issues as on date and the opinions expressed here are subject to change without notice.

The Company undertakes no obligation to publicly update or revise any of the opinions or forward-looking statements expressed in this report, consequent to new information, future events, or otherwise.

Annexure to Directors' Report

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of

Videocon International Limited

We have examined the compliance of conditions of Corporate Governance of Videocon International Limited, for the year ended on 30th September, 2003, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of the certificate of the corporate governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with, in all material respect, the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that no investor grievance were pending for a period exceeding one month against the Company, as per the records maintained by the Investors Grievance Committee and as per the certificate of the Registrars and Transfer Agents of the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For and on behalf of
KADAM & CO.
Chartered Accountants
U.S.KADAM
Proprietor

Place : Ahmednagar
Date : February 27, 2004

For and on behalf of
KHANDELWAL JAIN & CO.
Chartered Accountants
MANOJ DAGA
Partner