



# VIDEOCON INDUSTRIES LIMITED



**VIDEOCON**  
THE INDIAN MULTINATIONAL



**18<sup>th</sup>**  
**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)

Village Majara, Taluka Warora,  
District Chandrapur, Maharashtra

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

CONTENTS	PAGE NO.
Notice .....	1
Directors' Report .....	4
Corporate Governance .....	7
Auditors' Report .....	16
Balance sheet .....	18
Profit and Loss Account .....	19
Schedules .....	20
Notes to Accounts .....	26
Balance Sheet Abstract & Company's General Business Profile .....	31
Cash Flow Statement .....	32
Statement Pursuant to Section 212 of the Companies Act 1956 .....	33
Consolidated Financial Statement .....	35

**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 : 31<sup>st</sup> 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 10<sup>th</sup> 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 : 31<sup>st</sup> 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: <ul style="list-style-type: none"> <li>➤ Mobilisation of Funds - Domestically and Internationally.</li> <li>➤ Strategic planning and advisory.</li> <li>➤ Amalgamation &amp; Acquisitions.</li> <li>➤ Setting up of Joint Ventures abroad</li> <li>➤ International operations.</li> <li>➤ Finance and Treasury.</li> </ul>
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: <ul style="list-style-type: none"> <li>➤ Consultant to ICICI Bank Limited (Upstream operations, Oil &amp; Natural Gas)</li> <li>➤ Member, Arbitration Panel of the Institutions of Engineers</li> <li>➤ Member, Steering Committee of National Gas Hydrates Programme,</li> <li>➤ Member, Indian Council of Arbitration</li> <li>➤ Associate, Security &amp; Political Risk Analysis SAPRA India Foundation</li> <li>➤ Member, Senate, University of Pune</li> </ul> He has served on various positions as hereunder: <ul style="list-style-type: none"> <li>➤ Consultant, Hindustan Petroleum Corporation Limited</li> <li>➤ Project Advisor, Standing Conference of Public Enterprises,</li> <li>➤ Member, Governing Board, Pune Stock Exchange,</li> <li>➤ Managing Director, Garware Shipping Corporation Limited,</li> <li>➤ President (Co-ordination) RPG Petrochem Ltd</li> </ul>

		<ul style="list-style-type: none"> <li>➤ Chairman, Standing Conference of Public Enterprises</li> <li>➤ Chairman &amp; MD, ONGC Videsh Ltd</li> <li>➤ President, Petroleum Sports Control Board</li> <li>➤ Chairman &amp; MD and Resident Chief Executive, Oil India Limited</li> </ul> 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 as held various positions as under <ul style="list-style-type: none"> <li>➤ Ericsson, Corporate Treasury</li> <li>➤ Ericsson Telecom AB, Treasurer</li> <li>➤ Ericsson Treasury Services AB, President</li> <li>➤ Assa Abloy, CFO</li> <li>➤ Ericsson, Corporate Financial Control, SVP, Corporate Controller</li> <li>➤ Enskilda Securities, Executive Vice President, COO.</li> <li>➤ Electrolux, SVP Finance and Strategy, CFO, Electrolux Home Products International.</li> <li>➤ Chairman of the Board Electrolux Kelvinator Ltd, India</li> </ul> He also holds board membership of <ul style="list-style-type: none"> <li>➤ Swedish Indian Business Council</li> <li>➤ Swedish Association of Corporate Treasurers</li> <li>➤ Aaro System AB</li> </ul>
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

## DIRECTORS' REPORT

The Shareholders,  
of Videocon Industries Limited (the Company)

The Board of Directors are delighted to present the 18<sup>th</sup> 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:

Rs. Millions

Particulars	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 18<sup>th</sup> 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 emphasize 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 in 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 29<sup>th</sup> October 2005. Mr. S P Talwar & Mr. A L Bongirwar were appointed as additional directors by the Board of Directors on 8<sup>th</sup> December 2005. On 17<sup>th</sup> 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 30<sup>th</sup> 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 19<sup>th</sup> 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 31<sup>st</sup> 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 Wholetime Director.

On 31<sup>st</sup> 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 31<sup>st</sup> 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. (18<sup>th</sup> November 2005), Videocon (Mauritius) Infrastructure Ventures Limited, Videocon (Cayman) Limited (Upto 29<sup>th</sup> September 2006), Trend Limited (Upto 29<sup>th</sup> September 2006), Sky Billion Trading Limited (Upto 28<sup>th</sup> February 2006), Videocon Industrial Finance Limited (Upto 29<sup>th</sup> September 2006) and Gruhaupyogi Electronics Appliances Private Limited (Upto 29<sup>th</sup> 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 Technologies S.P.A, Thomson Tubes & Displays S.A, Thomson Displays Polaska S.P.Z.O.O, Thomson Displays Italy Srl, Thomson Guangdong 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: 31<sup>st</sup> 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 30<sup>th</sup> 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.SC,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 : 31<sup>st</sup> 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 <sup>#</sup>	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 31<sup>st</sup> March, 2006.

\*\* Mr. B Ravindranath was appointed as Nominee of IDBI Ltd., on the Board of the Company on 31<sup>st</sup> 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 31<sup>st</sup> 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 18<sup>th</sup> 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 30<sup>th</sup> September, 2006)

Name of the Committee Member	Category
Mr. S P Talwar <i>Chairman</i>	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 8<sup>th</sup> 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 <sup>th</sup> Dec., 2005)	Non Executive - Non Independent	1	1
Mr. S K Shelgikar (Upto 8 <sup>th</sup> Dec., 2005)	Non Executive - Non Independent	1	1
Mr. S Padmanabhan (upto 31 <sup>st</sup> July 2006)	Non Executive - Independent	5	5
Maj Gen S C N Jatar (wef., 8 <sup>th</sup> Dec., 2005)	Non Executive - Independent	4	4
Mr. A L Bongirwar (wef., 8 <sup>th</sup> Dec., 2005)	Non Executive - Independent	4	4
Mr. S P Talwar* (wef., 31 <sup>st</sup> July 2006)	Non Executive - Independent	Nil	Nil

\* Appointed after committee meeting held on 31<sup>st</sup> 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 30<sup>th</sup> September, 2006)

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

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

- 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.
- 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 9<sup>th</sup> 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.

3. Shareholders/Investors Grievance Committee:

(i) Composition: (As on 30<sup>th</sup> September, 2006)

Name of the Committee Member	Category
Maj Gen S C N Jatar <i>Chairman</i>	Non Executive - Independent
Mr. S Padmanabhan	Non Executive - Independent
Mr. S K Shelgikar	Non Executive - Non Independent

Mr. V N Dhoot ceased to be member of shareholders/investor grievance committee with effect from 8<sup>th</sup> December 2005 and Maj Gen S C N Jatar was appointed as a member of the Committee on the same date.

(ii) Scope of Shareholders/Investors grievance Committee:

The Committee administers 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/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 Share Transfer Agents of the Company.

The committee monitors violations of the code of conduct prescribed by the Company for prevention of insider trading.

(iii) Compliance Officer

Mr. Vinod Kumar Bohra, Company Secretary is the Compliance Officer.

(iv) Share Transfer Details

The number of Shares transferred during the year under review is given below:

	Equity
a Number of transfers	6,301
b Average No of Transfer per month	525
c Number of Shares Transferred	1,37,214

(v) Demat/Remat of Shares:

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

Number of Demat Transfers approved	-	16,929
Number of Sub-committee Meetings held	-	35
Number of Shares Demated	-	88,891,836
Percentage of Shares Demated	-	40.23
Number of Remat requests approved	-	5
Number of Shares Remated	-	1,150,309

(vi) Details of complaints received and redressed during the year 2005 – 06:

Sl. No.	Particulars	Received	Redressed	Pending as on 30.09.2006
1.	Non receipt of refund orders	0	0	0
2.	Non receipt of div/int/red warrants	212	212	0
3.	Non receipt of share certificates	1,243	1,243	0
4.	Others	28	28	0
	Total	1,483	1,483	0

Note: Representatives of the company are in constant touch with MCS Limited, Share Transfer Agents of the Company, and review periodically the outstanding complaints, if any.

IV. GENERAL BODY MEETINGS:

1) Details of location, time and date of last three AGMs:

AGM	AGM Date	Location	Time	No. of Special Resolution Passed
15 <sup>th</sup> AGM	31.12.2003	Auto Cars Compound, Adalat Road, Aurangabad	9.30 A.M	Nil
16 <sup>th</sup> AGM	31.12.2004	Auto Cars Compound, Adalat Road, Aurangabad	9.30 A.M	Nil
17 <sup>th</sup> AGM	31.03.2006	Auto Cars Compound, Adalat Road, Aurangabad	9.30 A.M	3

2) Postal Ballot:

During the year under review, following special resolution(s) were transacted through Postal Ballot. The Voting Pattern for resolution transacted through Postal Ballot is as under:

Sr. No.	1	2	3	4	5	6	7	8	9	10
	Particulars	Total no. of Valid PBF received	Total no. of shares	% of shares to Total Equity	Total no. of PBF in favour	Total no. of votes casted in favour	% of shares to receipt	Total no. of PBF against	Total no. of votes cased against	% of shares to receipt
1	To authorize the Board of Directors of the Company to mortgage and/or charge all or any part of the movable and/or immovable properties of the company, wheresoever situate, both present and future and whole of the undertaking of the Company upto the sum not exceeding Rs.10,000 Crores (Rupees Ten Thousand Crores Only)	158	153795328	74.4677	148	153794517	99.9995	10	811	0.0005
2.	To authorize the Board of Directors of the Company to borrow money for the purpose of business of the Company from time to time notwithstanding that the money to be borrowed together with the money already borrowed by the Company (apart from the temporary loans obtained from the Company's Bankers in the ordinary course of business) will or may exceed an aggregate of the paid up capital of the company and its free reserves, that is to say, reserves not set out for any specific purpose, but so that the total amount upto which money may be borrowed by the Board of Directors shall not at any time exceed Rs.10,000 Crores.	158	153795328	74.4677	150	153794717	99.9996	8	611	0.0004
3.	To authorize the Board of Directors to make loan, give guarantee and/or make investment and/or provide security for an amount not exceeding Rs. 10,000 Crores (Rupees Ten Thousand Crores Only) at any point of time.	158	153795328	74.4677	153	153794847	99.9997	5	481	0.0003
4.	To re-draft the main objects of the company so as to more appropriately and clearly reflect the oil and Gas and Consumer Electronics Business of the Company	158	153795328	74.4677	155	153795047	99.9998	3	281	0.0002
5.	To insert /amend clauses of the Articles of Association for enabling to Buy back the shares of the Company, Postal Ballot and sitting fees for Board Meeting etc.	158	153795328	74.4677	151	153794647	99.9996	7	681	0.0004

The postal ballot was conducted in accordance with the The Companies (Passing of the Resolution by Postal Ballot) Rules 2001. As per Rule 5(b) of the The Companies (Passing of the Resolution by Postal Ballot) Rules 2001, Mr. Sheetal Kumar Dak, practising Company Secretary, was appointed as Scrutinizer for conducting the Postal Ballot. The result of the Postal Ballot was announced on 11<sup>th</sup> November, 2005. At the ensuing meeting there are no resolutions proposed to be put through postal ballot.

# VIDEOCON INDUSTRIES LIMITED

## V. DISCLOSURES:

a. Materially significant related party transactions i.e. transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the 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. 23b of Schedule 15B to the Accounts in the Annual Report.
b. Non-compliance by the company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.	NIL
c. Whistle Blower Policy and affirmation that no personnel have been denied access to the audit committee.	The Company has implemented Whistle Blower Policy and no personnel have been denied access to the Audit Committee.
d. Details of Compliance with mandatory requirements and adoption of the non mandatory requirements of this clause	The Company has complied with mandatory requirements and adopted the following non mandatory requirements: i) The Company has constituted a remuneration committee. ii) Whistle Blower Policy.

## VI. OTHER DISCLOSURES:

The Company is in Compliance with the provisions of Clause 40A of the Listing Agreement.

## VII. MEANS OF COMMUNICATION:

(i) The Company regularly intimates its un-audited as well as audited financial results to the Stock Exchanges, as soon as these are taken on record/approved. These financial results are published in Free Press Journal (English) and Navshakti (Marathi) dailies having wide circulation. The results are also displayed on the website of the Company [www.videoconindustries.com](http://www.videoconindustries.com) and simultaneously posted on Electronic Data Information Filing and Retrieval website namely [www.sebidifar.nic.in](http://www.sebidifar.nic.in) The later is also accessible through hyperlink "EDIFAR" from SEBI's official website, [www.sebi.gov.in](http://www.sebi.gov.in)

The official news releases and the presentations made from time to time to investors and financial analysts at investors' meets are also displayed on the Company's website. The results are not sent individually to the shareholders.

(ii) Management Discussion and Analysis report forms part of the Report of the Directors

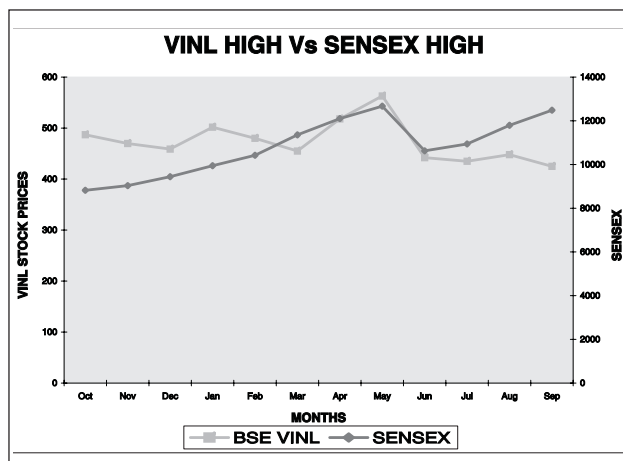
## VIII. GENERAL SHAREHOLDER INFORMATION:

1. Annual General Meeting	The 18 <sup>th</sup> Annual General Meeting will be held on Friday, 30 <sup>th</sup> March 2007 at 9.30 a.m. at Auto Cars Compound, Adalat Road, Aurangabad - 431 005
2. Financial Calendar	<b>Financial Calendar for 2006-2007</b> Financial Year : October 1, 2006 - September 30, 2007  First Quarterly Result: On or before January 31, 2007  Second Quarterly Result : On or before April 30, 2007  Third Quarterly Result : On or before July 31, 2007  Fourth Quarterly Result : On or before October 31, 2007  Annual General Meeting for year ending September, 2007: On or before March 31, 2008.
3. Date of Book Closure	March 17, 2007 to March 30, 2007 (both days inclusive)
4. Dividend Payment Date	On or before 10 <sup>th</sup> April 2007 (Tentatively)

5. Listing On Stock Exchanges	The equity shares of your company are listed on 1. Bombay Stock Exchange Limited (BSE) 1st Floor, New Trading Ring, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001. 2. National Stock Exchange of India Ltd (NSE) Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051  The Company has paid Listing Fees for financial year 2006- 2007. Stock Code at Mumbai Stock Exchange is: 511389 Stock Code at National Stock Exchange is: "VIDEOIND".
-------------------------------	--

6. Market Price Data: Average monthly High and Low prices at BSE and NSE are given below:

Month	BSE		NSE	
	High	Low	High	Low
October 2005	487.00	355.00	479.90	353.35
November 2005	469.80	401.10	465.00	400.05
December 2005	458.85	412.00	457.50	407.25
January 2006	501.80	426.00	500.00	427.80
February 2006	480.00	415.00	480.00	415.20
March 2006	455.00	406.00	464.00	400.50
April 2006	518.00	410.00	519.80	420.00
May 2006	563.00	382.10	564.25	390.00
June 2006	442.00	331.05	443.75	338.00
July 2006	434.95	377.00	431.00	375.55
August 2006	448.00	406.00	448.00	404.35
September 2006	425.00	386.30	434.00	380.30



7. Registrar and Share Transfer Agents	M/s. MCS Limited Harmony, 1st Floor, Sector 1, Khanda, New Panvel (West) - 410 206, District - Raigad (Maharashtra) Tel.: (022) 5502 5235 Fax: (022) 5502 5256
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 30.09.2006 is as given below:

Category code	Category of Shareholder	Total Number of Shares	% of Shares
<b>(A)</b>	<b>Share holding of Promoter and Promoter Group</b>		
1	<b>Indian</b>		
(a)	Individuals / Hindu Undivided family	1,735,639	0.79
(b)	Central Govt./ State Govt.(s)	---	---
(c)	Bodies Corporate	153,712,982	69.56
(d)	Financial Institutions./ Banks	---	---
(e)	Any Other ( specify)	---	---
	<b>Sub - Total (A) (1)</b>	<b>155,448,621</b>	<b>70.34</b>
<b>(2)</b>	<b>Foreign</b>		
(a)	Individuals (Non -Resident Individuals / Foreign Individuals)	---	---
(b)	Bodies Corporate	---	---
(c)	Institutions	---	---
(d)	Any Other ( specify)	---	---
	<b>Sub - Total (A) (2)</b>	<b>---</b>	<b>---</b>
	<b>Total Share holding of Promoter and Promoter Group (A) = (A)(1)+(A)(2)</b>	<b>155,448,621</b>	<b>70.34</b>
<b>(B)</b>	<b>Public Share holding</b>		
<b>(1)</b>	<b>Institutions</b>		
(a)	Mutual Funds / UTI	4,057,872	1.84
(b)	Financial Institutions/Banks	458,900	0.21
(c)	Central Govt./ State Govt.(s)	---	---
(d)	Venture Capital Funds	---	---
(e)	Insurance Companies	2,109,909	0.95
(f)	Foreign Institutional Investors	8,956,241	4.05
(g)	Foreign Venture Capital Investors	---	---
(h)	Any Other( specify)	---	---
	<b>Sub - Total (B) (1)</b>	<b>15,582,922</b>	<b>7.05</b>
<b>(2)</b>	<b>Non- Institutions</b>		
(a)	Bodies Corporate	6,139,972	2.78
(b)	i. Individuals		
	Individuals Shareholders holding nominal share capital up to Rs. 1 Lakh	5,990,379	2.71
	ii Above Rs 1 Lakh	1,232,046	0.56
(c)	Any Other (specify)		
	<b>Sub - Total (B) (2)</b>	<b>13,362,397</b>	<b>6.05</b>
	<b>Total Public Share holding B= (B)(1)+(B)(2)</b>	<b>28,945,319</b>	<b>13.10</b>
	<b>TOTAL (A) + (B)</b>	<b>184,393,940</b>	<b>83.44</b>
<b>(C)</b>	<b>Shares held by Custodians and against which Depository Receipt have been issued</b>		
		36,591,893	16.56
	<b>GRAND TOTAL (A)+(B)+(C)</b>	<b>220,985,833</b>	<b>100.00</b>

b) Distribution of Shareholding as on 30.09.2006 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
Up to 5,000	371,146	99.64	4,705,173	47,051,730	2.13
5,001 to 10,000	601	0.16	455,690	4,556,900	0.21
10,001 to 20,000	267	0.09	396,007	3,960,070	0.18
20,001 to 30,000	107	0.03	270,668	2,706,680	0.12
30,001 to 40,000	63	0.02	219,933	2,199,330	0.10
40,001 to 50,000	35	0.01	162,133	1,621,330	0.07
50,001 to 1,00,000	79	0.02	595,705	5,957,050	0.27
1,00,001 and above	160	0.04	214,180,524	2,141,805,240	96.92
<b>Total</b>	<b>372,458</b>	<b>100.00</b>	<b>220,985,833</b>	<b>2,209,858,330</b>	<b>100.00</b>

10.	Dematerialization of Shares and liquidity	The Securities and Exchange Board of India (SEBI), through a notification has made it mandatory that any delivery in the Company's shares against stock exchange trades shall be in demat form. As on 30.09.2006, 21,63,55,138 equity shares (97.90% of the total number of shares) have been dematerialized.
11.	Outstanding GDRs/ ADRs/ Warrants or Conversion Instruments, Conversion Date and like impact on equity	As on 30.09.2006: (i) 36,591,893 GDRs representing 36,591,893 underlying equity shares of the company were outstanding. (ii) FCCBs for US\$ 90 million and US\$ 105 million issued 7th February 2006 and 24th July, 2006 respectively are outstanding. If all the FCCBs are converted in accordance with the terms of issuance of FCCBs, 16,800,837 equity shares will have to be issued.
12.	Plant locations	1) 14 Km. Stone, Village Chittegaon, Taluka Palthan, Dist. Aurangabad, Maharashtra 2) Village Chavaj, Via Society Area, Taluka & Dist. Bharuch - 392 002. Gujarat 3) Plot No.10, Udyog Vihar Industrial Area, Gautam Budh Nagar, Greater Noida, Uttar Pradesh 4) Plot No. 28, Khasra No.293, Industrial Area, Selakul, Vikasnagar, Dehradun, Uttaranchal 5) Village Majara, Taluka Warora, District Chandrapur, Maharashtra 6) Vignyan Nagar, RICO Industrial Area, Shahjanpur, District Alwar, Rajasthan 7) A-32, Butibori Industrial Area, Village Ruikhiri, Nagpur
13.	Address for Correspondence	Auto Cars Compound, Adalat Road, Aurangabad. Maharashtra. Tel: 0240 -2320750 The correspondence address for shareholders in respect of their queries is: M/s. MCS Limited Harmony, 1st Floor, Sector 1, Khanda, New Panvel (West) - 410 206, District - Raigad (Maharashtra) Tel.: (022) 5502 5235 Fax: (022) 5502 5256

**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.

**DECLARATION**

The Board has laid down a code of conduct for all Board Members and Senior Management of the Company, which is posted on the Website of the Company. The Board Members and Senior Management have affirmed compliance with the code of conduct.

For VIDEOCON INDUSTRIES LIMITED

V N DHOOT  
CHAIRMAN & MANAGING DIRECTOR

**CMD/CFO CERTIFICATION**

We, Chairman and Managing Director appointed in terms of the Companies Act, 1956 and the Chief Financial Officer, certify to the Board that:

- The Financial Statements and the Cash Flow Statements for the year have been reviewed and to the best of our knowledge and belief are true and present a true & fair view of the Company's affairs.
- To the best of our knowledge and belief, no transactions entered are fraudulent, illegal or violate the Company's Code of Conduct.
- We accept the responsibility for establishing and maintaining internal controls, evaluate the effectiveness, disclosing the deficiencies to the Auditors & the Audit Committee and take steps or propose to take steps to rectify these deficiencies.
- We have indicated to the Auditors and the Audit Committee:
  - Significant changes in Internal Control processes during the year,
  - Significant changes in Accounting Policies; and
  - Instances of significant fraud of which they have become aware.

CHIEF FINANCIAL OFFICER

CHAIRMAN & MANAGING DIRECTOR

## MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

The management discussion and analysis 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.

The Management presents herein the Industry Overview, Opportunities and Threats, Initiatives by the Company and overall strategy of the Company 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.

### INDUSTRY, STRUCTURE AND DEVELOPMENTS

#### CONSUMER ELECTRONICS & HOME APPLIANCES

The Indian consumer electronics products and household appliances industry has an annual turnover of approximately Rs.190 billion.

The Industry can be broadly categorized into two segments.

- a. the consumer electronic products segment includes products such as TVs, video products and home entertainment products and
- b. the household appliances segment includes products such as refrigerators, washing machines, air conditioners, microwave ovens, vacuum cleaners, dishwashers and small appliances such as irons, heaters, vacuum cleaners, fans, mixers and water purifiers.

The key products in the Indian consumer electronics products and household appliances industry are colour TVs, refrigerators, air conditioners and washing machines. At the product level, within the Consumer Electronic and household appliances Industry in India, the penetration level of CTVs is the highest, followed by Refrigerators, Washing Machines and Air Conditioners.

The Key growth drivers of the Industry are:

- rising income levels and increasing affordability; fuelling consumerism and growth in demand for aspirational goods
- change in perception of Consumer goods as 'basic necessities' as opposed to 'luxuries', largely driven by increased awareness and advertising.
- rationalizing of prices by key players, due to a conducive tariff policy by the Government.
- increasing demand for technology driven replacement of consumer goods and household appliances.

#### Colour TVs

Colour TVs are the dominant product in the Indian consumer electronics products and household appliances market both by volume and by value. The leading brands in the colour TV market are Videocon, Philips, Onida, Samsung, LG and Sony.

As per company, top six brands in the Indian colour CRT TV market have consolidated their dominance during the past few years and accounts for about 75% of the market share.

The Indian CTV market is predominantly a small-to-medium segment market(14", 20" and 21"). The large CTV segment (>21"), though growing rapidly, accounts for around 5% of the total demand.

The market demand for colour CRT TVs is expected to have increased around 17%-20% in the year ending 31 December 2006. The key trend in the industry has been the increasing demand for flat colour CRT TVs. Flat colour CRT TVs now account for approximately 60% of the total colour CRT TV market. The growth in demand in this sector of the colour CRT TV market has been driven by a reduction in the price differential between 21" conventional colour CRT TVs and flat colour CRT TVs, and increasing consumer preference for flat colour CRT TVs. It is expected that the growth in the CTV segment in India will be mainly seen in the 29" & 21 Flat CTV segment.

A key trend that differentiates the Indian CRT TV market from the developed world is the fact that unlike the developed western markets, where the demand is shifting from the Cathode Ray Tube(CRT) based technology to LCD/Plasma-

based technology; in India, the demand for CTVs will mainly come from CRT-based technology. The high technology costs associated with hi-end TVs result in a very high price tag which acts as a key barrier to its demand growth. Globally, the TV industry is moving technologically from black and white to CTVs and CTVs to PDP(Plasma Display Panel) and LCD (Liquid Crystal Display) CRT TVs.

The key growth drivers of CRT TV business in India are likely to be:

- Low penetration levels- The penetration level of CRT TVs in India is more lower when compared to other countries, worldwide.
- Electrification in rural India and increasing aspirations of people in rural India.
- Replacement of TVs due to ageing.
- Multiple TV demand from Middle and high income categories.
- Price erosion and easy and inexpensive finance availability.
- Sports events/festivals
- Products innovations.

#### Refrigerators

The growth in the refrigerators sector is minimal in recent years largely on account of rising input prices, shrinking margins and the poor financial health of the refrigerator divisions of most of the major consumer electronics products and household appliances manufacturers.

#### Air Conditioners

Globally, split air conditioners account for 80 per cent. of room air conditioner sales. In India, window air conditioners are thought to have been preferred to split air conditioners because of their lower price. According to industry sources, the demand for split air conditioners has increased considerably in the year ended March 2006, due to a reduction in the price differential between split and window air conditioners, increased affordability and because split air conditioners require less space, have low noise levels and are better looking than window air conditioners. The ratio between window and split AC's in India is now approximately 1:1.

Increasing affordability, acceptance of air conditioners as a utility product rather than a luxury item and historic low penetration of air conditioners in India have been the key demand drivers in the industry.

#### Washing Machines

The Washing Machines industry has witnessed slow growth on account of a low acceptance among masses due to availability of cheap manual labour as a substitute. Despite the aggressive pricing policy adopted by the players, demand remained largely inelastic to price. The growth was restricted to urban areas, whereby the rising number of working women offers growth potential. Washing machines still feature down below on the average consumer's purchase list.

#### Glass Shells

Glass Shells (glass panels and funnels), account for nearly 60% of CRT costs. The manufacturing process for glass shells is capital-intensive. Videocon is one of the major players in the glass shell business in India.

#### INDIAN OIL AND GAS INDUSTRY

Per capita consumption of primary energy and hydrocarbons of India is among the lowest in the world. Developed countries such as the UK, Germany and Japan have a per capita consumption of primary energy and hydrocarbons which is more than ten times that of India.

#### Demand for Crude Oil:

Demand for crude oil is derived from the demand for petroleum products, which is largely determined by the growth in the economy. High speed diesel oil, motorspirit, liquefied petroleum gas, naphtha and fuel oil account for the bulk of the consumption of petroleum products in India. While domestic production of crude oil and natural gas has increased over the past decade, it has not kept pace with growth in domestic consumption over the same period.

As the gap between demand and production continues to widen, India has increasingly become a significant net importer of crude oil. It is against this background that the Government of India has stressed the importance of exploration of hydrocarbons in India. However, India has adequate refining capacity. The refining capacity has grown from 62 MMT in April 1998 to 126 MMT in April 2004 and the overall capacity is expected to exceed demand.

#### Recent Developments in Oil Exploration in India

Since the early 2000's, oil majors such as OIL, IOC and ONGC have actively commenced exploration abroad. ONGC has floated an international arm, ONGC Videsh Limited, which has a presence in Russia, Sudan, Vietnam, Iran, Libya, Syria, Myanmar, Iraq, Australia and Ivory Coast.

Recently, the Government of India, under the National Common Minimum Programme, has placed greater emphasis on increasing indigenous production and on acquiring equity and gas abroad. The government is planning to increase indigenous production through the accelerated domestic exploration of oil and gas, through improved oil recovery from existing fields and diversification of the fuel base with an increased reliance on gas.

Natural gas has gained tremendous importance, both as a fuel and a feedstock over the past 20 years. Natural gas is used as a feedstock in fertiliser and petrochemical units. It is also used as a fuel in power plants using combined cycle technology, and in other industries such as glass, ceramics, sponge iron and tea estates. In western countries, natural gas is used as a heating fuel (for residential and commercial buildings) and as a domestic fuel. India has a total natural gas production of around 90 MMSCMD, out of which ONGC alone produces 65.5 MMSCMD, while OIL produces 6.5 MMSCMD.

Recent significant developments in the Exploration & Production Sector

- The area under exploration has increased over three times in the last four years as a result of implementation of New Exploration Licensing Policy.
- Major/significant discoveries have been made through sustained exploration efforts. These discoveries include large gas discoveries in Krishna-Godavari deep water and oil discoveries in Rajasthan and significant gas discoveries in North-East Coast.
- In line with the objective of National Energy Security, ONGC Videsh Ltd and other Oil PSUs are pursuing opportunities to acquire equity oil and gas abroad. Today, Indian Oil PSUs have presence in E&P sector in 13 countries.

#### NELP

India today remains one of the lesser explored regions in the world with well density per thousand sq. km. being among the lowest. NELP was formulated by the Government of India in 1997 to boost the level of exploration activity both in on land and offshore including deep water in the country.

### OPPORTUNITIES AND THREATS

#### STRENGTHS

- The Company manufactures, assembles and distributes a wide range of consumer electronics products and household appliances including CRT TVs, Home entertainment systems, PDP and LCD TVs, Refrigerators, Washing Machines, Air Conditioners, Small appliances and Components such as Glass Shell (Panels and Funnel)s
- The Company has strategically located manufacturing bases, both internationally and domestically. Domestically and Internationally, the Company is close to key target markets, thus reducing distribution, transportation and warehousing expenditure and allowing us to benefit from localised sales tax exemptions by supplying goods that are sold in the same state in which they are manufactured. Internationally, the Company's manufacturing facilities are strategically located to supply goods to targeted emerging markets of Eastern Europe and Russia, Central and South America and China, where the Company anticipate there will be significant demand for the Company's products.
- The Company has one of the most extensive sales and distribution networks in India, which are located in cities, towns and villages throughout India. These branch offices are supported by a logistics infrastructure which comprises key warehouses in separate regions across India.

- The Company has adopted multibrand strategy which is more effective in acquiring a greater aggregate share of the market than a strategy focusing on the promotion of only one key brand, as the Company is able to target different socio-economic market segments with each brand.
- The Company through Eagle Corporation Limited, a wholly owned subsidiary, an offshore entity which acquired various companies engaged in the manufacture of CPTs from Thomson during 2005, has established operations in markets that the Company is targeting for consumer electronics products and household appliances. This gives the Company new technologies and production methods and also enables us to reduce the time and expenditure involved in the development of these markets.
- The Company has manufacturing advantages based on mass production and integration of processes. The Company is able to control the production costs effectively on account of Mass production scale, Vertical Integration of manufacturing process, leading positions in the manufacture of glass shells and CPTs.
- The Oil and gas business provides the Company with a stable income stream. This income provides a ready supply of funds for working capital and future expansion plans.
- The Oil produced by the Company is of high quality. The Ravva field yields Ravva crude, a premium light crude with a sulphur content below 0.01 per cent. which therefore is able to command a price amongst the highest in the crude oil market. Ravva crude is priced with reference to Tapis and Minas crude, which is a high priced basket of oils.

#### WEAKNESSES:

- The Videocon Brand is popular in the Domestic Market only. It is yet to be established as a full fledged Brand in International Market.
- The Working Capital Cycles are longer in nature.

#### OPPORTUNITIES:

- There are opportunities to increase penetration in the Indian consumer electronic products and household appliances market. This can be achieved through growth of customer base and enlargement of the Company's product portfolio.
- There are opportunities to further develop the multibrand strategy. Through the addition of the Electrolux and Kelvinator brands following the EKL Merger, the Company expect to further expand the use of such strategy in the household appliances market.
- There are opportunities to improve level of service to network of dealers and distributors for example by providing more frequent deliveries in order to reduce the dealers inventory levels and therefore costs.
- The Large scale operations can improve the margins of the Company
- There are opportunities to outperform in Domestic Market with Innovative Products such as Slim Televisions. LCDs & PDPs etc.,
- To make forays into Flat Panel Display & Segment.
- There is scope to identify additional oil and gas blocks that are suitable for exploration and have potential for production. The Company plan to bid for the rights to exploit the hydrocarbons blocks which shall be open for bidding in future.

