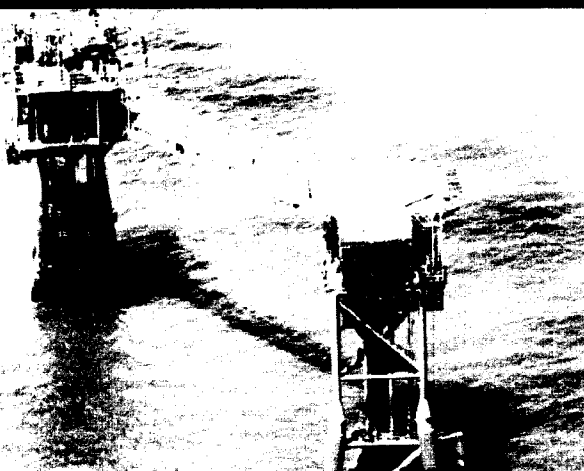


VIDEOCON

THE INDIAN MULTINATIONAL



VIDEOCON INDUSTRIES LIMITED



18th
Annual Report
2005 - 06

VIDEOCON INDUSTRIES LIMITED

BOARD OF DIRECTORS

Venugopal N. Dhoot	Chairman & Managing Director
Pradeepkumar N. Dhoot	Wholetime Director
S. K. Shelgikar	
Kuldeep Drabu	
S. Padmanabhan	
Maj. Gen. S. C. N. Jatar	
A.L. Bongirwar	
S.P.Talwar	
Didier Trutt	Nominee - Thomson S.A.
Johan Fant	Nominee - AB Electrolux (Publ).
Ajay Saraf	Nominee - ICICI Bank Ltd.
B. Ravindranath	Nominee - IDBI Ltd.

COMPANY SECRETARY

Vinod Kumar Bohra

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

Mulla & Mulla & Cragie & Blunt & Caroe

BANKERS

State Bank of India
Allahabad Bank
Bank of India
Bank of Maharashtra
Central Bank of India
ICICI Bank Ltd.
Indian Bank
Indian Overseas Bank
State Bank of Hyderabad
State Bank of Indore
State Bank of Mysore
State Bank of Patiala
The Federal Bank Ltd.
Union Bank of India
Vijaya Bank
Punjab National Bank

REGISTERED OFFICE

Auto Cars Compound,
Adalat Road, Aurangabad - 431 005
Maharashtra.

FACTORY

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

Village Chavaj, Via Society Area,
Taluka & Distt. Bharuch (Gujarat)

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

Plot No. 1D, Udyog Vihar Industrial Area,
Gautam Budh Nagar, Greater Noida (U.P.)

Plot No-28, Khasra No-293, Industrial Area,
Selakul, Vikasnagar, Dehradun, (Uttaranchal).

Vigyan Nagar, RICO Industrial Area,
Shahjanpur, District Alwar, Rajasthan

A-32, Butibori Industrial Area,
Village Ruikhiri, Nagpur

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NOTICE

NOTICE is hereby given that the Eighteenth Annual General Meeting of **VIDEOCON INDUSTRIES LIMITED** ("the Company") will be held on Friday, 30th March, 2007 at the Registered office of the Company at Auto Cars Compound, Adalat Road, Aurangabad - 431 005 at 9.30 A.M. to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the audited Balance Sheet as at September 30, 2006, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors' and Auditors' thereon.
2. To declare a dividend on Equity Shares.
3. To appoint a director in place of Mr. S Padmanabhan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Mr. Kuldeep Drabu, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a director in place of Major General S C N Jatar, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT M/s. Khandelwal Jain & Co., Chartered Accountants and M/s. Kadam & Co., Chartered Accountants, be and are hereby appointed as Joint Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, on such remuneration as shall be fixed by the Board of Directors."

SPECIAL BUSINESS:

7. To consider and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT in accordance with the provisions of Section 255, 256, 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, Mr. Johan Fant, who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company, liable to retire by rotation, under the provisions of the Articles of Association of the Company."

By order of the Board of Directors of
Videocon Industries Limited

Vinod Kumar Bohra
Company Secretary

Place : Mumbai,
Date : 31st January, 2007

Registered Office:

Auto Cars Compound,
Adalat Road,
Aurangabad - 431 005

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE COMMENCEMENT OF THE MEETING.
2. Corporate Members intending to send their authorised representatives to attend the Annual General Meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Annual General Meeting.

3. In terms of the provisions of Articles of Association of the Company, Mr. S Padmanabhan, Mr. Kuldeep Drabu & Maj Gen S C N Jatar retire by rotation and being eligible offer themselves for re-appointment. Further, the Company has received a notice in writing from a member alongwith a deposit of Rs. 500/- proposing the candidature of Mr. Johan Fant for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956. Brief resume of each of these director(s), nature of their expertise in specific functional areas and names of companies in which they hold directorship and membership/ chairmanship of Board Committees, as stipulated under Clause 49 of Listing Agreement entered with the Stock Exchanges, in India, is appended to the notice. The Board of Directors of the Company recommends the appointments/ re-appointments of the aforesaid directors.

4. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Annual General Meeting is annexed hereto.

5. Members are requested to bring their attendance slip along with their copy of Annual Report to the meeting.

6. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.

7. Relevant documents referred to in the accompanying notice are open for inspection at the registered office of the Company on all working days, except Saturdays, between 12 Noon to 2.00 PM upto the date of the Annual General Meeting.

8. The Register of Members and Share Transfer Books shall be closed from Saturday, March 17, 2007 to Friday, March 30, 2007 ("both days inclusive") for determining the names of members eligible for dividend on Equity Shares, if declared at the Annual General Meeting. The dividend on Equity Shares, if declared at the Annual General Meeting will be paid on or around 10th April, 2007 to those Members whose names appeared on the Company's Register of Members on Friday March 16, 2007. In respect of shares held in dematerialized form, the dividend will be paid on the basis of particulars of beneficial ownership furnished by depositories as at the end of business on Friday, March 16, 2007.

9. The Company has not declared any dividend during financial year(s) 1997 to 2004. The unclaimed and unpaid dividend in respect of financial year 1995-1996 has already been transferred, in the past, to the Investor Education and Protection Fund (IEPF) established by the Central Government, pursuant to provisions of Section 205A of the Companies Act, 1956.

The unclaimed dividends, for the financial year 1998-1999, in respect of erstwhile Videocon International Limited (amalgamated with the Company) has been transferred to the IEPF. Dividends for the financial year 1999-2000 and thereafter, which remain unclaimed for a period of 7 years will be transferred by the Company to IEPF, as and when due. Members who have not encashed dividend warrant(s) for the aforesaid years are requested to obtain duplicate warrant(s) by writing to the Company's Registrars and Transfer Agents, M/s. MCS Limited. Members are requested to note that no claims shall lie against the Company or IEPF in respect of any amounts which were unclaimed and unpaid for a period of seven years from the dates they first became due for payment and no payment shall be made in respect of any such claims.

10. Members who hold shares in physical form in multiple folios in identical names or joint accounts in the same order or names are requested to send the share certificates to the Company's Registrar and Transfer Agents, M/s. MCS Limited, for consolidation into a single folio.

11. The shares of the company are tradeable compulsorily in electronic form and your company has established connectivity with both the depositories i.e., National Securities Depository Limited and Central Depository Services (India) Limited. In view of the enormous advantages offered by the Depository system, Members are requested to avail the facility of dematerialization of the company's shares on either of the depositories as aforesaid.

VIDEOCON INDUSTRIES LIMITED**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****ITEM NO. 7**

The Board of Directors of the Company ("the Board"), at its meeting held on January 31, 2007 has, pursuant to the provisions of Section 260 of the Companies Act, 1956 (the Act) and Articles of Association of the Company appointed Mr. Johan Fant as an additional director of the Company.

In terms of the provisions of Section 260 of the Act, Mr. Johan Fant holds office upto the date of ensuing Annual General Meeting. The Company has received a notice in writing from a member alongwith a deposit of Rs. 500/- proposing the candidature of Mr. Johan Fant for the office of Director of the Company under the provisions of Section 257 of the Act.

Mr. Johan Fant is associated with AB Electrolux as Senior Vice President, Group Treasurer. He has to his credit vast knowledge and experience in the field of Finance & Treasury. He is a Board Member of Swedish Indian Business Council, Swedish Association of Corporate Treasurers and Aaro System AB. He was chairman of the Board of erstwhile EKL Appliances Limited.

Keeping in view his rich expertise, it will be in the interest of the Company that Mr. Johan Fant is appointed as a director, liable to retire by rotation, in accordance with the provisions of the Articles of Association of the Company.

Save and except Mr. Johan Fant none of the other directors of the Company is, in any way, or interested in the Resolution set out at Item No.7 of the notice. The Board recommends the Resolution set out at Item No.7 of the notice for the approval of the members.

**By order of the Board of Directors of
Videocon Industries Limited**

**Vinod Kumar Bohra
Company Secretary**

Place : Mumbai,
Date : 31st January, 2007

Registered Office:
Auto Cars Compound,
Adalat Road,
Aurangabad - 431 005

BRIEF RESUME OF DIRECTORS BEING APPOINTED/RE-APPOINTED, NATURE OF THEIR EXPERTISE IN SPECIFIC FUNCTIONAL AREAS AND NAMES OF COMPANIES IN WHICH THEY HOLD DIRECTORSHIP AND MEMBERSHIP/CHAIRMANSHIP OF BOARD COMMITTEES, AS STIPULATED UNDER CLAUSE 49 OF LISTING AGREEMENT WITH THE STOCK EXCHANGES IN INDIA, IS AS UNDER:

1. Brief details of Mr. S Padmanabhan are as under:

1	Name of the Director	Mr. S Padmanabhan
2	Date of Birth	01.09.1939
3	Education Qualification	I.A.S., B.Sc. Physics (Honors), M.Sc. Physics, Bachelor of General Law, Diploma in Developmental Economics- University of Cambridge, Diploma in Management.
4	Date of Appointment on the Board	01.06.2005
5	Category of Director	Non Executive -Independent Director
6	Area of Expertise/Senior Position Held/Work Experience	Retd. IAS. In the past, he has held various prominent positions with government authorities inter alia includes following positions: ➤ Director - Department of Atomic Energy, Government of India, dealing with projects, power projects, Nuclear Power Stations, Purchase, Budget Administration, Vigilance ➤ Managing Director - The State Industrial & Investments Corporation of Maharashtra Ltd (SICOM). Apart from the above, he has been in this Industry for more than 15 years as advisor & consultants to various corporates.
7	Names of other Directorships in Public Limited Company	1. Videocon Communications Limited 2. Kitchen Appliances India Limited 3. Applicomp (India) Limited 4. Videocon Power Limited 5. Desai Brothers Limited 6. Asian Electronics Limited 7. Premier Automobiles Limited 8. Sudarshan Chemical Industries Ltd. 9. Force Motors Limited 10. Sanghvi Movers Limited 11. Rajkumar Forge Limited 12. Videocon VCR Securities Limited 13. Videocon Energy Holdings Limited

8	Names of committees in which Chairman	Nil
9	Names of Committees in which Member	1. Videocon Communications Ltd (Audit Committee) 2. Videocon Communications Ltd (Shareholders Committee) 3. Applicomp (India) Limited (Audit Committee) 4. Videocon Power Limited (Audit Committee) 5. Kitchen Appliances India Limited (Audit Committee) 6. The Premier Automobiles Ltd (Audit Committee) 7. The Premier Automobiles Ltd (Remuneration Committee) 8. Asian Electronics Ltd (Audit Committee) 9. Videocon Industries Limited (Shareholders Committee) 10. Rajkumar Forge Limited (Audit Committee) 11. Rajkumar Forge Limited (Remuneration Committee)
10	Number of Shares held in the Company	203