#### THREATS:

- Due to stiff competition, prices are continuously reducing. If the costs are not controlled then it may prove to be a threat and margins will be under pressure.
- The Cost of marketing, advertising and after sale services are increasing tremendously.
- The Cost and interest rates continue to be the key issues that are likely to shape the growth rates of the Industry. There was no change in the Interest rates in the past two years, however, the interest rates have started increasing.

## SEGMENT -WISE PERFORMANCE

As per Accounting Standard 17 on segment reporting (AS-17) issued by the Institute of Chartered Accountants of India, the segment wise turnover, on consolidated basis, are as under:

(Rs. Million)

Segment	Year ended 30.09.2006	Period ended 30.09.2005
Consumer Electronics	115,239.57	53,599.18
Oil and Gas	14,394.14	14,316.52
Others	Nil	1,219.45
<b>Total</b>	<b>129,633.71</b>	<b>69,135.15</b>

## OUTLOOK

- The Company has adopted the best and the most sophisticated technology to suit Indian needs. The company as a part of global diversification has been planning international forays in the same industry and has successfully forayed into international market either directly or indirectly.
- 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 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.

## RISKS AND CONCERNS

### Risks associated with Consumer Electronics & Home Appliances

- There is risk of non adjustment of product mix in line with market demand or keep pace with technological changes.
- There is risk of drop in CRT prices due to International Competition.
- There is risk of non adoption / availability of Technology.
- There is risk of inability to keep pace with the changes in product design and features.
- There is risk of non performance by the Companies, acquired or amalgamated with the Company, in line with the expectation.
- There is risk of slowdown in the overall Indian and Global economy thereby effecting demand for the Company's products.

### Risks associated with the Oil and Gas Business

- There is risk of variation in the prices of oil and gas.
- There is risk of exploration blocks not yielding the expected results.
- There is risk on account of natural disasters or which are beyond control such as labor unrests, earthquakes, flooding and extended interruptions due to hazardous weather conditions, explosions and other accidents.

## 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 in all the Countries where the Company operates.
- 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.

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.

## DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The financial performance for the year under review is not comparable with the performance of the previous period in view of the followings:

- i) During the year 'EKL Appliances Limited' was amalgamated with the company. Hence, the figures for current year include performance of 'EKL Appliances Limited' from 1<sup>st</sup> October, 2005 to 30<sup>th</sup> September, 2006.
- ii) During the previous period 'Videocon International Ltd.' and 'Petrocon India Ltd.' were amalgamated with 'Videocon industries Ltd.' The figures for previous period ended on 30<sup>th</sup> September, 2005 includes the performance of 'Videocon Industries Ltd.' for 15 months, 'Videocon International Ltd.' for 9 months and 'Petrocon India Ltd.' for 15 months, however, the figures for current period ended on 30<sup>th</sup> September, 2006 includes the performance for 12 months.

### Comparative Performance of Company on Stand alone Basis

#### Fixed Assets:

The Gross Block of company as on 30<sup>th</sup> September, 2006 was Rs. 77,362.11 million which includes revaluation of assets to the extent of Rs. 9,245.73 million. The net block as on that date was Rs. 48,891.20 million. During the year, there were additions to gross block of fixed assets to the extent of Rs. 15,422.24 million, which includes additions on account of amalgamations.

#### Sales:

During the year under review, the company achieved a turnover of Rs. 75,803.32 million as against Rs. 56,538.25 million during the previous period ended on 30<sup>th</sup> September 2005, thereby recording an increase of 34.07% in turnover as compared to previous period. Turnover comprised of sales from the 'Consumer Electronics and Household Appliances' segment to the extent of Rs. 61,409.18 million as against Rs. 41,002.28 million for the previous period, Oil & Gas segment to the extent of Rs. 14,394.14 million as against Rs. 14,316.52 million for the previous period ended on 30<sup>th</sup> September, 2005. During the current year Income from other segment was Rs. Nil as against Rs. 1,219.45 for the previous period ended on 30<sup>th</sup> September, 2005.

#### Other Income:

Other income for the period was Rs. 1,654.44 million as against 704.87 million during the previous period ended on 30<sup>th</sup> September, 2005, representing an increase of 134.72% as compared to previous period. Other income comprises of Investment Income, dividend income, fluctuation of foreign exchange rate, insurance claim received, interest income and miscellaneous income.

#### Expenditure:

##### Cost of Goods Consumed

Cost of Goods Consumed stood at Rs. 41,627.44 million as against Rs. 29,979.97 million during the previous period ended on 30<sup>th</sup> September 2005.

##### Production & Exploration Expenses for Oil & Gas

During the year under review the production and exploration expenses for Oil and Gas were Rs. 9,583.21 million as against Rs. 9,573.66 million during the previous period ended on 30<sup>th</sup> September, 2005 representing a marginal increase of 0.10% as compared to previous period.

##### Salaries, Wages and Employees Benefits

During the year under review the Salary and Wages stood at Rs. 946.96 million as against Rs. 495.30 million for the previous period ended on 30<sup>th</sup> September, 2005 representing an increase of 91.19% as compared to previous period. The increase is on account of addition of operations of 'EKL Appliances Ltd'.



**Manufacturing and Other Expenses**

During the year under review the manufacturing and other expenses were Rs. 6,934.07 as against Rs. 6,265.62 million for the previous period ended on 30<sup>th</sup> September, 2005 representing an increase of 10.67% as compared to previous period.

**Interest & Finance Charges:**

For the year ended 30<sup>th</sup> September 2006, Interest and Finance charges amounted to Rs. 2,258.80 million as against Rs. 2,042.46 million for the previous period ended on 30<sup>th</sup> September, 2005 thereby recording an increase of 10.59% compared to previous period. The increase is mainly on account of increase in total Borrowings by the Company.

**Depreciation:**

Net Depreciation (excluding depreciation on revalued assets) amounted to Rs. 3,355.47 million as against Rs. 2,323.60 million for the previous period ended on 30<sup>th</sup> September, 2005 thereby recording an increase of 44.41% as compared to previous period. The increase in depreciation is on account of additions of fixed assets.

**Profit Before Tax & Exceptional Items:**

As a result of the forgoing, the profit before Exceptional items and Taxation was Rs. 9,136.67 million for the year ended 30<sup>th</sup> September 2006 as against Rs. 4,518.30 million for the previous period ended on 30<sup>th</sup> September, 2005 there by recording an increase of 102.21% in the profit.

**Exceptional Items:**

There were no exceptional items during the year as against an expense of Rs. 1901.79 million during previous period ended 30<sup>th</sup> September, 2005.

**Provision for Taxation:**

Provision for Taxation includes Provision for Current Tax, Deferred Tax & Fringe Benefit Tax. During the year under review, the Company has provided Rs. 819.00 million for Current Taxation, Rs. 117.23 million for Deferred Tax and Rs. 15.42 million for Fringe Benefit Tax as against Rs. 205.98 million for Current Tax Credit of Rs. 1,870.34 million for deferred tax and Rs. 4.02 million for Fringe Benefit Tax for the previous period ended on 30<sup>th</sup> September, 2005.

**Net Profit:**

Net Profit (profit after Exceptional items & Taxation) of the Company increased to Rs. 8,185.02 million from Rs. 4,276.85 million for the previous period ended 30<sup>th</sup> September, 2005 representing an increase of 91.38% in Net profit.

**MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED**

The Company continues to improve daily living and to create a workplace where every person can reach his or her full potential. The work environment gives employees the freedom to make the most of them. Learning and relevance are key principles at the Company. The Company believes in talent acquisition and retention, to augment its plan of making its presence more prominent to global markets. The Company has developed a HRD Plan with the parameters to achieve Excellent Results. The 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 10,000 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.

**COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE**

To,  
The Members of  
**VIDEOCON INDUSTRIES LIMITED**

We have examined the compliance of conditions of Corporate Governance by Videocon Industries Limited, for the year ended on 30<sup>th</sup> September, 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The Compliance of Conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to a review of the procedures and implementations thereof adopted by the Company for ensuring the compliance of the condition 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 the condition 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 the Chartered Accounts of India, we state that no investor grievance were pending for a period exceeding one month against the Company, as per the records maintained by the Investor 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 **KHANDELWAL JAIN & CO.**  
Chartered Accountants

**SHIVRATAN AGARWAL**  
Partner  
Membership No.104180

Place: Mumbai  
Date : 31<sup>st</sup> January , 2007

For **KADAM & CO.**  
Chartered Accountants

**U. S. KADAM**  
Proprietor  
Membership No.31055

**AUDITORS' REPORT**

To  
The Members of  
VIDEOCON INDUSTRIES LIMITED

1. We have audited the attached Balance Sheet of **VIDEOCON INDUSTRIES LIMITED**, as at 30<sup>th</sup> September 2006, Profit and Loss Account and also the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of the audit, we give in the Annexure hereto a statement on the matters specified in Paragraphs 4 and 5 of the said Order.
4. Attention is invited to Note No. B-10 of Schedule 15 regarding incorporation of share, according to the participating interest of the Company, in the operations of the joint venture based on the statements received from the Operator. The Company has received from the Operator the audited financial statements for the period upto 31<sup>st</sup> March 2006 and un-audited financial statements for the period 1<sup>st</sup> April 2006 to 30<sup>th</sup> September 2006, on which we have placed reliance. We have also placed reliance on technical / commercial evaluation by the management in respect of allocation of development cost to producing properties depletion of producing properties, on the basis of proved remaining reserves and liability for abandonment costs.
5. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books. Proper returns adequate for the purpose of our audit have been received from branches not visited by us. The branch Auditor's Reports have been forwarded to us and have been appropriately dealt with ;
  - c) The Balance Sheet, Profit and Loss account and the Cash Flow Statement dealt with by the report are in agreement with the books of account and with the audited returns from the foreign branches.
  - d) In our opinion, the Balance Sheet, Profit and Loss Account, and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
  - e) According to the information and explanations given to us and on the basis of written representations received from the directors as on 30<sup>th</sup> September 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30<sup>th</sup> September 2006 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.
  - f) In our opinion and to the best of our information and according to explanations given to us, the said financial statements, read together with the significant accounting policies, paragraph 4 above and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 30<sup>th</sup> September 2006;
    - (ii) In the case of the Profit and Loss Account, of the profit for the year ended on that date, and
    - (iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **KHANDELWAL JAIN & CO.**  
*Chartered Accountants*

**SHIVRATAN AGARWAL**  
*Partner*  
Membership No.: 104180  
Place : Mumbai  
Date : 31<sup>st</sup> January, 2007

For **KADAM & CO.**  
*Chartered Accountants*

**U. S. KADAM**  
*Proprietor*  
Membership No.: 31055

**ANNEXURE REFERRED TO THE AUDITORS' REPORT**

Statement referred to in paragraph 3 of the Auditors' Report of even date to the Members of VIDEOCON INDUSTRIES LIMITED on the financial statements for the year ended 30<sup>th</sup> September, 2006.

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
(b) As per the information and explanations given to us, physical verification of fixed assets, other than those under joint venture, has been carried out in terms of the phased programme of verification adopted by the Company and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable, having regard to the size of the Company and nature of its business.
- (ii) (a) In our opinion, during the year the Company has not disposed off a substantial part of fixed assets.  
(b) As per the information furnished, the inventories (excluding stock of crude oil lying at extraction site with Operator) have been physically verified during the year by the management. In our opinion, having regard to the nature and location of stocks, the frequency of the physical verification is reasonable.  
(c) In our opinion and according to the information and explanations given to us, procedures of physical verification of inventory followed by the management, to the extent verified, are reasonable and adequate in relation to the size of the Company and the nature of its business.  
(d) The Company is maintaining proper records of inventory. As per the information and explanations given to us the discrepancies noticed on physical verification of stocks were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
- (iii) (a) As per the information and explanations given to us, the Company has not granted or taken any loans, secured or unsecured, to/from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.  
(b) As the Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956, sub-clauses (b), (c), (d), (f) and (g) of Clause (iii) of paragraph 4 of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and for the sales of goods. During the course of our audit, we have not observed any continuing failure to correct the major weakness in the internal controls systems.
- (v) (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.  
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act 1956 and exceeding the value of Rupees Five lakh, in respect of any party during the year, have been made at prices which are reasonable having regard to prevailing market price at the relevant time.
- (vi) The Company has not accepted any deposits from the public within the meaning of the provisions of Section 58A and 58AA or any other relevant provision of the Companies Act, 1956 and rules made there under.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) The Central Government has prescribed maintenance of the cost records under section 209(1)(d) of the Companies Act, 1956 in respect to the Company's products. As per the information and explanations provided to us, we are of the opinion that prima facie, the prescribed records have been made and maintained. We have however not made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (ix) (a) According to the information and explanations given to us and the records examined by us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth-tax, Service tax, Custom duty, Excise-duty,

- Cess and other material statutory dues wherever applicable. According to the information and explanations given to us, no undisputed arrears of statutory dues were outstanding as on 30<sup>th</sup> September 2006 for a period of more than six months from the date they became payable.
- (b) According to the records of the Company examined by us and information and explanations given to us the particulars of dues of Sales tax, Income-tax, Wealth-tax, Service tax, Custom duty, Excise duty, Cess which have not been deposited on account of disputes, are given below:

Name of the Statute	Nature of the Dues	Amount (in Rs.)	Forum where dispute is pending
<b>A. Relating to erstwhile EKL Appliances Limited</b>			
1. Sales Tax Act	Sales Tax Demands	86,919,362	Sales Tax/ Commercial Tax Officer
		737,605	Dy. Commissioner Sales Tax/ Commercial Tax
		36,308	Board of Revenue
		904,718	Asst. Commissioner Sales Tax
		2,266,886	Asst. Commissioner (Appeal)
		169,559	Dy. Excise and Taxation Commercial
2. Customs Act	Custom Duty	39,750,000	Asst. Commissioner of Customs
		500,000	Commissioner of Customs (Appeals)
		10,215,000	Customs and Central Excise Settlement Commission
3. Central Excise Act	Service Tax Demand	9,570,035	Dy. Commissioner
	Excise Duty Demand	3,570,173	Asst. Commissioner
		7,443,917	CEGAT
		10,580,680	Commissioner (Appeals)
		19,920,728	Divisional Asst.
		15,031,576	Dy. Commissioner
		14,222,013	Supreme Court
4. Industrial Dispute Act	Labour Cases & Other	37,907,127	Labour Court
5. Foreign Exchange Management Act	Other	10,000,000	Supreme Court
<b>B. Relating to Videocon Industries Limited.</b>			
1. Customs Act	Customs Penalty	11,000,000	Supreme Court.
		850,000	Commissioner
	Customs Duty	1,593,957	Asst Commissioner
		17,175,051	Deputy Commissioner
		8,609,542	Commissioner
		4,079,138	Commissioner (Appeals)
		8,561,246	Tribunal
2. Central Excise Act	Excise Penalty	7,790	Tribunal
		240,000	Commissioner (Appeals)
		10,000	CESTAT
	Service Tax Demand	1,775,400	Joint Commissioner (P&V)
		779,719	Joint Commissioner (Preventive)
	Excise Duty Demand	4,186,763	Asst. Commissioner
		282,716,150	Commissioner
		3,480,129	Commissioner (Appeals)
		307,021	Tribunal
		5,046,707	CESTAT
		5,846,772	High Court
4. Sales Tax Act	Sales Tax Demands	22,742,722	Addl. Commissioner
		7,995,066	Deputy Commissioner
		51,915,874	Deputy Commissioner (Appeals)
		35,848,252	Tribunal
5. Income Tax Act	Income Tax Demand	5,571,477	Income Tax Appellate Tribunal