2. Brief details of Mr. Kuldeep Drabu are as under:

1	Name of the Director	Mr. Kuldeep Drabu
2	Date of Birth	13.09.1958
3	Education Qualification	FCA, LLB
4	Date of Appointment on the Board	01.06.2005
5	Category of Director	Non Executive- Non Independent
6	Area of Expertise/Senior Position Held/Work Experience	He has vast experience in the fields of Finance & Commercial Laws. He has been associated with various Corporates as consultant & advisor for: ➤ Mobilisation of Funds - Domestically and Internationally. ➤ Strategic planning and advisory. ➤ Amalgamation & Acquisitions. ➤ Setting up of Joint Ventures abroad ➤ International operations. ➤ Finance and Treasury.
7	Names of other Directorships in Public Limited Company	Dhoot Securities Limited Videocon Power Limited Videocon Energy Holdings Limited
8	Names of committees in which Chairman	Nil
9	Names of Committees in which Member	Videocon Power Limited (Audit Committee)
10	Number of Shares held in the Company	5,000

3. Brief details of Major General S C N Jatar are as under:

1	Name of the Director	Major General S C N Jatar
2	Date of Birth	03.09.1932
3	Education Qualification	BE (Civil), FIE, MICA, Qualified at the Defence Services Staff College
4	Date of Appointment on the Board	01.06.2005
5	Category of Director	Non Executive - Independent
6	Area of Expertise/Senior Position Held/Work Experience	He is presently: ➤ Consultant to ICICI Bank Limited (Upstream operations, Oil & Natural Gas) ➤ Member, Arbitration Panel of the Institutions of Engineers ➤ Member, Steering Committee of National Gas Hydrates Programme, ➤ Member, Indian Council of Arbitration ➤ Associate, Security & Political Risk Analysis SAPRA India Foundation ➤ Member, Senate, University of Pune He has served on various positions as hereunder: ➤ Consultant, Hindustan Petroleum Corporation Limited ➤ Project Advisor, Standing Conference of Public Enterprises, ➤ Member, Governing Board, Pune Stock Exchange, ➤ Managing Director, Garware Shipping Corporation Limited, ➤ President (Co-ordination) RPG Petrochem Ltd

		➤ Chairman, Standing Conference of Public Enterprises ➤ Chairman & MD, ONGC Videsh Ltd ➤ President, Petroleum Sports Control Board ➤ Chairman & MD and Resident Chief Executive, Oil India Limited Served with Indian Army He has vast Army profile to his credit.
7	Names of other Directorships in Public Limited Company	Prize Petroleum Limited
8	Names of committees in which Chairman	1. Videocon Industries Limited (Shareholders Committee) 2. Videocon Industries Limited (Remuneration Committee)
9	Names of Committees in which Member	1. Videocon Industries Limited - (Audit Committee) 2. Prize Petroleum Limited - (Audit Committee)
10	Number of Shares held in the Company	Nil

4. Brief details of Mr. Johan Fant are as under:

1	Name of the Director	Mr. Johan Gunnar Michael Fant
2	Date of Birth	19.09.1959
3	Education Qualification	MBA
4	Date of Appointment on the Board	31.01.2007
5	Category of Director	Non Executive - Non Independent
6	Area of Expertise/Senior Position Held/Work Experience	Vast experience in the fields of Finance & Treasury. He is presently Senior Vice President, Group Treasurer at AB Electrolux (Publ). In the past, he has held various positions as under ➤ Ericsson, Corporate Treasury ➤ Ericsson Telecom AB, Treasurer ➤ Ericsson Treasury Services AB, President ➤ Assa Abloy, CFO ➤ Ericsson, Corporate Financial Control, SVP, Corporate Controller ➤ Enskilda Securities, Executive Vice President, COO. ➤ Electrolux, SVP Finance and Strategy, CFO, Electrolux Home Products International. ➤ Chairman of the Board Electrolux Kelvinator Ltd, India He also holds board membership of ➤ Swedish Indian Business Council ➤ Swedish Association of Corporate Treasurers ➤ Aaro System AB
7	Names of other Directorships in Public Limited Company	Nil
8	Names of committees in which Chairman	Nil
9	Names of Committees in which Member	Nil
10	Number of Shares held in the Company	Nil

VIDEOCON INDUSTRIES LIMITED

DIRECTORS' REPORT

The Shareholders,
of Videocon Industries Limited (the Company)

The Board of Directors are delighted to present the 18th Annual Report together with the Audited accounts, Auditors' Report and the Audited consolidated financial statements for the year ended September 30, 2006.

FINANCIAL RESULTS:

The performance of the Company, on standalone basis, for the financial year ended September 30, 2006 is as summarized below:

Particulars	Rs. Millions	
	Year ended 30.09.2006	Period ended 30.09.2005
Net Sales	72,188.17	54,494.03
Other Income	1,654.44	704.87
Total Income	73,842.61	55,198.90
Profit before Interest, Depreciation and Tax	14,750.93	8,884.35
Interest & Finance charges	2,258.80	2,042.46
Depreciation	3,355.47	2,323.60
Profit before Exceptional Items and Taxation	9,136.67	4,518.30
Exceptional Items	Nil	(1,901.79)
Profit before Tax	9,136.67	2,616.51
Provision for Taxation	951.65	(1,660.34)
Profit after Tax	8,185.02	4,276.85

During the year under review, the Total Income & Profitability of the Company were higher as compared to the previous period. This was on account of normal growth in the business of the Company as well as due to addition of business on account of various mergers & amalgamations, as mentioned in the Management Discussion & Analysis Report.

OPERATIONS:

Some of the highlights of the year under review are as under:

1. Acquisition:

On December 13, 2005, Eagle Corporation Limited became a Wholly Owned Subsidiary of the Company after the Company acquired the balance 81% equity stake in Eagle Corporation Limited.

Eagle Corporation Limited is an offshore entity which acquired Colour Picture Tube businesses from Thomson S.A having manufacturing facilities in Poland, Italy, Mexico and China along with support research and development facilities.

In pursuit of mission to become a global major in consumer electronics and home appliances with large scale and low cost base for critical components, the company made its first footprint in acquiring global sized colour picture tube manufacturing facilities across the world from Thomson SA. It was also an exercise to complete the value chain in CTV vertical as the Company had already a critical mass of glass panel manufacturing facility, a substantial part of bill of material of CPT in India. By adding this acquisition the Company become a major player with total vertical integration in the CPT vertical. Amongst others, the principal philosophy behind this acquisition was to make this acquisition yield handsome gains by adopting a three fold strategy viz.

1. Cost cutting
2. Vertical Integration
3. Rationalisation of Product Profile

So far in the past four quarters, the Company had been successful in making substantial dent in all these three aspects. the Company had been in a position to reduce the costs by relocation of certain activities from high cost countries to low cost countries, also by reshuffling the material procurement from more efficient sources and by effectively leveraging the capability to integrate glass panel facility back home to the CPT manufacturing facilities so acquired from Thomson S.A. The Company also made decent progress in reshuffling the product profile to match the needs of the market by shifting the production of very large size picture tubes to medium and smaller size picture tubes, thereby reducing the impact of the pressure of competition on VLS. The pursuit of threefold strategy of rationalization of cost, capacity and production profile has given decent dividends

in last year by converting the cash losing acquired business into cash surplus, albeit in a token way. The company intends to further pursue the same strategy of cost cutting and rationalizations and product profile rationalizations such as launch of Slim and Extra Slim versions of Colour Picture Tubes and garner more strength by integrating its activities and operations covering all aspects of value chain. The company believes that the pursuit of these strategies would go along, to further its aim of becoming a globally integrated player in the CTV vertical.

2. Merger:

On July 21, 2006, EKL Appliances Limited (formerly: Electrolux Kelvinator Limited) amalgamated with the Company, with retrospective effect from January 01, 2005, pursuant to the Scheme of Amalgamation of EKL Appliances Limited with Videocon Industries Limited, as sanctioned by the Hon'ble High Court of Judicature at Bombay on 30th June 2006. The Scheme resulted in all of the assets and liabilities of EKL Appliances Limited being transferred to the Company.

3. Issue/Allotment of Securities:

On December 21, 2005, the Company issued 217,200 GDRs representing 217,200 equity shares of the Company ("equity shares") at a price of US\$10 each to Gallo SAS, a Thomson Group entity against subscription money received on September 30, 2005.

On January 31, 2006, the Company has allotted 14,242,488 equity shares to the shareholders of erstwhile Videocon International Limited pursuant to Scheme of Amalgamation of Videocon International Limited with the Company, as sanctioned by Hon'ble High Court of Judicature at Bombay on November 25, 2005.

On February 7, 2006, the Company issued Foreign Currency Convertible Bonds ("FCCBs") of an aggregate amount of US\$ 90,000,000 (United States Dollar Ninety Million). These FCCBs are listed on Singapore Exchange Securities Trading Limited.

On March 31, 2006, the Company has allotted 4,158,870 preference shares of Rs.100/- each to the Preference shareholders of erstwhile Videocon International Limited pursuant to Scheme of Amalgamation of Videocon International Limited with the Company, as sanctioned by Hon'ble High Court of Judicature at Bombay on November 25, 2005.

On July 24, 2006, the Company issued Foreign Currency Convertible Bonds ("FCCBs") of an aggregate amount of US\$105,000,000 (United States Dollar One Hundred Five Million). These FCCBs are listed on Singapore Exchange Securities Trading Limited.

On July 31, 2006, the Company has allotted 441,990 preference shares of Rs.100/- to Life Insurance Corporation of India.

APPROPRIATIONS:

Dividend:

Your directors have pleasure in recommending a dividend of 35% (Rs. 3.50 per share) on equity shares for the financial year ended on September 30, 2006, subject to approval by shareholders at the 18th Annual General Meeting. The equity dividend amounting to Rs. 881.93 Million, including taxes, if approved by the Equity 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.

Transfer to reserves:

Your directors propose to transfer Rs. 1,500 Million to the General Reserve. An amount of Rs. 8,380.87 Million is proposed to be retained in the Profit and Loss Account.

FIXED DEPOSITS:

The company has not accepted any deposit within the meaning of Section 58A of the Companies Act, 1956.

CONSERVATION OF ENERGY:

The Company continues to emphasise on conservation of energy, power and other energy sources. The Company has formed a team of the expert engineers engaged in the production activity for taking up detailed study by attending seminars, obtaining expert opinion, research, on the possibilities of use of various methods of optimum use of energy without affecting the productivity. This is done under guidance of the Management.

As a part of continuous efforts, your Company has taken the following steps:

- i. Utilization of unconventional energy source such as Solar Energy.
- ii. Adoption of the latest technique of production which helps better productivity levels
- iii. Timely maintenance & upgradation of machinery & equipments to ensure that the energy consumption is as minimal as possible.
- iv. Educating the production team members as well as whole of the staff to conserve energy.

RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

The Company gives utmost importance to the R & D activities, which are carried out at in-house R & D Centre located in Aurangabad. The R & D is also carried out at centres located at Italy and China.

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

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

- Innovation of new products with more features.
- Improvement in the productivity.
- Launch of innovative products in the same category.
- Improvement in the quality of products

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

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

- The productivity and capacity is increasing on same existing lines.
- The Quality has improved resulting in more acceptance of the products.
- Development of new design in products and launch of various new models
- Reduction in cost thereby providing little support to the bottom line.