- (x) There are no accumulated losses as at 30th September 2006. The Company has not incurred any cash losses during the year covered by our audit and the immediately preceding financial period.
- (xi) Based on our audit procedures and the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or to debenture holders during the year.
- (xii) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and/or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a Chit fund Company or nidhi/mutual benefit fund/society. Therefore the Clause (xiii) of paragraph 4 of the Order is not applicable to the Company.
- (xiv) The Company has maintained proper records of transactions and contracts in respect of dealing and trading in shares, securities, debentures and other investments and that timely entries have generally been made therein. All shares, debentures and other securities have been held by the Company in its own name except to the extent of the exemption granted under Section 49 of the Companies Act, 1956.
- (xv) According to the information and explanations given to us, the terms and conditions of guarantees given by the Company for loans taken by others from banks or financial institutions are, prima facie, not prejudicial to the interest of the Company.
- (xvi) According to the information and explanations given to us, the term loans raised during the year were applied, on an overall basis, for the purposes for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on our overall examination of the balance sheet of the Company, we report that the Company has not used funds raised on short term basis for long term investments.
- (xviii) The Company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any secured debentures during the year. The Company has created security in respect of debentures issued in earlier years.
- (xx) The Company has issued 217200 GDR representing 217200 equity shares of US\$ 10 each (inclusive of premium). The Company has not raised any other money by public issue during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

**For KHANDELWAL JAIN & CO.**  
Chartered Accountants

**SHIVRATAN AGARWAL**  
Partner  
Membership No.: 104180

Place : Mumbai  
Date : 31<sup>st</sup> January, 2007

**For KADAM & CO.**  
Chartered Accountants

**U.S.KADAM**  
Proprietor  
Membership No.:31055

**VIDEOCON INDUSTRIES LIMITED**
**BALANCE SHEET AS AT 30<sup>th</sup> SEPTEMBER, 2006**

Particulars	Schedule	(Rupees)	As at 30th Sept., 2006 (Rupees)	As at 30th Sept., 2005 (Rupees)
<b>I. SOURCES OF FUNDS</b>				
<b>1. Share Holders' Funds</b>				
a. Share Capital	1		2,668,459,190	2,065,261,450
b. Share Capital Suspense	1A		4,160	556,826,740
c. Reserves & Surplus	2		47,722,056,098	43,724,098,065
<b>2. Share Application money pending allotment</b>			-	95,589,720
<b>3. Deferred Tax Liability (Net)</b>			1,596,859,234	1,521,728,249
<b>4. Loan Funds</b>				
a. Secured Loans	3		36,083,889,446	27,761,001,604
b. Unsecured Loans	4		13,528,047,455	4,734,679,934
	<b>TOTAL</b>		<b>101,599,315,583</b>	<b>80,459,185,762</b>
<b>II. APPLICATION OF FUNDS</b>				
<b>1. Fixed Assets</b>	5			
a. Gross Block		77,362,105,184		61,939,867,063
b. Less: Depreciation		28,470,909,497		22,867,698,552
c. Net Block		48,891,195,687		39,072,168,511
d. Producing Properties (Net)		505,171,793		579,032,043
			49,396,367,480	39,651,200,554
<b>2. Investments</b>	6		17,811,682,254	3,434,217,259
<b>3. Current Assets, Loans &amp; Advances</b>	7			
a. Inventories		12,998,624,002		8,730,215,507
b. Sundry Debtors		11,172,851,190		9,971,190,153
c. Cash and Bank Balances		11,362,549,978		13,960,120,101
d. Other Current Assets		551,048,946		141,914,687
e. Loans & Advances		7,664,382,668		11,841,946,876
		43,749,456,784		44,645,387,324
<b>Less: Current Liabilities &amp; Provisions</b>	8			
a. Current Liabilities		7,670,150,834		6,478,776,199
b. Provisions		1,688,040,101		792,843,176
		9,358,190,935		7,271,619,375
<b>Net Current Assets</b>			<b>34,391,265,849</b>	<b>37,373,767,949</b>
<b>Significant Accounting Policies and Notes to Accounts</b>	15			
	<b>TOTAL</b>		<b>101,599,315,583</b>	<b>80,459,185,762</b>

As per our Report of even date

**For KHANDELWAL JAIN & CO.**  
Chartered Accountants

**SHIVRATAN AGARWAL**  
Partner  
Membership No. 104180

Place : Mumbai  
Date : 31st January, 2007

**For KADAM & CO.**  
Chartered Accountants

**U.S.KADAM**  
Proprietor  
Membership No. 31055

For and on behalf of the Board

**V.N.DHOOT**  
Managing Director

**S. PADMANABHAN**  
Director

**VINOD BOHRA**  
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30<sup>th</sup> SEPTEMBER, 2006

Particulars	Schedule	Year ended on 30 <sup>th</sup> Sept., 2006 (Rupees)	Period ended on 30 <sup>th</sup> Sept., 2005 (Rupees)
<b>I INCOME</b>			
Sales/Income from Operations		75,803,319,809	56,538,250,510
Less : Excise Duty		3,615,148,864	2,044,222,197
Net Sales		72,188,170,945	54,494,028,313
Other Income	9	1,654,442,694	704,872,724
<b>TOTAL</b>		<b>73,842,613,639</b>	<b>55,198,901,037</b>
<b>II EXPENDITURE</b>			
Cost of Goods Consumed/Sold	10	41,627,436,642	29,979,969,230
Production & Exploration Expenses	11	9,583,211,058	9,573,657,175
Salaries, Wages & Employees' Benefits	12	946,963,624	495,295,946
Manufacturing and Other Expenses	13	6,934,070,770	6,265,624,679
Interest and Finance Charges	14	2,258,795,199	2,042,457,283
Depreciation / Amortisation	5	4,839,988,975	3,201,472,750
Less : Transfer from General Reserve		1,484,518,821	877,871,534
[Refer Note No. B-4 of Schedule 15]			
<b>TOTAL</b>		<b>64,705,947,447</b>	<b>50,680,605,529</b>
<b>III Profit before Exceptional Items and Taxation</b>		<b>9,136,666,192</b>	<b>4,518,295,508</b>
Exceptional Items		NIL	(1,901,788,861)
Provision for Taxation			
Current Tax		819,000,000	205,977,000
Deferred Tax		117,230,972	(1,870,340,422)
Fringe Benefit Tax		15,415,559	4,023,000
<b>IV Profit for the year</b>		<b>8,185,019,661</b>	<b>4,276,847,069</b>
Short/Excess provision for Income Tax for earlier years written back		3,018,044	23,624,716
Balance brought forward		4,389,144,314	(414,181,436)
Addition/Adjustment on amalgamation		(1,763,165,035)	3,015,133,459
<b>V Balance available for Appropriation</b>		<b>10,814,016,984</b>	<b>6,901,423,808</b>
<b>VI APPROPRIATIONS</b>			
Debenture Redemption Reserve		12,600,000	1,104,498,000
Proposed Dividend - Equity		773,451,872	551,921,583
Proposed Dividend - Preference		33,871,582	24,953,220
Corporate Tax on Proposed Dividend		113,227,114	80,906,691
Transfer to General Reserve		1,500,000,000	750,000,000
Balance Carried to Balance Sheet		8,380,866,416	4,389,144,314
<b>TOTAL</b>		<b>10,814,016,984</b>	<b>6,901,423,808</b>
Basic Earnings per Share (Nominal Value Rs.10/- per share)		36.88	25.04
Diluted Earnings per Share (Nominal Value Rs.10/- per share)		36.88	25.04
(Refer Note No.B-13 of Schedule No. 15)			

Significant Accounting Policies and Notes to Accounts 15

As per our Report of even date

For KHANDELWAL JAIN & CO.  
Chartered AccountantsSHIVRATAN AGARWAL  
Partner  
Membership No. 104180Place : Mumbai  
Date : 31st January, 2007For KADAM & CO.  
Chartered AccountantsU.S.KADAM  
Proprietor  
Membership No. 31055

For and on behalf of the Board

V.N.DHOOT  
Managing DirectorS. PADMANABHAN  
DirectorVINOD BOHRA  
Company Secretary

**SCHEDULES TO BALANCE SHEET**

	As at 30th Sept., 2006 (Rupees)	As at 30th Sept., 2005 (Rupees)		As at 30th Sept., 2006 (Rupees)	As at 30th Sept., 2005 (Rupees)
<b>SCHEDULE 1 : SHARE CAPITAL</b>			<b>SCHEDULE 2 : RESERVES &amp; SURPLUS</b>		
<b>Authorised</b>			<b>Revaluation Reserve</b>		
500,000,000 (Previous year 300,000,000) Equity Shares of Rs. 10/- each.	5,000,000,000	3,000,000,000	As per last Balance Sheet	9,518,448,908	NIL
10,000,000 (Previous year NIL) Redeemable Preference Shares of Rs. 100/- each.	1,000,000,000	NIL	Add : Additions on Amalgamation	NIL	9,518,448,908
	<u>6,000,000,000</u>	<u>3,000,000,000</u>	Less : Adjustment on account of Sale of Revalued Assets.	13,635,753	NIL
<b>Issued, Subscribed and Paid up :</b>			Less : Transferred to General Reserve	259,079,315	NIL
220,985,833 (Previous year 206,526,145) Equity Shares of Rs. 10/- each fully paid up	2,209,858,330	2,065,261,450	(Refer Note No.B-6 of Schedule No. 15)	<b>(A) 9,245,733,840</b>	9,518,448,908
<b>Of the above:</b>			<b>Capital Subsidy</b>		
a) 95,078 (Previous year 95,078) Equity Shares of Rs.10/- each have been issued on conversion of Unsecured Optionally Convertible Debentures.			As per last Balance Sheet	5,500,000	NIL
b) 156,437,910 (Previous year 142,195,422) Equity Shares of Rs.10/- each were allotted pursuant to amalgamations without payments being received in cash.			Add : Additions on Amalgamation	NIL	5,500,000
c) 45,777,345 (Previous year 45,560,145) Equity Shares of Rs.10/- each were issued by way of Euro issues represented by Global Depository Receipts (GDR) at a price of US\$ 10.00 per share (inclusive of premium).			<b>(B) 5,500,000</b>		
Less : Calls in Arrears - by others	1,485,140	NIL	<b>Securities Premium Account</b>		
<b>A</b>	<u>2,208,373,190</u>	<u>2,065,261,450</u>	As per last Balance Sheet	25,574,772,016	2,016,028
<b>Preference Shares</b>			Add : Additions on Amalgamation	NIL	5,165,678,713
40,82,000 (Previous year NIL) 8% Redeemable Preference Shares of Rs.100/- each fully paid up, redeemable at par in 3 equal installments on 1st October 2011, 1st October 2012 and 1st October 2013.	408,200,000	NIL	Add : Received during the year	93,417,720	20,488,904,198
76,870 (Previous year NIL) 8% Redeemable Preference Shares of Rs.100/- each fully paid up, redeemable at par in 3 equal installments on 1st February 2012, 1st February 2013 and 1st February 2014.	7,687,000	NIL	Less : Share Issue Expenses	4,894,000	81,826,923
4,41,990 (Previous year NIL) 8% Redeemable Preference Shares of Rs.100/- each fully paid up, redeemable at par in 3 equal installments on 1st October 2011, 1st October 2012 and 1st October 2013.	44,199,000	NIL	Less : Premium on Convertible Bonds	98,233,215	NIL
				<u>25,565,062,521</u>	<u>25,574,772,016</u>
<b>B</b>	<u>460,086,000</u>	<u>NIL</u>	Less : Call and / or allotment money in arrears - by others	16,901,540	16,901,540
<b>Total (A+B)</b>	<u>2,668,459,190</u>	<u>2,065,261,450</u>	<b>(C) 25,548,160,981</b>		<u>25,557,870,476</u>
			<b>Capital Redemption Reserve</b>		
			As per last Balance Sheet	537,500,000	NIL
			Add : Additions on Amalgamation	NIL	537,500,000
			<b>(D) 537,500,000</b>		
			<b>Debenture Redemption Reserve</b>		
			As per last Balance Sheet	2,330,449,400	NIL
			Add : Additions on Amalgamation	NIL	1,225,951,400
			Add / (Less): Transferred from / (to) Profit & Loss Account.	12,600,000	1,104,498,000
			<b>(E) 2,343,049,400</b>		
			<b>Capital Reserve</b>		
			As per last Balance Sheet	25,000	25,000
			Add : Additions on Amalgamation	1,500,000	NIL
			<b>(F) 1,525,000</b>		25,000
			<b>General Reserve</b>		
			As per Last Balance Sheet	1,385,159,967	NIL
			Add : Additions on Amalgamation	NIL	1,513,031,501
			Add : Transferred from Revaluation Reserve	259,079,315	NIL
			Add : Transferred from Profit & Loss Account.	1,500,000,000	750,000,000
			Less : Transferred to Profit & Loss Account *	1,484,518,821	877,871,534
			<b>(G) 1,659,720,461</b>		1,385,159,967
			<b>Profit &amp; Loss Account</b>		
			As per Account annexed	8,380,866,416	4,389,144,314
			<b>(H) 8,380,866,416</b>		4,389,144,314
			<b>TOTAL (A to H)</b>	<u>47,722,056,098</u>	<u>43,724,098,065</u>
			* Cumulative amount transferred on account of additional depreciation consequent upon revaluation of fixed assets Rs.7,538.89 million (Previous Year Rs.6,054.37 million including Rs.5176.50 million transferred by erstwhile Videocon International Ltd.)		
<b>SCHEDULE - 1A : SHARE CAPITAL SUSPENSE</b>			<b>SCHEDULE 3 - SECURED LOANS</b>		
<b>A) Equity Shares</b>	4,160	NIL	<b>A. Non-Convertible Debentures</b>	3,985,177,872	5,863,972,553
416 (Previous year NIL) Equity Shares of Rs.10/- each to be allotted to the shareholders of erstwhile EKL Appliances Limited pursuant to its amalgamation with the Company effective 1st January 2005.			<b>B. Term Loans</b>		
(Refer Note No. B-5 of Schedule 15)			i. Rupee Loans from Banks & Financial Institutions	28,035,058,447	15,697,925,815
NIL (Previous year 14,242,488) Equity Shares of Rs.10/- each to be allotted to the share holders of erstwhile Videocon International Limited Pursuant to it's amalgamation with the Company effective 31st December, 2004.	NIL	142,424,880	ii. Foreign Currency Loans from Banks.	NIL	1,779,307,688
Less : Calls in Arrears by others	NIL	1,485,140	iii. FCNR-B Loan from Banks	428,236,625	1,833,130,006
<b>(A) 4,160</b>		<u>140,939,740</u>	<b>C. External Commercial Borrowings</b>	1,662,120,000	NIL
			<b>D. Corporate Loan from Banks</b>	215,015,775	879,941,614
<b>B) Preference Shares</b>			<b>E. Vehicle Loans from Banks</b>	21,514,203	35,447,498
NIL (Previous year 40,82,000) 8% Redeemable Preference Shares of Rs.100/- each, to be allotted as fully paid up to the shareholders of erstwhile Videocon International Ltd. pursuant to its amalgamation with the Company effective 31st December 2004.	NIL	408,200,000	<b>F. Hire Purchase Loan</b>	NIL	1,436,403
NIL (Previous year 76,870) 8% Redeemable Preference Shares of Rs.100/- each, to be allotted as fully paid up to the shareholders of erstwhile Videocon International Ltd. pursuant to its amalgamation with the Company effective 31st December 2004.	NIL	7,687,000	<b>G. Working Capital Loans From Banks</b>	1,736,766,524	1,669,840,027
	<b>(B) NIL</b>	<u>415,887,000</u>	<b>TOTAL</b>	<u>36,083,889,446</u>	<u>27,761,001,604</u>
<b>Total (A+B)</b>	<u>4,160</u>	<u>556,826,740</u>			

**A. Non Convertible Debentures**

Out of the Non Convertible Debentures, those to the extent of :

- i. Rs. 920,178,672/- (Previous year Rs.2,461,469,353/-) are secured by Assignment of / fixed and floating charge on all moneys received/to be received by the Company in relation to and from the Ravva Joint Venture, including all receivables of the Company, subject to the charge in favour of the Joint Ventures in terms of the Production Sharing Contract/ Joint Operating Agreement in respect of Ravva Joint Venture, to the extent necessary.
- ii. Rs.93,31,00,000/- (Previous year Rs.1,181,900,000/-) are secured by first mortgage and charge on immovable and movable properties, both present and future, subject to prior charge on specified movables created/to be created in favour of Company's Bankers for securing borrowings for working capital requirements, and ranking pari passu with the charge created/to be created in favour of Financial Institutions/Banks in respect of their existing and future financial assistance and also guaranteed by Mr. V. N. Dhoot and Mr. P. N. Dhoot.
- iii. Rs.361,899,200/- (Previous year Rs.450,603,200/-) are secured by way of a first charge on the entire immovable and movable properties of the Company ranking pari passu with existing charge holders except prior charge on specified movables created in favour of Company's bankers for borrowings of working capital and exclusive charge created on specific machinery financed/to be financed by the banker/s and/or financial institution/s and the personal guarantee of Mr. V.N.Dhoot.
- iv. Rs.1,350,000,000/- ( Previous year Rs.1,350,000,000/-) are secured by unconditional and irrevocable guarantee given by IDBI ( for principle and interest). The said guarantee assistance, provided by IDBI, is secured by a first mortgage and charge in favour of the guarantor, of all the immovable properties, both present & future, and a first charge by way of hypothecation of all the movables, present & future ranking pari-passu with existing charge holders, subject to charges created / to be created in favour of the Bankers on the specified current assets for securing borrowings for working capital loans. These debentures are also guaranteed by Mr. V. N. Dhoot
- v. Rs.420,000,000/- (Previous year Rs.420,000,000/-) are secured by third charge on the properties of the Company. This charge is subject to and subservient to the mortgages and charges created/to be created in favour of Financial Institutions/Debentures Trustees/ Banks.