3. Future plan of action

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

- Launching of New Brands under Videocon umbrella.
- To work on overall display development.
- To work on new technology to attain break through in Flat Panel TVs such as Plasma & LCD so as to reduce the cost of production and thereby resulting in lowering of prices of flat panel TVs.
- Reducing the electricity consumption for consumer electronics and home appliances.
- Introducing the newer models having low power consumption.

Your Company is using the latest advances in technology for production. Taking into consideration the advancements in technology, the Company continues to upgrade its technical base to meet the needs of the consumers.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

During the year under review, the earnings in Foreign Exchange amounted to Rs. 4,578.31 Million (previous year Rs. 2,196.46 Million) and outgo in Foreign Exchange was Rs. 25,697.51 Million (previous year 5,175.02 Million).

INFORMATION TECHNOLOGY:

Your company believes that Information Technology is the backbone of any industry in today's environment. The Company has taken it as a tool to improve productivity, efficiency and reliability. As such, mySAP, a Customized ERP Module, has already been substantially implemented at manufacturing facilities and branches of the Company, in India and at its foreign operations. It is in final stages of being fully implemented.

HEALTH, SAFETY AND ENVIRONMENT:

Your company recognizes its role in health and safety, as well as its responsibility towards environment and society. The health and medical services are accessible to all employees through well-equipped occupational health centers at all manufacturing facilities. Safety and security of the personnel, assets and environmental protection are also on top of the agenda of the Company at its manufacturing facilities.

Clean environment and sustainable development integrated with the business objective is the focus of operations of the Company. The projects and activities are planned and designed with environment protection as an integral part to ensure a safe and clean environment for sustainable development.

APPOINTMENT/RE-APPOINTMENT OF DIRECTORS:

During the year under review, Mr. Didier Trutt was nominated by Thomson S.A on the Board of the Company and he was co-opted on 29th October 2005. Mr. S P Talwar & Mr. A L Bongirwar were appointed as additional directors by the Board of Directors on 8th December 2005. On 17th January 2006, Mr. Claes Johan Bygge was co-opted as nominee of AB Electrolux (publ). Mr. Claes Johan Bygge appointed Mr. Peter Birch as his alternative on the Board. On 30th January, 2006, Mr. M Chittaranjan Kumar was co-opted on the Board as nominee of IDBI Limited. The Board of Directors at its meeting held on 19th November, 2005 appointed Mr. Pradeepkumar N Dhoot as a Whole Time Director, Mr. Kuldeep Drabu & Mr. S K Shelgikar as Executive Director(s), subject to necessary approval of the members at the ensuing Annual General Meeting. Subsequently, Mr. Kuldeep Drabu & Mr. S K Shelgikar ceased to be Executive Director(s).

At the annual general meeting held on 31st March 2006, the members approved appointment of Mr. Kuldeep Drabu, Mr. S Padmanabhan, Maj Gen S C N Jatar,

Mr. S P Talwar, Mr. A L Bongirwar, Mr. Claes Johan Bygge & Mr. Didier Trutt, in respect of whom notice(s) were received U/s. 257 of the Companies Act, 1956. Further, the members also approved appointment of Mr. Pradeepkumar N. Dhoot as a Wholtime Director.

On 31st July 2006, Mr. B Ravindranath was appointed as nominee of IDBI Limited in substitution of Mr. M Chittaranjan Kumar. The rich expertise of Mr. B Ravindranath in the fields of finance & banking shall be of immense help in the growth of the Company. The Board places on records its sincere appreciation for the valuable guidance received from Mr. M Chittaranjan Kumar during his tenure as a member of the Board of the Company.

Further, after end of the financial year under Report, Mr. Johan Fant was appointed as nominee of AB Electrolux (Publ), in place of Mr. Claes Johan Bygge. Mr. Johan Fant was co-opted as an additional director on 31st January 2007. The Board places on records its sincere appreciation for the valuable guidance received from Mr. Claes Johan Bygge during his tenure as a member of the Board of Directors of the Company. Mr. Johan Fant holds office upto the date of Annual General Meeting. The Company has received a notice in writing from a member alongwith a deposit of Rs. 500 proposing the candidature of Mr. Johan Fant for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956. The Board recommends appointment of Mr. Johan Fant as a Director of the Company.

In terms of the provisions of Section 255, 256 of the Companies Act, 1956, the Articles of Association of the Company, Mr. Kuldeep Drabu, Mr. S Padmanabhan and Maj Gen S C N Jatar are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, they have offered themselves for re-appointment. The Board recommends their re-appointment(s).

The brief profiles of directors being appointed/re-appointed at the ensuing Annual General Meeting forms part of notice of the ensuing Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT:

In terms of Section 217(2AA) read with Section 292A of the Companies Act, 1956, we, the Directors of VIDEOCON INDUSTRIES LIMITED, state in respect of Financial Year 2005-06 that:

- a) in the preparation of annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the Directors have prepared the annual accounts on a going concern basis;
- e) the Board has constituted an Audit Committee comprising of Three independent directors, *inter alia* for holding discussions with the Auditors, periodically, review of quarterly, half yearly and annual financial statements before submission to Board, review of observations of Auditors and to ensure compliance of internal control systems;
- f) The Audit Committee has also been delegated with authority for investigation and access for full information and external professional advice for discharge of the functions delegated to it by the Board;
- g) the Board agrees that the recommendations of the Audit Committee on any matter relating to financial and management including the audit report would be binding on the Board; and
- h) based on the above and the Internal Audit System, the Audit Committee, the Board opines that the Company has internal control system commensurate with the size of the Company and the nature of its business.

PARTICULARS OF EMPLOYEES:

The details of employees drawing remuneration in excess of the 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 2005-2006 is annexed to this report.

LISTING:

The Equity Shares of the Company are listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The Global Depository Receipts are listed on The Luxembourg Stock Exchange. The Foreign Currency Convertible Bonds are listed on Singapore Exchange Securities Trading Limited.