The Debenture referred to in (i) to (iv) above are redeemable at par, in one or more installments on various dates with the earliest redemption being on 15th October, 2006 and last date being 1st January, 2012. These debentures are redeemable as follows , Rs.1,590.64 million in financial year 2006-07, Rs.829.00 million in financial year 2007-08, Rs.648.19 million in financial year 2008-09, Rs.247.78 million in financial year 2009-10, Rs.206.38 million in financial year 2010-11 and Rs.43.19 million in financial year 2011-12.

**B. Term Loans : -**

The Term Loans are secured by mortgage of existing and future assets of the Company and a floating charge on all movables assets, present and future (except book debts), subject to prior charge of the Bankers on stock of raw materials, finished, semi finished goods and other movables, for securing working capital loans in the ordinary course of business, and exclusive charge created on specific items of machinery financed by the respective lenders. The above charges rank pari passu inter-se for all intents and purposes. The above loans are guaranteed by Mr. V. N. Dhoot and Mr. P. N. Dhoot. In addition to the above, a part of term loan from State Bank of India is further secured by way of pledge of shares of Kitchen Appliances India Ltd. and Applicomp (India) Ltd. belonging to and held by the Company. A part of loans from banks are secured by the assignment of fixed and floating charge on all moneys received/to be received by the Company in relation to and from the Ravva Joint Venture, including all receivable of the company, subject to the extent necessary, to the charge in favour of the Joint Venture in terms of production sharing contract/joint operating agreement in respect of Ravva Joint Venture; and the assignment / fixed and floating charge of all the right, title and interest into and under all project documents, including but not limited to all contracts, agreements or arrangements which the Company is a part to, and all leases, licenses, consents, approvals related to the Ravva Joint Venture, insurance policies in the name of the Company, in a form and manner satisfactory to Trustee.

**C. External Commercial Borrowings :-**

External Commercial Borrowings are secured by a first charge ranking parri-passu over all the present and future immovable fixed assets. The loan is further secured by personal guarantee of Mr. V. N. Dhoot and Mr. P. N. Dhoot in favour of security trustee.

**D. Corporate Loan from Banks : -**

Corporate Loan from Banks are partially secured by first charge, partially by second charge, ranking parri-passu, and the balance by second subservient charge, on the immovable and movable assets, both present and future, of the Company. These are further secured by unconditional and irrevocable guarantee of Mr. V. N. Dhoot.

**E. Vehicle Loans from Banks : -**

Vehicle Loans from Banks are secured by way of hypothecation of Vehicles acquired out of the said loan. The loans are also guaranteed by personal guarantee of Mr. V. N. Dhoot.

**F. Working Capital Loans From Banks : -**

Working Capital Loans from Banks are secured by hypothecation of the Company's stock of raw materials, packing materials, stock-in-process, finished goods, stores and spares, book debts of Glass Shell Division only and all other current assets of the Company and personal guarantee of Mr. V. N. Dhoot.

Installments of loans from banks and financial institutions falling due within one year Rs. 3,871.81 million (Previous period Rs. 1,768.71 million)

	As at 30th Sept., 2006 (Rupees)	As at 30th Sept., 2005 (Rupees)
<b>SCHEDULE 4 - UNSECURED LOANS</b>		
<b>A. From Banks</b>		
i. Rupee Loan	3,070,503,340	2,522,248,741
ii. Foreign Currency Loan	1,220,909,884	2,115,409,524
<b>B. Foreign Currency Convertible Bonds</b>	9,143,483,202	NIL
<b>C. From Others</b>	94,190	3,964,830
<b>D. Sales Tax Deferral</b>	93,056,839	93,056,839
<b>TOTAL</b>	<b>13,528,047,455</b>	<b>4,734,679,934</b>

**Notes :-**

1. During the year the Company had issued
  - a) 90,000 Foreign Currency Convertible Bonds of US\$ 1000 each (Rs.44,145 at issue) due on 7th March, 2011.
    - i) The bonds are convertible at the option of the bondholders at any time on and after 20th March 2006 upto the close of business on 28th February, 2011 at a fixed exchange rate of Rs.44.145 per 1 US\$ and at initial conversion price of Rs.545.24 per share being at premium of 15% over the reference share price. The conversion price shall be adjusted downwards in the event that the average closing price of shares for 15 consecutive trading days immediately prior to the reset date is less than conversion price, subject to a floor price of Rs. 410/- as adjusted in accordance with the anti-dilution provisions.
    - ii) Redeemable in whole but not in part at the option of the company on or after 7th February, 2009 but prior to 28th February, 2011 if aggregate value on each of 30 consecutive trading days ending not earlier than 14 days prior to the date upon which notice of such redemption is given was at least 130% of the accreted principal amount.
    - iii) Redeemable at maturity date on 7th March, 2011 at 116.78% of it's principal amount, if not redeemed or converted earlier.
  - b) 105,000 Foreign Currency Convertible Bonds of US\$ 1000 each due on 25th July 2011.
    - i) The bonds are convertible at the option of the bondholders at any time on or after 2nd September 2006 until 18th July 2011 except for certain closed periods, at a fixed exchange rate of Rs.46.318 per 1 US\$ and at initial conversion price of Rs.511.18 per share being at premium of 22% over reference share price. The conversion price shall be adjusted downwards in the event that the average closing price of shares for 15 consecutive trading days immediately prior to the reset date is less than conversion price, subject to a floor price of Rs. 410/- as adjusted in accordance with the anti-dilution provisions.
    - ii) Redeemable in whole but not in part at the option of the Company on or after 24th August 2009, if aggregate value on each of 30 consecutive trading days ending not earlier than 14 days prior to the date upon which notice of such redemption is given was at least 130% of the accreted principal amount. Redeemable in whole but not in part at the option of the Company on or after 24th August 2009, if aggregate value on each of 30 consecutive trading days ending not earlier than 14 days prior to the date upon which notice of such redemption is given was at least 130% of the accreted principal amount.
    - iii) Redeemable at maturity date on 25th July, 2011 at 127.65% of its principle amount, if not redeemed or converted earlier.
2. The Company has availed interest free Sales Tax Deferral under special incentive to prestigious unit (modified) scheme. The same is repayable in six equal annual installments commencing from 30th May, 2008.

# VIDEOCON INDUSTRIES LIMITED

## SCHEDULE - 5 : FIXED ASSETS

(Rupees)

PARTICULARS	GROSS BLOCK					DEPRECIATION / AMORTISATION					NET BLOCK	
	As at 30.09.2005	Additions on Amalgamation	Additions During the Year	Deductions During the Year	As at 30.09.2006	Up to 30.09.2005	Additions on Amalgamation	For the Year	Deductions / Adjustment	Up to 30.09.2006	As at 30.09.2006	As at 30.09.2005
<b>TANGIBLE ASSET</b>												
Freshhold Land	85,874,723	34,613,040	-	-	120,487,763	-	-	-	-	-	120,487,763	85,874,723
Leasehold Land	9,895,586	36,427,362	1,500,000	-	47,822,948	4,035,326	2,171,001	491,393	-	6,698,130	41,124,818	5,859,850
Building	5,538,227,002	498,660,942	786,025,734	9,175,435	6,813,738,243	1,146,391,802	92,281,777	152,334,351	2,153,834	1,388,854,096	5,424,884,147	4,391,835,200
Onshore Building	80,818,089	-	149,002	-	80,967,091	28,236,350	-	2,632,843	-	30,869,193	50,097,898	52,581,739
Leasehold Improvements	-	39,029,095	340,000	456,250	38,912,845	-	36,386,515	1,468,901	428,592	37,426,824	1,486,021	-
Leasehold Premises	1,726,700	-	-	-	1,726,700	424,771	-	697,584	-	1,122,355	604,345	1,301,929
Plant & Machinery *	45,490,669,110	1,437,909,314	11,810,014,601	603,549,199	58,135,043,826	17,884,806,904	821,076,072	4,424,263,728	498,648,384	22,631,498,320	35,503,545,506	27,605,862,206
Furnace	1,139,242,759	-	853,216,803	-	1,992,459,562	1,049,737,042	-	63,518,118	-	1,113,255,160	879,204,402	89,505,717
Electrical Installation	107,654,455	-	30,408,973	-	138,063,428	57,975,723	-	6,589,593	-	64,565,316	73,498,112	49,678,732
Platform Tripod	45,701,388	-	-	-	45,701,388	44,169,757	-	-	-	44,169,757	1,531,631	1,531,631
Platform Teirapod	53,708,960	-	-	-	53,708,960	51,908,964	-	-	-	51,908,964	1,799,996	1,799,996
Pipeline	616,725,651	-	7,984,800	-	624,710,451	560,567,599	-	18,002,254	-	578,569,853	46,140,598	56,158,052
Terminal Facilities	63,021,462	-	-	-	63,021,462	60,909,368	-	-	-	60,909,368	2,112,094	2,112,094
Crude Oil Storage Tank	155,425,019	-	290,045	-	155,715,064	131,434,965	-	7,273,334	-	138,708,299	17,006,765	23,990,054
Onshore Processing Facilities	603,985,550	-	492,303	-	604,477,853	541,330,373	-	18,893,814	-	560,224,187	44,253,666	62,655,177
Offshore Processing Facilities	665,670,993	-	1,082,441	-	666,753,434	600,612,502	-	19,661,959	-	620,274,461	46,478,973	65,058,491
Tankar Mooring & Loading Facility	160,920,974	-	-	-	160,920,974	127,248,040	-	10,101,880	-	137,349,920	23,571,054	33,672,934
Communication Equipments	3,241,378	-	98,708	98,962	3,241,124	1,738,737	-	211,095	50,675	1,899,157	1,341,967	1,502,641
Office Equipments	85,442,299	134,927,743	13,605,349	2,123,647	231,851,744	41,250,079	88,604,217	15,815,714	704,566	144,965,444	86,886,300	44,192,220
Computer Systems	311,095,968	-	68,598,462	1,186,771	378,507,659	212,806,271	-	33,891,637	1,074,648	245,623,260	132,884,399	98,289,697
Furniture & Fixtures	134,988,808	-	21,231,450	195,362	156,024,896	81,984,924	-	7,966,705	75,963	89,875,666	66,149,230	53,003,884
Vehicles	418,402,076	1,573,844	-	9,442,205	457,613,988	238,524,428	961,534	31,185,665	5,294,321	265,377,356	192,236,632	179,877,598
<b>INTANGIBLE ASSET</b>												
Goodwill (on amalgamation)	-	235,977,355	-	-	235,977,355	-	224,178,491	11,798,864	-	235,977,355	-	-
Computer Software	13,750,000	6,557,511	45,311,436	-	65,618,947	1,604,167	2,065,635	12,157,556	-	15,827,358	49,791,589	12,145,833
<b>LEASED ASSETS</b>												
Computer Systems	-	6,464,750	-	196,900	6,267,850	-	4,081,979	1,031,987	154,268	4,959,698	1,308,152	-
<b>TOTAL</b>	<b>55,786,188,950</b>	<b>2,432,140,956</b>	<b>13,687,430,380</b>	<b>626,424,731</b>	<b>71,279,335,555</b>	<b>22,867,698,552</b>	<b>1,271,807,221</b>	<b>4,839,988,975</b>	<b>508,585,251</b>	<b>28,470,909,497</b>	<b>42,808,426,058</b>	<b>32,918,490,398</b>
Capital Work-in-Progress	6,153,678,113	-	-	-	6,082,769,629	-	-	-	-	-	6,082,769,629	6,153,678,113
Previous Period	61,939,867,063	2,432,140,956	13,687,430,380	626,424,731	77,362,105,184	22,867,698,552	1,271,807,221	4,839,988,975	508,585,251	28,470,909,497	48,891,195,687	39,072,168,511

\*Gross Block of Plant and Machinery includes Rs. 9,245,733,840/- (Previous Period Rs.9,518,448,908/-) on account of the amount added on revaluation on 01.08.1998 and 01.10.2002.

## SCHEDULE - 6 : INVESTMENTS

### LONG TERM INVESTMENTS IN GOVERNMENT & TRUST SECURITIES

Master Gain

### QUOTED

#### IN EQUITY SHARES (Fully Paid up) - TRADE

Videocon Communications Ltd.  
Videocon Appliances Ltd.  
JCT Electronics Ltd.  
Samtel Electronics Devices Ltd

#### IN EQUITY SHARES (Fully Paid up) - OTHERS

Allahabad Bank  
Crompton Greaves Limited  
Dena Bank  
Indusind Bank Limited  
Punjab National Bank Limited  
Geekay Exim India Ltd.  
Deccan Cement Ltd.  
Good Value Marketing Ltd.  
Indian Overseas Bank  
Industrial Finance Corpn. Of India Ltd.  
Jayaswal Neco Ltd.  
PNB Gilts Ltd.  
Siris Infotech Ltd.  
Siemens Ltd.  
ICICI Bank Ltd.  
Sterling Holiday Resort India Ltd.  
UTI Bank Ltd.  
Adlabs Films Ltd.  
Ananraj Industries Ltd.  
Asian Electronics Ltd.  
Bajaj Hindustan Ltd.  
Bharat Earth Movers Ltd.  
Gesco Corporation  
Gujrat Ambuja Cement Ltd.  
Hindalco Ltd.  
Infrastructure Development Finance Corp. Ltd.  
J.M.Financial Services Ltd.  
Matrix Labs Ltd  
National Thermal Power Corp. Ltd.  
ONGC Ltd.  
Provogue (India) Ltd.  
Rallis India Ltd.  
Reliance Energy Ltd.