VIDEOCON INDUSTRIES LIMITED

SUBSIDIARY COMPANIES:

On December 13, 2005, Eagle Corporation Limited became a Wholly Owned Subsidiary of the Company after the Company acquired the balance 81% equity stake in Eagle Corporation Limited.

During the year under review, Sky Billion Trading Limited, Trend Limited, Videocon Industrial Finance Limited, Gruhaupyogi Electronics Appliances Private Limited and Videocon (Cayman) Limited ceased to be subsidiaries of the Company. Further, during the year under review, Venus Corporation Limited became a subsidiary of the Company.

As such, as on 30th September 2006, the Company had 11 subsidiaries viz., Paramount Global Limited, Middle East Appliances LLC, Mars Overseas Limited, Videocon Global Limited, Powerking Corporation Limited, Gajanan Electronics and Supply Pvt Ltd, Mayur Household Electronics Appliances Pvt Ltd, Godavari Consumer Electronics Appliances Pvt Ltd, Videocon (Mauritius) Infrastructure Ventures Limited, Eagle Corporation Limited and Venus Corporation Limited.

The Company has received an exemption from the Central Government under Section 212(8) of the Companies Act, 1956 with regard to attaching of the Balance Sheet, Profit and Loss account and other documents of the subsidiaries for the year 2005-2006. The Company undertakes that annual accounts of the subsidiary companies and the related detailed information will be made available to any member of holding and subsidiary Company seeking such information at any point of time upon receipt of request for the same. Further, the annual accounts of subsidiary companies will also be kept for inspection at its registered office and also at registered office of the respective subsidiary.

A summary of the key financials of the Company's subsidiaries is included in this Annual Report.

CONSOLIDATED FINANCIAL STATEMENTS:

The Directors also present the consolidated financial statements, duly incorporating the Company's 100% ownership interest in Paramount Global Limited, Middle East Appliances LLC, Mars Overseas Limited, Videocon Global Limited, Powerking Corporation Limited, Gajanan Electronics and Supply Pvt Ltd, Mayur Household Electronics Appliances Pvt Ltd, Godavari Consumer Electronics Appliances Pvt Ltd, Eagle Corporation Limited, Venus Corporation Limited w.e.f. (18th November 2005), Videocon (Mauritius) Infrastructure Ventures Limited, Videocon (Cayman) Limited (Upto 29th September 2006), Trend Limited (Upto 29th September 2006), Sky Billion Trading Limited (Upto 28th February 2006), Videocon Industrial Finance Limited (Upto 29th September 2006) and Gruhaupyogi Electronics Appliances Private Limited (Upto 29th September 2006).

The Consolidated financial results also includes interest through Eagle Corporation Limited (subsidiary) in Technologies Display Americas LLC, Thomson Display Mexicana S.A. de C.V, VDC Tecnologias S.P.A, Thomson Tubes & Displays S.A, Thomson Displays Polaska S.P.Z.O.O, Thomson Displays Italy Srl, Thomson Guandong Displays Co. Ltd and Thomson Display R & D Asia.

The Company holds 41.67% equity interest in Evans Fraser & Co (India) Ltd. The same has been accounted in the consolidation.

The Consolidated financial results have been prepared in line with the requirements of Accounting Standard 21 "Consolidated Financial Statements", Accounting Standard 27 "Financial Reporting of Interests in Joint Ventures" and Accounting Standard 23 "Accounting for Investments in Associates in Consolidated Financial Statements".

CASH FLOW STATEMENT:

As required under Clause 32 of the Listing Agreement with the Stock Exchanges, in India, a Cash Flow Statement, as prepared in accordance with the Accounting Standard on Cash Flow Statement (AS 3) issued by the Institute of Chartered Accountants of India, is given along with Balance Sheet and Profit and Loss Account.

AUDITORS' REPORT:

The Auditors' report is unqualified. The notes to the Accounts referred to in the Auditors Report are self explanatory and therefore do not call for any further clarifications under Section 217(3) of the Companies Act, 1956.

AUDITORS:

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

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 Report. The Company is in full compliance with the requirements and disclosures that have to be made in this regard. The Auditors' certificate confirming compliance of the Corporate Governance is attached to the Report on Corporate Governance.

ACKNOWLEDGEMENT:

The Directors would like to express their grateful appreciation for the assistance and co-operation received from the Financial Institutions, Banks and Government Authorities.

The 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: Mumbai
Date: 31st January, 2007

ANNEXURE TO DIRECTORS' REPORT

STATEMENT OF PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS OF SECTION 217(2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 30th SEPTEMBER 2006.

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
Mr. Rahul Sethi	Vice President	2,807,535	B.Com.	55	32 Years	01.02.1987	Gedor Ltd.	Commercial Manager
Mr. Pawan Kalra	Joint President	5,168,808	B.Com., Dip. in Computer	38	20 Years	12.12.2001	Baron Industries Ltd.	General Manager
Mr. Jaideep Rathore	Associate Vice President	2,674,756	B.Sc., M.B.A.	36	5 Years	02.11.2003	Paramount Global Ltd.	General Manager
Mr. Shekhar Jyoti	Vice President	1,429,304	B.Com., M.B.A.	44	21 Years	01.04.2006	Macotax Consultants Pvt.Ltd.	General Manager
Mr. Sunil Tondon	Vice President	3,646,360	I.C.S.E., I.S.C.M.Sc.D.B.M.	45	21 Years	01.10.1999	DHL Worldwide Express	Regional Manager
Mr. Sunil Mehta	Joint President	3,792,072	M.A., P.G.D. Marketing Management	46	26 Years	20.02.2001	BPL Ltd.	Project Regional Head

- 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 whole time 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 : Mumbai
Date : 31st January, 2007

CORPORATE GOVERNANCE

I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

Corporate Governance is all about commitment to values and ethical business conduct. It is all about how an organization is managed. The Company believes that sound corporate governance is critical to enhance and retain investor's trust.