Face Value	As at 30th September, 2006		As at 30th September, 2005	
	Nos.	Rupees	Nos.	Rupees
	32,200	408,445	32,200	408,445
		<u>408,445</u>		<u>408,445</u>
	10	1,608,800	1,608,800	29,016,735
	10	1,811,748	1,811,748	54,986,552
	10	NIL	300	2,583
	10	82,000	82,000	2,845,400
		<u>98,833,761</u>		<u>86,851,270</u>
	10	1,178,409	1,178,409	50,308,842
	2	10,000	NIL	-
	10	129,889	129,889	3,507,003
	10	75,000	75,000	5,291,250
	10	23,538	70,614	27,539,460
	10	80,000	80,000	80,000
	10	189,400	189,400	14,375,460
	10	25,000	25,000	25,000
	10	180,400	180,400	1,804,000
	10	41,800	41,800	668,800
	10	210,000	210,000	5,733,000
	10	NIL	19,900	410,935
	10	13,200	13,200	13,200
	2	3,130	626	125,200
	10	50,381	50,381	8,058,945
	10	NIL	70,000	3,706,500
	10	166,200	166,200	3,490,200
	5	82,500	NIL	-
	10	5,000	NIL	-
	10	53,000	NIL	-
	1	10,000	NIL	-
	10	20,500	NIL	-
	10	4,000	NIL	-
	2	19,000	NIL	-
	1	100,000	NIL	-
	10	200,000	NIL	-
	10	7,000	NIL	-
	2	395,000	NIL	-
	10	100,000	NIL	-
	10	5,000	NIL	-
	10	10,000	NIL	-
	10	5,000	NIL	-
	10	5,000	NIL	-
	10	50,000	NIL	-



	Face Value	As at 30th September, 2006		As at 30th September, 2005	
		Nos.	Rupees	Nos.	Rupees
Reliance Petroleum Ltd.	10	560,079	33,604,740	NIL	-
S.Kumars Nation	10	50,000	3,780,118	NIL	-
SRF Limited	10	10,000	2,366,284	NIL	-
Shree Renuka Sugars Ltd	10	8,000	5,182,640	NIL	-
Tata Iron and Steel Ltd.	10	100,000	53,565,000	NIL	-
Voltas India Limited	1	40,000	4,122,830	NIL	-
Indian Tobacco Company Ltd.	1	100,000	18,765,000	NIL	-
Maharashtra Seamless Ltd.	5	5,000	1,889,250	NIL	-
Madras Aluminium Ltd.	10	10,000	3,688,000	NIL	-
Nirlon Ltd.	10	87,500	1,760,728	NIL	-
Sterlite Industries Ltd.	2	20,000	8,320,541	NIL	-
			<u>514,628,285</u>		<u>125,137,795</u>
<b>IN MUTUAL FUNDS UNITS</b>					
Prudential ICICI Mutual Fund-Liquid Plan Dividend Option	10	NIL	-	412	4,879
BOI Units	10	1,000,000	10,000,000	1,000,000	10,000,000
			<u>10,000,000</u>		<u>10,004,879</u>
<b>UNQUOTED</b>					
<b>1. IN EQUITY SHARES (Fully Paid up)-TRADE</b>					
Applicomp India Ltd.	10	17,023,500	170,235,000	17,023,500	170,235,000
Indian Refrigeration Co. Ltd.	10	1,990,000	19,900,000	1,990,000	19,900,000
Kitchen Appliances (I) Ltd.	10	1,156,000	18,266,165	4,406,000	69,620,000
Millennium Appliances India Ltd.	10	4,750,000	95,000,000	4,750,000	95,000,000
Akai Consumer Electronics India Ltd.	10	35,000	350,000	NIL	-
E-Mart India Ltd.	10	36,000	360,000	NIL	-
Macotax Consultants Pvt. Ltd.	10	1,900	19,000	NIL	-
Kentosh Electronics India Pvt. Ltd.	10	1,720	17,200	NIL	-
Hyundai Electronics India Ltd.	10	9,500	95,000	NIL	-
			<u>304,242,365</u>		<u>354,755,000</u>
<b>2. IN EQUITY SHARES (Fully Paid up)-OTHERS</b>					
Ease Finance Limited	10	4,800	960,000	4,800	960,000
Evans Fraser & Co. (India) Limited	100	6,250	40,625,000	6,250	40,625,000
Holzman Videocon Engineers Limited	10	990,600	990,600	990,600	9,906,000
Kay Kay Construction Limited	10	4,500	900,000	4,500	900,000
Bolton Properties Limited	10	112,500	13,658,000	112,500	13,658,000
Worli Infrastructures & Developers Private Limited	10	45,000	450,000	50,000	500,000
Gayatri Projects Ltd.	10	950,000	-	950,000	-
Goa Energy Pvt. Ltd.	10	1,000	10,000	1,000	10,000
Nippon Investment and Finance Co. Pvt. Ltd.	10	NIL	-	99,900	999,000
The Banaras State Bank Ltd.	100	25,000	25,000	25,000	25,000
Dhoot Securities Ltd.	10	NIL	-	26,000	260,000
Eagle Corporation Ltd.	US\$ 1	NIL	-	190	8,332
Digital Display Devices S.P.A.	Euro 1	36,000	1,955,880	NIL	-
Deve Sugars Ltd.	10	125,000	125,000	125,000	125,000
			<u>59,699,480</u>		<u>67,976,332</u>
<b>3. IN EQUITY SHARES OF SUBSIDIARIES (Fully Paid up)</b>					
Videocon (Mauritius) Infrastructure Ventures Ltd.	US\$ 1	530,000	22,583,300	530,000	22,583,300
Paramount Global Ltd.	US\$ 1	12,800,000	562,120,018	12,800,000	562,120,018
Videocon (Cayman) Ltd.	US\$ 1	NIL	-	50,000	22,260,000
Videocon Global Ltd.	US\$ 1	2,500	115,150	2,500	115,150
Mars Overseas Ltd.	US\$ 1	1,000,000	46,330,030	1,000	46,340
Sky Billion Trading Ltd.	US\$ 1	NIL	-	1,072,000	49,609,060
Trend Ltd.	US\$ 1	NIL	-	400,000	18,108,000
Eagle Corporation Ltd.	US\$ 1	1,000	45,778	NIL	-
Powerking Corporation Ltd.	US\$ 1	2,711	124,543	1,000	45,940
Venus Corporation Ltd.	US\$ 1	2,982	136,576	NIL	-
Middle East Appliances LLC.	RO 1	2,251,800	270,144,757	2,251,800	270,144,757
Videocon Industrial Finance Ltd.	10	NIL	-	6,000,070	60,000,700
Gajanan Electronics & Home App. Pvt. Ltd.	10	10,000	100,000	10,000	100,000
Gruhaupyogi Electronics Appliances Pvt. Ltd.	10	NIL	-	10,000	100,000
Godavari Consumer Electronics App. Pvt. Ltd.	10	10,000	100,000	10,000	100,000
Mayur Household Electronics Pvt. Ltd.	10	10,000	100,000	10,000	100,000
			<u>901,900,152</u>		<u>1,005,433,265</u>
<b>IN DEBENTURES - TRADE</b>					
7.75% Non Convertible Debentures of Oriental Bank of Commerce	100000	100	10,000,000	100	10,000,000
			<u>10,000,000</u>		<u>10,000,000</u>
<b>OTHER INVESTMENTS</b>					
In Shares of Co-operative Bank			521,360		521,360
In Shares of Co-operative Society			1,550		1,550
			<u>522,910</u>		<u>522,910</u>

# VIDEOCON INDUSTRIES LIMITED

	Face Value	As at 30th September, 2006		As at 30th September, 2005	
		Nos.	Rupees	Nos.	Rupees
<b>SHARE APPLICATION MONEY PENDING ALLOTMENT</b>					
Kitchen Appliances (I) Ltd.			-		500,000,000
Millennium Appliances India Ltd.			-		500,000,000
E-Mart India Ltd.			449,640,000		-
Eagle Corporation Ltd.			13,575,648,745		-
Mars Overseas Ltd.			-		46,283,690
Powerking Corporation			-		78,603
			<u>14,025,288,745</u>		<u>1,046,362,293</u>
<b>CURRENT INVESTMENTS</b>					
<b>UNQUOTED</b>					
<b>IN BONDS</b>					
8.90% Citi Financial 2009 Bonds	1000000	1,000	1,000,975,342	NIL	-
			<u>1,000,975,342</u>		<u>-</u>
<b>IN UNITS OF MUTUAL FUNDS</b>					
Prudential ICICI Fusion Fund-Growth	10	100,000	1,000,000	NIL	-
Standard Chartered Enterprises Equity Fund-Growth	10	50,000,000	500,000,000	NIL	-
L.I.C.Mutual Fund ( Liquid )		19,105,846.389	250,000,000	NIL	-
L.I.C.Mutual Fund ( Growth )		5,617,409.475	50,000,000	NIL	-
Principal Cash Management Fund Liquid Option Insti. Premium Plan - Growth		7,491,346.46	82,687,419	68,750,035	726,764,239
Kotak Mahindra Mutual Fund - Floater Short Term Growth		NIL	-	77	831
Kotak Mahindra Lifestyle-Growth	10	150,000	1,495,350	NIL	-
			<u>885,182,769</u>		<u>726,765,070</u>
<b>TOTAL INVESTMENTS</b>			<u>17,811,682,254</u>		<u>3,434,217,259</u>
Aggregate cost of quoted Investments			623,870,491		222,402,389
Aggregate market value of quoted Investments			941,300,507		517,937,636
Aggregate cost of unquoted Investments / Application Money			16,186,836,421		3,211,814,870

## Following Investment were acquired and sold during the Period

	As at 30th Sept., 2006 Qty.	As at 30th Sept., 2005 Qty.
Principal Mutual Fund - Cash Management Fund Liquid Option Instl. Plan - Growth Plan	779,570,073	840,906,200
Kotak Mutual Fund - Liquid (Regular) - Growth	NIL	71,264
Kotak Mahindra Mutual Fund - Floater Short Term Growth	NIL	276,919
Kotak Mahindra Mutual Fund - Liquid (Institutional Premium) - Daily Dividend	NIL	14,721,939
Lupin Laboratories Limited	NIL	16,200
Chola Mutual Fund - Liquid Inst. Plus - Cumulative	1,896,795	66,068,087
U200GR UTI Leadership Equity Fund - Growth Plan	122,747,953	NIL
UTI Contra Fund	124,070,144	NIL
UTI Mutual Fund	50,169,563	NIL
Sahara Mutual Fund - RLFG sahara Liquid Fund - Growth	802,091	41,433,259
Birla Sun Life	3,641,130	NIL
ICICI Dynamic	4,291,514	NIL
State Bank of India Mutual Fund	15,537,199	NIL
Allahabad Bank	NIL	535,066
Reliance Industries Ltd.	112,000	NIL
Reliance Petroleum Ltd.	100,000	NIL
Century Textiles Ltd.	51,000	NIL
Hindustan Zinc Ltd.	15,000	NIL
Prime Focus Ltd.	10,000	NIL
Bajaj Hindustan Ltd.	54,000	NIL
Grasim Industries Ltd.	16,000	NIL
Oil & Natural Gas Corporation Ltd.	3,000	NIL
Tata Tea Ltd.	5,005	NIL
Tata Consultancy Ltd.	30,000	NIL
Titan Industries Ltd.	5,000	NIL
Anantraj Industries	10,090	NIL
Unity Infrastructures Ltd.	5,000	NIL
Housing Development Finance Corp. Ltd.	40,159	NIL
Bharat Bijli Ltd.	3,100	NIL
Infosys Technology Ltd.	40,000	NIL
Mauli Udyog Ltd.	5,000	NIL
Shree Renuka Sugars Ltd.	1,163	NIL
Bharat Earth Movers Ltd.	4,500	NIL
Bombay Dyeing Ltd.	7,000	NIL
KLG Systel Ltd.	5,000	NIL
Asian Electronics Ltd.	60,853	NIL
Gujrat Ambuja Cement Ltd.	111,000	NIL
Gesco Corporation	4,000	NIL
United Phosphorous Ltd.	5,000	NIL
Matrix Lab Ltd.	34	NIL
Aban Offshore Ltd.	41,676	NIL
Sterlite Industries Ltd.	30,000	NIL
Reliance Communication Ventures Ltd.	100,000	NIL
Manugraph Industries Ltd.	5,000	NIL
Everest Kant Ltd.	10,000	NIL
Prime Securities Ltd.	25,000	NIL

	As at 30th Sept., 2006 Rupees	As at 30th Sept., 2005 Rupees
<b>SCHEDULE - 7 : CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>A. Inventories</b>		
(As taken, valued and certified by Management)		
Raw Materials including Consumables,		
Stores & Spares	7,359,108,410	4,862,939,195
Work in Process	831,474,787	624,030,220
Finished Goods	3,015,011,647	2,031,803,587
Material in Transit and in Bonded warehouse	1,481,664,451	1,059,607,238
Drilling and Production Materials	226,831,533	124,266,213
Crude Oil	84,533,174	27,569,054
<b>TOTAL (A)</b>	<u>12,998,624,002</u>	<u>8,730,215,507</u>
<b>B. Sundry Debtors (Unsecured)</b>		
Outstanding for a period exceeding six months		
Considered Good	104,045,252	
Considered Doubtful	384,941,126	
Less : Provision for doubtful debts	384,941,126	
Others		
Considered Good	11,068,805,938	9,716,917,315
<b>TOTAL (B)</b>	<u>11,172,851,190</u>	<u>9,971,190,153</u>
<b>C. Cash &amp; Bank Balances</b>		
Cash on hand	10,485,112	7,384,186
Cheque/Drafts on hand /in Transit	161,579,339	116,172,117
Balance With Scheduled Bank		
In Current Accounts	733,025,309	13,434,544,245
In Fixed Deposits	10,416,263,462	361,429,796
In Dividend/Interest Warrant Account (Per Contra)	40,686,896	40,529,570
Balances with Non-Scheduled Bank in Current Account		
Agricultural Bank of China (Maximum Balance Outstanding during the period Rs.3,180,919/-)	509,860	60,187
<b>TOTAL (C)</b>	<u>11,362,549,978</u>	<u>13,960,120,101</u>
<b>D. Other Current Assets</b>		
Interest Accrued	58,482,694	106,928,941
Insurance Claim Receivable	31,537,735	32,032,222
Other Receivable	459,122,540	NIL
Duty Drawback Receivable	1,905,977	2,953,524
<b>TOTAL (D)</b>	<u>551,048,946</u>	<u>141,914,687</u>

	As at 30th Sept., 2006 (Rupees)	As at 30th Sept., 2005 (Rupees)
<b>E. Loans &amp; Advances (Unsecured, considered good)</b>		
Advances to Subsidiary Companies	1,272,478,924	NIL
Advances recoverable in Cash or in kind or for value to be received	5,683,500,638	11,056,302,876
Balance with Central Excise / Customs Department	531,754,567	254,658,746
Advance Tax & TDS (Net of Provision)	NIL	17,686,585
Advance Fringe Benefit Tax ( Net of Provision)	80	NIL
Other Deposits	176,648,459	513,298,669
<b>TOTAL (E)</b>	<b>7,664,382,668</b>	<b>11,841,946,876</b>
<b>TOTAL( A to E)</b>	<b>43,749,456,784</b>	<b>44,645,387,324</b>

**SCHEDULE - 8 : CURRENT LIABILITIES & PROVISIONS**

<b>A. Current Liabilities</b>		
Sundry Creditors *	5,059,495,090	4,400,799,460
Advances from Subsidiary Companies	NIL	731,320,007
Temporary Overdraft from Banks	55,250,645	84,445,660
Interest Accrued but not due	246,711,420	278,896,945
Other Liabilities	2,268,006,783	942,784,557
Unclaimed Dividend/Interest (Per Contra)	40,686,896	40,529,570
* Including Acceptance of Rs.3,288.49 million (Previous period Rs. 3,085.77 million)		
<b>TOTAL (A)</b>	<b>7,670,150,834</b>	<b>6,478,776,199</b>
<b>B. Provisions</b>		
Provision for Income Tax ( Net of Advance Tax)	347,628,446	NIL
Provision for Fringe Benefit Tax (Net of Advance Tax)	NIL	2,016,933
Proposed Dividend - Equity	773,451,872	551,921,583
Proposed Dividend - Preference	33,871,582	35,989,710
Provision for Corporate Tax on Proposed Dividend	113,227,114	82,349,022
Provision for Warranty and Maintenance Expenses	360,554,746	94,010,150
Provision for Leave Encashment	30,828,112	26,555,778
Provision for Gratuity	28,478,229	NIL
<b>TOTAL (B)</b>	<b>1,688,040,101</b>	<b>792,843,176</b>
<b>TOTAL (A + B)</b>	<b>9,358,190,935</b>	<b>7,271,619,375</b>

**SCHEDULES TO PROFIT AND LOSS ACCOUNT**

	Year ended on 30th Sept., 2006 (Rupees)	Period ended on 30th Sept., 2005 (Rupees)
<b>SCHEDULE - 9 : OTHER INCOME</b>		
Rent Received	100,000	75,000
Profit on Sale of Fixed Asset	NIL	1,296,059
Interest Income (TDS Rs.8,593,785/- Previous period Rs.7,985,692/-)	276,866,793	159,805,019
Income From Investments & Securities Division (TDS Rs.56,043,347/-, Previous Period Rs.25,774,321/-) (Refer Note No.B-12 of Schedule No. 15)	454,733,472	161,977,895
Insurance Claim Received	49,971,838	157,950,745
Exchange Rate Fluctuation	175,003,383	184,495,725
Miscellaneous Income (TDS Rs.NIL Previous period Rs.161,162/-)	697,767,208	39,272,281
	<b>1,654,442,694</b>	<b>704,872,724</b>

**SCHEDULE 10-COST OF GOODS CONSUMED/SOLD**

<b>A. Material and Components Consumed</b>		
Opening Stock	4,862,939,195	NIL
Add : Addition on Amalgamation	262,732,704	4,553,822,139
Add : Purchases	44,894,174,814	30,615,378,380
	<b>50,019,846,713</b>	<b>35,169,200,519</b>
Less : Closing Stock	7,359,108,410	4,862,939,195
<b>(A)</b>	<b>42,660,738,303</b>	<b>30,306,261,324</b>

	Year ended on 30th Sept., 2006 (Rupees)	Period ended on 30th Sept., 2005 (Rupees)
<b>B. (Increase)/Decrease in Stock</b>		
<b>Closing Stock :</b>		
Finished Goods	3,099,544,821	2,059,372,641
Work in Process	831,474,787	624,030,220
	<b>3,931,019,608</b>	<b>2,683,402,861</b>
<b>Opening Stock :</b>		
Finished Goods	2,059,372,641	NIL
Add : Addition on Amalgamation	208,723,561	1,803,355,828
	<b>2,268,096,202</b>	<b>1,803,355,828</b>
Work in Process	624,030,220	NIL
Add : Addition on Amalgamation	5,591,525	553,754,939
	<b>629,621,745</b>	<b>553,754,939</b>
	<b>2,897,717,947</b>	<b>2,357,110,767</b>
<b>(B)</b>	<b>(1,033,301,661)</b>	<b>(326,292,094)</b>
<b>TOTAL (A+B)</b>	<b>41,627,436,642</b>	<b>29,979,969,230</b>

**SCHEDULE - 11 : PRODUCTION & EXPLORATION EXPENSES**

Production Expenses	241,927,197	356,167,891
Royalty	393,959,400	496,794,518
Cess	543,247,795	722,696,310
Production Bonus	191,869,582	211,271,878
Government Share in Profit Petroleum	7,861,838,385	7,574,814,993
Abandonment Costs	61,240,410	75,083,006
Producing Properties Written Off	177,363,117	118,750,149
Exploration Expenses	111,765,172	18,078,430
	<b>9,583,211,058</b>	<b>9,573,657,175</b>

**SCHEDULE 12 : SALARY, WAGES & EMPLOYEES' BENEFITS**

Salary, Wages & Other Benefits	799,694,301	430,885,656
Contribution to Provident and other Funds	57,583,139	28,621,473
Staff Welfare	89,686,184	35,788,817
<b>TOTAL</b>	<b>946,963,624</b>	<b>495,295,946</b>

**SCHEDULE - 13 : MANUFACTURING AND OTHER EXPENSES**

Rent	45,541,858	21,780,407
Rates & Taxes	138,632,618	81,851,809
Draw and License Fees	NIL	3,660,000
Draw Related Expenses	NIL	34,021,928
Prize Pay-out Expenses	NIL	2,824,783
Power, Fuel & Water	668,116,550	273,655,429
Repairs to Building	27,229,971	8,294,114
Repairs to Plant & Machinery	66,057,464	24,361,441
Repairs & Maintenance-others	47,598,875	33,296,399
Bank Charges	288,717,330	270,114,952
Directors' Sitting Fees	733,250	178,000
Royalty	79,996,257	13,175,285
Printing & Stationery	33,288,602	31,592,640
Freight & Forwarding	758,522,827	318,401,412
Advertisement & Publicity	1,064,579,549	722,657,602
Sales Promotion	167,088,699	122,230,442
Discount & Incentive Scheme	2,131,023,646	2,441,419,430
Legal & Professional Charges	245,457,072	149,447,604
Donation (Includes amount paid to 'Nationalist Congress Party' Rs. 5,000,000/-, Rashtriya Janata Dal Rs. 5,000,000/-, All India Congress Committee Rs. 20,000,000/- (Previous period Rs.10,000,000/- to Indian National Congress and Rs.5,000,000/- to Rashtriya Janata Dal)	71,404,447	21,312,000
Insurance Expenses	147,373,114	430,090,124
Auditors' Remuneration	7,759,200	6,510,000
Bad Debts Written off	32,241,206	835,749,192
Technical Know-How	8,706,241	NIL
Warranty and Maintenance Expenses	540,669,353	94,010,150
Loss on Sale of Fixed Assets	17,394,595	NIL
Miscellaneous Expenses	345,938,046	324,989,536
<b>TOTAL</b>	<b>6,934,070,770</b>	<b>6,265,624,679</b>

**SCHEDULE - 14 : INTEREST AND FINANCE CHARGES**

On Fixed Period Borrowings	1,745,222,921	1,869,483,931
On Others	513,572,278	172,973,352
<b>TOTAL</b>	<b>2,258,795,199</b>	<b>2,042,457,283</b>

## SCHEDULE - 15 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

### AJ SIGNIFICANT ACCOUNTING POLICIES :-

1. **Basis of Accounting:**  
The financial statements are prepared under historical cost convention, except for certain Fixed Assets which are revalued, using the accrual system of accounting in accordance with the accounting principles generally accepted in India (Indian GAAP) and the requirements of the Companies Act, 1956, including the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India, as referred to in Section 211 (3C) of the Companies Act, 1956.
2. **Fixed Assets:**
  - a) Fixed Assets are stated at actual cost, except for certain fixed assets which have been stated at revalued amounts, less accumulated depreciation / amortisation and impairment loss, if any. The actual cost is inclusive of freight, installation cost, duties, taxes, financing cost and other incidental expenses but net of Modvat/ Cenvat/Value added tax. Exchange difference, if any, in respect of liabilities incurred to acquire fixed assets is adjusted to the carrying amount of respective fixed assets.
  - b) Capital Work in Progress is carried at cost, comprising of direct cost, attributable interest and related incidental expenditure. The advances given for acquiring fixed assets are shown under Capital Work in Progress.
3. **Joint Ventures for Oil and Gas Fields:**  
In respect of joint ventures in the nature of Production Sharing Contracts (PSC) entered into by the Company for oil and gas exploration and production activities, the Company's share in the assets and liabilities as well as income and expenditure of Joint Venture Operations are accounted for according to the Participating Interest of the Company as per the PSC and the Joint Operating Agreements on a line by line basis in the Company's Financial Statements.
4. **Exploration, Development and Production Costs:**  
The Company follows the "Successful Efforts Method" of accounting for oil and gas exploration, development and production activities as explained below:
  - a) Exploration and production cost are expensed in the year/period in which these are incurred.
  - b) Development costs are capitalised and reflected as "Producing Properties". Costs include recharges to the Joint Venture by the Operator/Affiliate in respect of the actual cost incurred and as set out in the Production Sharing Contract (PSC). Producing Properties are depleted using the "Unit of Production Method".
5. **Abandonment Costs:**  
Abandonment Costs relating to dismantling, abandoning and restoring offshore well sites and allied facilities are provided for on the basis of "Unit of Production Method". Aggregate abandonment costs to be incurred are estimated based on technical evaluation by experts.
6. **Depreciation and Amortisation:**  
The Company provides depreciation on fixed assets held in India on written down value method in the manner and at the rates specified in the Schedule XIV to the Companies Act, 1956 except a) on Fixed Assets of Consumer Electronics Division and; b) on office buildings acquired after 01.04.2000, on which depreciation is provided on straight line method at the rates specified in the said Schedule. Depreciation on fixed assets held outside India is calculated on straight line method at the rates prescribed in the aforesaid Schedule or based on useful life of assets whichever is higher. Producing Properties are depleted using the "Unit of Production Method". Leasehold Land is amortised over the period of lease.  
The depreciation on revised carrying amount of fixed assets arising on account of translation of Foreign Currency Loans availed in respect of the Fixed Assets and on revaluation of assets is provided as aforesaid over the residual useful life of the respective assets.  
Intangibles: Intangible assets are amortised over a period of five years.
7. **Impairment of Assets :**  
The Fixed Assets or a group of assets (Cash generating unit) and Producing Properties are reviewed for impairment at each Balance Sheet date. In case of any such indication, the recoverable amount of these assets or group of assets is determined, and if such recoverable amount of the asset or cash generating unit to which the asset belongs is less than its carrying amount, the impairment loss is recognised by writing down such assets to their recoverable amount. An impairment loss is reversed if there is change in the recoverable amount and such loss either no longer exists or has decreased.
8. **Investments:**
  - a) Current Investments : Current Investments are carried at lower of cost and quoted/ fair value.
  - b) Long Term Investments : Quoted Investment are valued at cost or market value whichever is lower. Unquoted Investments are stated at cost. The decline in the value of the unquoted investment, other than temporary, is provided for.  
Cost is inclusive of brokerage, fees and duties but excludes Securities Transaction Tax.
9. **Inventories:**  
Inventories including crude oil stock are valued at cost or net realisable value whichever is lower. Cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on Weighted Average basis.
10. **Borrowing Costs:**  
Borrowing costs that are directly attributable to the acquisition, construction or production of an qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.
11. **Excise and Customs Duty:**  
Excise Duty in respect of finished goods lying in factory premises and Customs Duty on goods lying in customs bonded warehouse are provided for and included in the valuation of inventory.
12. **MODVAT/ CENVAT/Value Added Tax**  
Modvat/Cenvat/Value Added Tax Benefit is accounted for by reducing the purchase cost of the materials/fixed assets.
13. **Revenue Recognition:**
  - a) Revenue is recognised on transfer of significant risk and reward in respect of ownership.
  - b) Sale of Crude Oil and Natural Gas are exclusive of Sales Tax. Other Sales/turnover includes sales value of goods, services, excise duty, duty drawback and other recoveries such as insurance, transportation and packing charges but excludes sale tax and recovery of financial and discounting charges.
  - c) Insurance, Duty Drawback and other claims are accounted for as and when admitted by the appropriate authorities.
14. **Foreign Currency Transactions:**
  - a) Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of transactions. Current Assets and Current Liabilities are translated at the year end rate. The difference between the rate prevailing on the date of transaction and on the date of settlement as also on translation of Current Assets and Current Liabilities at the end of the year is recognised, as the case may be, as income or expense for the year.
  - b) Foreign Currency liabilities in respect of loans availed for fixed assets and outstanding on the last day of the financial year are translated at the exchange rate prevailing on that day and any loss or gain arising out of such translation is adjusted to the cost of the fixed assets and depreciation is also charged/adjusted on such differences.
15. **Translation of the financial statements of foreign branch:**
  - a) Revenue items are translated at average rates.
  - b) Opening and closing inventories are translated at the rate prevalent at the commencement and close, respectively, of the accounting year.
  - c) Fixed assets are translated at the exchange rate as on the date of the transaction. Depreciation on fixed assets is translated at the rates used for translation of the value of the assets to which it relates.
  - d) Other current assets and current liabilities are translated at the closing rate.
16. **Retirement Benefits:**
  - a) Contributions to Provident Fund and Family Pension Scheme are accounted for on accrual basis and charged to Profit & Loss Account.
  - b) The Company's employees, except for employees of units at Shahjahanpur, Dist. Alwar, Rajasthan and at Butibori Dist. Nagpur, Maharashtra, are covered under the Employees Group Gratuity Cum Life Assurance Scheme of Life Insurance Corporation of India. The Company accounts for gratuity liability equivalent to the premium amount payable to Life Insurance Corporation of India every year, which is based on actuarial valuation. The liability with respect to the gratuity for the employee's of units at Shahjahanpur, Dist: Alwar, Rajasthan and at Butibori Dist: Nagpur, Maharashtra are accounted/ provided for on the basis of actuarial valuation at year end.
  - c) Liability on account of leave encashment in respect of employees of Glass Shell unit at village Chhavaj, Dist.Bharuch, Gujrat, unit at Shahjahanpur Dist. Iwar, Rajasthan, and unit at Butibori Dist. Nagpur, Maharashtra, is provided for on actuarial valuation basis and in respect of other employees to the extent encashable as at the end of the financial year as per rules of the Company.
17. **Taxation:**  
Income tax comprises of current tax, deferred tax and Fringe Benefit tax. Provision for current income tax and fringe benefit tax is made on the assessable income/benefits at the rate applicable to relevant assessment year. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences, subject to the consideration of prudence. Deferred tax assets and liabilities are measured using the tax rates enacted or substantively enacted by the balance sheet date. The carrying amount of deferred tax asset/liability are reviewed at each Balance Sheet date and recognised and carried forward only to the extent that there is a reasonable certainty that the asset will be realised in future.
18. **Share Issue Expenses:**  
Share issue expenses are written off to Securities Premium Account.
19. **Premium on Redemption of Bonds / Debentures:**  
Premium on Redemption of Bonds / Debentures are written off to Securities Premium Account.
20. **Research and Development:**  
Revenue expenditure pertaining to Research and Development is charged to revenue under the respective heads of account in the period in which it is incurred. Capital expenditure, if any, on Research and Development is shown as an addition to Fixed Assets under the respective heads.
21. **Accounting for Leases:**  
Where the company is lessee
  - a) Operating Leases: Rentals in respect of all operating leases are charged to Profit & Loss Account.
  - b) (i) Finance Leases: Rentals in respect of all finance leases entered before 1st April, 2001 are charged to Profit & Loss Account.  
(ii) In accordance with Accounting Standard - 19 on "Accounting for Leases" issued by the Institute of Chartered Accountants of India, assets acquired under finance lease on or after 1st April, 2001, are capitalised at the lower of their fair value and present value of the minimum lease payments and are disclosed as "Leased Assets".
22. **Warranty:**  
Provision for the estimated liability in respect of warranty on sale of consumer electronics is made in the year in which the revenues are recognised, based on technical evaluation and past experience.
23. **Prior Period Items:**  
Prior period items are included in the respective heads of accounts and material items are disclosed by way of notes to accounts.

24. **Provision, Contingent Liabilities and Contingent Assets:**

Provisions comprise liabilities of uncertain timing or amount. Provisions are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.

Contingent Liabilities are disclosed by way of Notes to Accounts. Disputed demands in respect of Central Excise, Customs, Income-tax and Sales Tax are disclosed as contingent liabilities. Payment in respect of such demands, if any, is shown as advance, till the final outcome of the matter.

Contingent assets are not recognised in the financial statements.

25. **Other Accounting Policies:**

These are consistent with the generally accepted accounting practices.

**B] NOTES TO ACCOUNTS :-**

	As at 30th Sept., 2006 (Rs. Million)	As at 30th Sept., 2005 (Rs. Million)
<b>1. Contingent Liabilities not provided for:</b>		
a) Letters of Guarantees Includes Bank Guarantees given to Sales Tax Department Rs. 12.55 million (Previous Period Rs. 10.53 million) against demand stated in 'g' below	25,189.10	22,572.48
b) Letters of Credit opened	1,288.86	1,077.81
c) Customs Penalty - Stayed by High Court	11.85	11.85
d) Customs Duty demands under dispute [Amount paid under protest Rs. 3.94 million (Previous Period Rs. 0.4 million)]	94.42	18.82
e) Income Tax demands under dispute [Amount paid under protest Rs.100.25 million (Previous Period Rs. 9.21 million)]	100.25	9.21
f) Excise Duty demand under dispute [Amount paid under protest Rs. 2.43 million (Previous Period Rs. 5.31 million)]	387.17	237.59
g) Sales Tax demands under dispute [Amount paid under protest Rs. 34.20 million (Previous Period Rs. 47.28 million)]	243.74	186.77
h) Others	47.91	NIL
i) Claims against the Company not acknowledged as debts:		
i. Claim by Delhi Development Authority in respect of unearned income, ground rent and interest in respect of property acquired on amalgamation of Banganga Investments Private Limited with the Company - Rs. 293.93 million (Previous Period Rs. 293.93 million).		
ii. Disputed Claims through Redemption of Debentures Rs.504.00 million and interest thereon of Rs.48.52 million (referred to an Arbitration).		
j) Disputed Income Tax demand amounting to Rs. 22.29 million in respect of certain payment made by Ravva Oil & Gas Field Joint Venture is currently pending before the Income Tax Appellate Tribunal. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the accounts as the same is subject to agreement by the members of the Joint Venture. Should it ultimately become payable, the Company's share as per the participating interest would be upto Rs. 5.57 million.		
2. a) There was a dispute regarding (i) deductibility of ONGC Carry while computing the PTRR under the Ravva PSC; (ii) deductibility of provision of Site Restoration Costs for computation of Cost Petroleum and PTRR; (iii) deductibility of inventory purchased for computation of Cost Petroleum and PTRR; (iv) deductibility of Notional Dividend Distribution Tax under the Income-tax Act, 1961 for computation of PTRR; and (v) deductibility of Deposits, Advances and Pre-payments made for the purpose of Petroleum Operations in the business of Ravva Oil & Gas Field for computation of Cost Petroleum and PTRR. The Dispute was referred to an International Arbitration in accordance with the provisions of the Ravva PSC. Vide the interim award dated 31st March 2005, the Tribunal has upheld the Company's claims stated in (i) and (v) above whereas the claim of the Company stated in (ii), (iii) and (iv) above were rejected by the Tribunal. While accepting the Interim Award, the Company computed and submitted the calculation on 31st May 2005 to GOI indicating the amount payable by the Company after applying the said Arbitration Award at US\$ 27.02 million equivalent to Rs. 1,176.04 million, which was not accepted by GOI and it claimed that the Company needs to pay US\$ 43.72 million equivalent to Rs. 1,901.79 million and interest thereon applying the same Arbitration Award. The Company filed a supplementary application on 7th July 2005 followed by an amendment application on 8th August 2005 with the Arbitration Tribunal with a prayer to determine the correct amount payable to GOI as well as to determine the interest, if any, payable on the same to GOI. Pending the final decision of the Hon'ble Arbitral Tribunal, the Company has accounted for and paid the sum of US\$ 43.72 million equivalent to Rs. 1,901.79 million to GOI on ad hoc basis. The GOI has further filed an affidavit on 10th May 2005 before the Kuala Lumpur High Court in Malaysia challenging the Arbitration Award and praying for setting aside the Partial Award dated 31.03.2005 only in respect of ONGC Carry Issue whereas the Company has challenged the jurisdiction of the Kuala Lumpur High Court and therefore the maintainability of such an appeal at that Court.		
b) There is a dispute between the Company and GOI with regard to the computation of interest on delayed payment of profit petroleum to the extent of US\$ 67,636 equivalent to Rs. 2.98 million. The Company has filed an Interim Application on 7th July 2005 before the Hon'ble Arbitral Tribunal for final determination of such amount, pending which no provision has been made by the Company.		
c) There is a dispute regarding the rate of conversion from US\$ into Indian rupees applicable to the Nominees of the GOI for the purpose of payment of amount of the invoices for sale of the Crude Oil by the Company under the Ravva PSC. The dispute was referred to an International Arbitration in accordance with the provisions of the Ravva PSC. Vide the interim award dated 31st March 2005, the Tribunal has partly upheld the Company's		

claim. While accepting the Award, the Company has worked out and submitted a computation on 30th June 2005 to GOI indicating the amount receivable at Rs.121.43 million being the amount short paid by GOI nominees up to June 19, 2005 and interest thereon also calculated up to 19th June 2005. However, GOI and the Nominees of the GOI have rejected the computation and claim made by the Company. The Company has filed a supplementary application on 7th July 2005 and an amendment application on 8th August 2005 with the Arbitration Tribunal with a prayer to determine the correct amount payable by GOI/its Nominees as well as to determine the interest, if any, payable on the same. The GOI has filed an Original Miscellaneous Petition (OMP) 329 of 2006 dated 20th July 2006 before Hon'ble Delhi High Court challenging the award in respect of this Dispute. Another OMP 223 of 2006 dated 9th May 2006 has been filed by GOI's nominees HPCL and BRPL in the Hon'ble Delhi High Court challenging the Partial Award dated 31.03.2005 in respect of Conversion/Exchange Rate Matter. The GOI nominees continue to make payments at the exchange rate without considering directive from the Hon'ble Arbitral Tribunal in this regard.