The Company's philosophy on Corporate Governance is based on:

1. Transparency & maintaining high disclosure levels.
2. Accountability.
3. Equity.
4. Compliance with the laws in all the Countries in which the Company operates.
5. Sustainability.

The objective is to institutionalize Corporate Governance practices that go beyond adherence to the extant regulatory framework. In fact, our corporate structure, business and disclosure practices are aligned to our Corporate Governance philosophy.

As trustees of the Company's shareholders, we relentlessly endeavor to enhance the shareholder wealth while sparing no effort to deliver long term value to all stakeholders.

The Company is in compliance with all the requirements of the corporate governance code, enshrined in Clause 49 of the Listing Agreement.

II. BOARD OF DIRECTORS:

1. Composition (as on September 30, 2006)

Category	Directors	No. of Directors
Promoter- Executive Director	Mr. V N Dhoot (Chairman & Managing Director) Mr. P N Dhoot (Whole Time Director)	2
Non-Executive Non-Independent Director	Mr. S K Shelgikar Mr. Kuldeep Drabu Mr. Didier Trutt (Nominee of Thomson S. A.) Mr. Claes Johan Bygge (Nominee of AB Electrolux (Publ.))	4
Non-Executive Independent Director	Mr. S Padmanabhan Mr. S P Talwar Mr. A L Bongirwar Maj Gen S C N Jatar	4
Nominee Director	Mr. Ajay Saraf (Nominee of ICICI Bank Limited) Mr. B Ravindranath (Nominee of IDBI Limited)	2

The Board comprises of eminent persons having versatile experiences in the field of marketing, finance, technical and administration.

2. Board/Committee Meetings and Proceedings:

a. Institutionalized decision making process:

With a view to institutionalize all corporate affairs and setting up systems and procedures for advance planning for matters requiring discussion/decisions by

the Board, the Company has defined guidelines for the meetings of the Board of Directors and Committees thereof. These guidelines seek to systematize the decision making process at the meetings of Board/Committees, in an informed and efficient manner.

b. Scheduling and Selection of Agenda Items:

All Board/Committee Members are given notice of the meetings in advance. The meetings are governed by structured agenda. The agenda alongwith the explanatory notes are distributed well in advance.

c. Availability of Information to the Members:

The Members have unqualified access to all information available with the Company. In fact, all items in the agenda are supported by detailed background information to enable the members to take informed decisions. The information generally provided to the Members include:

- Annual operating plans and budgets
- Quarterly and Half Yearly and financial results;
- Minutes of the meeting of Audit and other Committees to the Board;
- Notice of Interest;
- Material important litigations, show cause, demand, prosecution and penalty notices;
- Sale of material nature, of investments, subsidiaries and assets, which are not in the normal course of business;
- Establishment, operations and Set up of Joint Venture, Subsidiary or collaboration etc.,
- Divestment of Joint Ventures, Subsidiaries;
- Acquisitions/Amalgamation etc.;
- Minutes of the Board Meeting, Annual General Meetings of Subsidiary Companies and significant transactions if any;
- Details of utilisation of Issue proceeds;
- Related Party Transactions.

d. Recording minutes of the proceedings:

Minutes of the proceedings of each board/committee meetings are recorded. Draft minutes are circulated amongst all members for their comments. The minutes of the proceedings of the meetings are entered in the minutes book.

e. Follow up mechanism:

The guidelines for the Board/Committee meetings facilitate an effective post meeting follow-up, review and reporting process for the actions taken on decisions of the Board and Committees.

f. Compliance:

The board periodically reviews the compliance reports to ensure adherence to all applicable provisions of law, rules and guidelines.

g. Code of conduct:

The Company has laid down code of conduct which binds all the board members and senior management of the company. A declaration by the Chairman and Managing Director to this effect is appended to this report.

3. Board Meetings and Attendance:

17 Board Meetings were held during the year 2005 -06 on the following dates:
29.10.2005, 11.11.2005, 19.11.2005, 08.12.2005, 13.12.2005, 21.12.2005,
17.01.2006, 30.01.2006, 31.01.2006, 28.02.2006, 20.03.2006, 31.03.2006,
20.04.2006, 27.04.2006, 26.05.2006, 10.07.2006 and 31.07.2006

Details of Attendance and other Associations:

Sl. No.	Name of Director	Whether attended AGM held on 31.03.2006	Attendance in Board Meetings		Other Board		
			Total	Attended	Directorship*	Committee Chairmanship*	Committee Membership*
1	Mr. Venugopal N Dhoot	No	17	17	13	Nil	Nil
2	Mr. Pradeepkumar N Dhoot	No	17	13	14	1	4
3	Mr. S. K. Shelgikar	No	17	13	Nil	Nil	Nil
4	Mr. S Padmanabhan*	Yes	17	15	13	Nil	9
5	Maj. Gen S C N Jatar*	No	17	4	1	-	1
6	Mr. Ajay Saraf	No	17	4	3	Nil	4
7	Mr. Kuldeep Drabu*	No	17	7	3	Nil	1
8	Mr. Arun L. Bongirwar*	No	13	5	1	Nil	1
9	Mr. S P Talwar*	No	13	4	9	1	7
10	Mr. Claes Johan Bygge* Mr. Peter Birch*	No	11	2	Nil	Nil	Nil
11	Mr. M Chittaranjan Kumar**	No	9	1	1	Nil	Nil
12	Mr. B Ravindranath**	No	Nil	Nil	1	Nil	Nil
13	Mr. Didier Trutt*	No	16	2	Nil	Nil	Nil

* Appointed as Director U/s, 257 of the Companies Act, 1956, at the Annual General Meeting held on 31st March, 2006.

** Mr. B Ravindranath was appointed as Nominee of IDBI Ltd., on the Board of the Company on 31st July, 2006 in place of Mr. M Chittaranjan Kumar.

Mr. Peter Birch was appointed as an alternate director to Mr. Claes Johan Bygge. He ceased to be alternate director on 31st March, 2006.

+ In accordance with Clause 49 of the Listing Agreement, Membership/Chairmanships of only the Audit Committees and Shareholders'/Investors Grievance Committee of all Public Limited Companies have been considered

@ The Directorship held by Directors as mentioned above, do not include Alternate Directorships and Directorships of Foreign Companies, Section 25 Companies and Private Limited Companies

VIDEOCON INDUSTRIES LIMITED

4. Brief Details of Directors seeking appointment/re-appointment:

The brief details of directors retiring by rotation and seeking re-appointment and additional directors seeking appointment U/s. 257 of the Companies Act, 1956, is appended to the Notice convening the 18th Annual General Meeting.

III. BOARD COMMITTEES:

The Board has constituted three committees i.e., Audit Committee, Shareholders/Investors Grievance Committee and Remuneration Committee.

1. Audit Committee:

i. Composition (As of 30th September, 2006)

Name of the Committee Member	Category
Mr. S P Talwar Chairman	Non Executive - Independent
Mr. A L Bongirwar	Non Executive - Independent
Maj. Gen S C N Jatar	Non Executive - Independent

During the year under review, the Audit Committee was reconstituted on 8th December 2005. Mr. A L Bongirwar & Maj Gen S C N Jatar were appointed in place of Mr. Kuldeep Drabu and Mr. S K Shelgikar under the Chairmanship of Mr. S Padmanabhan.

Subsequently, again on 31.07.2006 the same was reconstituted where by Mr. S P Talwar was appointed as member and consequently Chairman of the Audit Committee in place of Mr. S Padmanabhan.

The Audit Committee comprises of independent directors and financial literate persons having vast experience in the area of finance and accounts.

ii. Scope of Audit Committee:

The terms of reference are broadly as under:

- 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 rendered by the Auditors.
 - Reviewing with management the annual financial statements before submission to the board, focusing primarily on:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of section 217 of the Companies Act, 1956.
 - 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.
 - Qualification in the draft audit report.
 - 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.
 - Review of Quarterly / Half Yearly unaudited financial results before submission to the Auditors and the Board.
 - Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
 - 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.
 - Discussion with internal auditors any significant findings and follow up there on.
 - 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.
 - Discussions with external auditors before the audit commences nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
 - Reviewing the company's financial and risk management policies.
 - 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.
 - Financial Statements and Investments made by Subsidiaries
 - To review the functioning of Whistle Blower Mechanism, if any
- The Audit Committee also reviews:
- Management discussion and analysis of financial conditions and results of operations.
 - Statement of significant related party transactions, if any.
 - Management Letters/Letters of internal control weaknesses issued by the Statutory Auditors;
 - Internal Audit Reports relating to internal control weaknesses; and
 - The appointment, removal and terms of remuneration of the Chief Internal Auditor.

iii. Meetings and Attendance:

During the financial year under consideration, five meetings of the Committee were held on 28.10.2005, 08.12.2005, 30.01.2006, 27.04.2006 and 31.07.2006.

Name of the Committee Member	Category	Meetings held during respective tenure	Meetings attended
Mr. Kuldeep Drabu (Upto 8 th Dec., 2005)	Non Executive - Non Independent	1	1
Mr. S K Shelgikar (Upto 8 th Dec., 2005)	Non Executive - Non Independent	1	1
Mr. S Padmanabhan (upto 31 st July 2006)	Non Executive - Independent	5	5
Maj Gen S C N Jatar (wef., 8 th Dec., 2005)	Non Executive - Independent	4	4
Mr. A L Bongirwar (wef., 8 th Dec., 2005)	Non Executive - Independent	4	4
Mr. S P Talwar* (wef., 31 st July 2006)	Non Executive - Independent	Nil	Nil

* Appointed after committee meeting held on 31st July 2006

The Statutory Auditors and the Head of Internal Audit attended and participated in the meetings, on invitation. The Company Secretary is the de-facto Secretary of the Committee.

2. REMUNERATION COMMITTEE:

i. Composition (As of 30th September, 2006)

Name of the Member	Category
Maj Gen S C N Jatar Chairman	Non Executive - Independent
Mr. S P Talwar	Non Executive - Independent
Mr. A L Bongirwar	Non Executive - Independent

The Committee was reconstituted on 8th December 2005 and 31st July 2006. Mr. P N Dhoot ceased to be member of Committee w.e.f., 31st July 2006.

(ii) Scope of Remuneration Committee:

The following matters are referred to the Remuneration Committee,

- Fixing the remuneration payable to the Directors,
- Determining the remuneration policy of the Company; and
- Reviewing the performance of employees and their compensation.

(iii) Directors' Remuneration:

(a) The Promoter Directors, Executive Directors, Non-Executive Non-Independent directors are not paid any sitting fees. Mr.V.N.Dhoot, Chairman & Managing Director and Mr. P.N.Dhoot, Whole-time Director are entitled for remuneration in terms of their respective appointment(s). However, Mr.V.N.Dhoot and Mr.P.N.Dhoot are not drawing any remuneration.

(b) The Non-Executive Independent Directors are paid only sitting fees for attending Board/Committee meetings. The details of sitting fee paid to Non Executive Independent Directors during the year under review are as follows:

Name of Director	Sitting fee paid (Rs)
Mr. S Padmanabhan	252,250
Major General. SCN Jatar	160,500
Mr. S P Talwar	110,000
Mr. A L Bongirwar	130,250
Mr. Ajay Saraf (favouring: ICICI Bank Limited)	60,250
Mr. M Chittaranjan Kumar (Favoring: IDBI LTD)	20,000

(iv) Meetings and Attendance:

One meeting was held on 9th January 2006

Name of the Member	Meetings held	Meetings attended
Maj Gen S C N Jatar	1	1
Mr. S P Talwar	1	1
Mr. A L Bongirwar	1	0
Mr. P N Dhoot	1	1

(v) Stock Options:

The Company has not issued any stock options to its Directors.