- d) GOI has filed OMP 255 of 2006 dated 30th May 2006 before the Hon'ble Delhi High Court under section 9 of the Arbitration and Conciliation Act for change of situs of arbitration from London (U.K.) to Kuala-Lumpur (Malaysia). GOI has challenged London as the permanent seat of arbitration for resolution of disputes under the Ravva PSC and has claimed for declaration of Kuala-Lumpur as the permanent seat of arbitration whereas the Company honours the award dated 15th November 2003 of the Hon'ble Arbitral Tribunal, passed with mutual consent of both the GOI and the Company, permanently fixing the seat of Arbitration at London in both disputes stated in (i) and (iii) above.
- e) In respect of the Disputes stated in (i) and (ii) above, the GOI has vide its' letter dated 3rd November 2006 now raised a collective demand of Rs. 334.13 Million on account of additional profit petroleum payable and interest on delayed payments of profit petroleum calculated up to 30th September 2006 pursuant to the Partial Arbitral Award dated 31st March 2005 in the Dispute stated above at (i) and Interim Award dated 12th February 2004 and Partial Award dated 23rd December 2004 in the Dispute stated above at (ii). The Company has disputed such demand and is instead seeking refund of USD 16.70 Million excess paid by the Company to the GOI with interest thereon.
- Any further sum required to be paid or returnable in respect of dispute above at (a) to (e) in accordance with the determination of the amount by Hon'ble Arbitral Tribunal/High Courts in this behalf shall be accounted for on the final outcome in this regard.
3. Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advances) Rs.37.80 million (Previous Period Rs. 957.47 million).
4. The gross block of the Fixed Assets includes Rs.9,245.73 million (Previous period Rs. 9,518.45 million) on account of revaluation of Plant and Machinery as at 01.04.1998 and 01.10.2002. The additional depreciation of Rs. 1,484.52 million for the year 01.10.2005 to 30.09.2006 consequent to the said revaluation has been charged to the Profit and Loss Account and an equivalent amount has been withdrawn from General Reserve and credited to the Profit and Loss Account.
5. EKL Appliances Limited formerly known as Electrolux Kelvinator Limited, (EKL or the amalgamating Company) has been amalgamated with the Company with effect from 1st January, 2005 (the appointed date) in terms of the Scheme of Amalgamation (the Scheme) sanctioned by the Hon'ble High Court of judicature at Bombay vide its order dated 30th June, 2006. The Scheme has become effective on 21st July 2006. For giving effect to the Scheme, the following accounting treatment has been given in the accounts:
- a) Amalgamation has been accounted for under the "Pooling of Interest Method" as prescribed by Accounting Standard - 14 "Accounting for Amalgamations" issued by the Institute of Chartered Accountants of India. Accordingly, the assets and liabilities and reserves of EKL have been recorded at their respective book values in the accounts of the Company.
- b) EKL was mainly engaged in the business of manufacturing, marketing and distribution of household appliances. In accordance with the Scheme, the entire business and undertaking of EKL stands transferred and vested in the Company with effect from the appointed date i.e. 01st January, 2005. Pursuant to the Scheme, in consideration of the said transfer, 416 equity shares of Rs.10/- each fully paid up of the Company have to be issued and allotted at par to the shareholders of EKL. Pending the allotment of the said equity shares pursuant to the Scheme, the amount has been shown as "Share Capital Suspense." The difference between the paid up value of the shares allotted and the paid up value of the Equity share capital of EKL amounting to Rs.4,484.43 million and value of Preference Share Capital of Rs. 1,650.00 million have been adjusted against the Reserves.
- c) As the effective date falls after 30th September, 2005, the losses amounting to Rs. 1,580.03 million of EKL for the period from 01st January 2005 to 30th September 2005 have been adjusted in the Reserves, as the accounts for the period upto 30th September 2005 of the Company, have been closed and approved. The summarized Profit and Loss Account of EKL for the period from 01st January 2005 to 30th September 2005 is given below:

	Rs. Million
<b>Income</b>	
Sales/Income from operations	2,499.06
Other Income	78.82
	(a)
	2,577.88
<b>Expenditure</b>	
Cost of goods Sold/Traded	2,472.39
Administrative & General Expenses	1,490.27
Interest and Finance Charges	65.11
Depreciation	142.55
	(b)
	4,170.32
Loss before tax and Exceptional Items	(a-b)
Exceptional Items	(1,592.44)
Fringe Benefit Tax	15.39
	(2.98)
Net loss for the period	(1,580.03)

# VIDEOCON INDUSTRIES LIMITED

6. During the year certain revalued assets have been disposed off. As required by Accounting Standard - 10 "Accounting for Fixed Asset", after adjusting the net value of those assets of Rs.13.64 million (Previous period Rs.NIL) relating to the increase which was previously recorded as a credit to Revaluation Reserve the balance amount of Rs. 259.07 million (Previous Period Rs.NIL) standing in revaluation reserve relating to those assets has been transferred to General Reserve.
7. Capital Work in Progress includes advances for capital assets Rs. 145.58 million (Previous period Rs. 2,570.70 million), Interest and other finance charges capitalised during the year Rs.408.81 million (Previous period Rs. 379.32 million) and is net of decrease in rupee liability due to Fluctuation in Exchange Rate Rs.69.64 million (Previous period Rs. Nil).
8. The Company has made a provision of Rs.818.00 million (Previous Period Rs.204.98 million) towards Current Income Tax, after taking into consideration, the benefits admissible under the provisions of the Income Tax Act,1961 and the same is, in the opinion of the Management, adequate. The Company has also made a provision of Rs. 1.00 million (Previous period Rs.1.00 million) towards Wealth Tax.

## 9. The major components of deferred tax liabilities/assets are as under:

	As at 30th Sept., 2006 (Rs. Million)	As at 30th Sept., 2005 (Rs. Million)
<b>A. Deferred Tax Liabilities</b>		
i) Related to Depreciation on Fixed Assets & amortisation	2,798.13	2,555.95
ii Others	-	15.44
	<u>2,798.13</u>	<u>2,571.39</u>
<b>B. Deferred Tax Assets</b>		
i) Related to Unabsorbed Depreciation and Business Loss	1,139.23	986.57
ii) Expenses charged in the financial statements but allowable as deduction in future years under the Income Tax Act, 1961	21.30	26.50
iii) Diminution in value of investments charged in Profit & Loss Account	40.74	36.59
	<u>1,201.27</u>	<u>1,049.66</u>
Net Deferred Tax Liability	<u>1,596.86</u>	<u>1,521.73</u>

## 10. Joint Venture Disclosure:

### Unincorporated Joint Venture

#### a) Ravva Oil & Gas Field:

The Production Sharing Contract (PSC) in respect of Ravva Oil and Gas Field was entered into on 28th October 1994 (Effective Date) between the President of India on behalf of the Government of India and contractor parties viz. Oil and Natural Gas Corporation Ltd, erstwhile Petrocon India Limited (now amalgamated with the Company), Cairn Energy India Pty Limited and Ravva Oil (Singapore) Pte. Ltd. The contractor parties have pursuant to the PSC, entered into a Joint Operating Agreement on the Effective Date. Cairn Energy India Pty Ltd. is the Operator. The participating interest of the Company in the said PSC is 25%.

#### b) The Consortium comprising the Company, Oilex NL Australia, GAIL India Ltd., Hindustan Petroleum Ltd. and Bharat Petroleum Ltd. has been awarded the Block #56, on the Eastern Plank of the Central Salt Producing Oil Field in Oman. The Exploration Production Sharing Agreement and Joint Operating Agreement has been executed on 28th June, 2006. The exploration drilling would be commenced after the acquisition of additional seismic data. The Participating interest of the Company in the said venture is 25%. The Capital Commitments of the Company based on estimated minimum work programme for first exploration period of three years in relation to it's participating interest is Rs. 344.43 million.

#### c) Great Artesian Oil and Gas Ltd (GOG) holds 100% of EPP 27 offshore Otway Basin, South Australia which is in year 6 of the permit term. The Company, Oilex NL, Gujarat State Petroleum Corporation Ltd. and GOG have entered into Farm-in agreement and Joint Operating Agreement in February, 2006. The acquisition of 2D Seismic Data and drilling of one exploration well is in progress. The participating interest of the Company is 20%. The minimum work programme proposed in the bid application for seismic survey, data processing and drilling of one exploration well involves capital commitment in relation to it's participating interest of Rs. 194.53 million

The Financial Statements reflect the share of the Company in the assets and the liabilities as well as the income and the expenditure of Joint Venture Operations on a line by line basis. The Company incorporates its share in the operations of the Joint Venture based on statements of account received from the Operator.

11. The company has kept the investment activities separate and distinct from the normal business. Consequently, all the income and expenditure pertaining to investment activities have been allocated to the Investments & Securities Division and the income/loss after netting off the related expenditure has been shown as "Income/(Loss) from Investments & Securities Division" under "Other Income".

	For the year ended 30th Sept, 2006 Rs. In Million	For the period ended 30th Sept, 2005 Rs. In Million
<b>12. The Income from Investments and Securities Division includes:</b>		
i. Dividends:		
on Long Term Investments	15.35	9.46
ii. Debenture/Bond - Interest/Premium on Long Term Investments (TDS Rs.3,186,264 (Previous Period Rs.130,432/-))	14.20	0.58
iii. Gain / (Loss) on Sale of Investment		
a. Long Term	172.12	19.84
b. Current	(14.77)	-
<b>13. Earnings Per Share:</b>		
i. Net Profit attributable to Equity Shareholders		
Net Profit as per Profit & Loss Account	8,185.02	4,276.85
Add: Excess provision of Income Tax for earlier year written back	3.02	23.62
	<u>8,188.04</u>	<u>4,300.47</u>
Less : Dividend on Preference Shares including Tax on the same	38.62	28.45
Net Profit attributable to Equity Shareholders including exceptional Items	8,149.42	4,272.02
Add/(Less): Exceptional Items (net of taxes)	-	1,741.75
Net Profit attributable to Equity Shareholders excluding exceptional Items	8,149.42	6,013.77
ii. Weighted Average number of equity shares for Basic EPS	220,986,249	170,626,962
Weighted Average number of equity shares for Diluted EPS	220,986,249	170,627,437
iii. Basic Earnings per Share including exceptional items	36.88	25.04
Diluted Earnings per Share including exceptional items	36.88	25.04
Basic Earnings per Share excluding exceptional items	36.88	35.25
Diluted Earnings per Share excluding exceptional items	36.88	35.25
iv. Reconciliation of weighted average Numbers of Equity Shares outstanding during the period		
For Basic Earning Per Share	220,986,249	170,626,962
Add : Adjustment for weighted Shares on account of pending GDR	-	475
For Diluted Earning Per Share	220,986,249	170,627,437
Potential Equity Shares are anti-dilutive and hence ignored for calculating diluted Earning Per Share.		
14. The Company has invested an amount of Rs. 885.18 million (Net of diminution) in units of mutual funds out of which investments to the extent of Rs. 552.54 million have been earmarked against provision for abandonment cost included under the head "Other Liabilities" in Schedule 8.		
15. As per the terms of the 42,00,000 Non Convertible Debentures of Rs.100/- each, aggregating to Rs.420.00 million shown under "Secured Loans", the date of redemption is 20th November, 2006. These debentures were held as such pending the implementation of the arrangement for the equity contributions into a group company by its JV partner, pending regulatory compliances. There are series of disputes between the said group company and its JV partner, currently in the arbitration.		
The company has been legally advised that there will not be any liability either on account of the redemption or as the case may be, for the coupon payments pertaining to these debentures. In view of this, although the principal amount of debentures has been shown under the head "Secured Loans", no provision for interest payable on the same and towards the redemption amount has been made in the books of accounts.		
16. a) The Financial Institutions have a right to convert, at their option, the whole outstanding amount of term loans or a part not exceeding 20% of defaulted amount of loan, whichever is lower, into fully paid up equity shares of the Company at par on default in payments / repayments of three consecutive installments of principal and / or interest thereon or on mismanagement of the affairs of the Company.		
b) The Financial Institutions have a right to convert at their option the whole or a part of outstanding amount of Preference Shares, into fully paid up equity shares of the Company as per SEBI guidelines, on default in payment of dividend or a default in redemption of Preference Shares or any combination thereof.		
17. The Balances of some of the Debtors, Creditors, Deposits, Advances and Other Current Assets are subject to confirmation.		
18. The monies received on issue of Convertible Bonds have been utilised for the object of the issue i.e. for expansion of glass shell manufacturing facilities, expansion of consumer electronics and household appliances business and global CPT business		
19. In the opinion of the Board, the value of realisation of Current Assets, Loans and Advances in the ordinary course of the business would not be less than the amount at which they are stated in the Balance Sheet and the provision for all known and determined liabilities is adequate and not in excess of the amount reasonably required.		

	For the year ended 30th Sept,2006 (Rs. Million)	For the period ended 30th Sept,2005 (Rs. Million)
<b>20. Auditors' Remuneration: (Including Service Tax)</b>		
a) Audit Fees	4.77	4.41
b) Tax Audit Fees	1.12	1.10
c) Out of Pocket Expenses	0.18	0.20
d) Other Services	1.68	0.80
	<u>7.75</u>	<u>6.51</u>

21. Sundry Creditors include Rs. 76.88 million (previous year Rs.59.61 million) due to Small Scale Industrial undertakings to the extent such parties have been identified from available information. The names of small scale industrial undertakings to whom amounts payable are outstanding for more than 30 days are -

Aalekh Industries Pvt. Ltd., Able Moulders, Acropolis Industries, Akshay Engineers, Akshay Flexi Hoses, Akshay Industrial Enterprises P Ltd, Akshay Udyog, Amol Industries, Aparna Controls P Ltd, Apeedee Agroplast, Aqura, Arihant Industries, Asean Box Corporation, Attitude Plastics Pvt. Ltd (J/W), Badri Minerals, Bajaj Nylon & Plastics, Bhansali Engineering Polymers Ltd, Bharat Silica Sand, Blue Star Engineers, Bombay Stationers Pvt. Ltd., Brownor Pac Pvt. Ltd., Cento-Thou Engineers, Chandan Polymers Pvt. Ltd (J/W), Chandra Electricals, Chetak Plasto Electric Pvt. Ltd, Chirag Plast, Compack, D. F. Industries, Deepak Industries, Dolphin Inks Pvt. Ltd, Electromates, Enman Automation Pvt Ltd, Fit Tight Fastners, Friend'S Container Terminal, Ganpati Moulders Pvt. Ltd., Giriraj Industries, Gurudutta Industries, Hi-Tech Switch Gears Pvt. Ltd., Impression Packaging, Intellicon Private Limited, Jay Polypack, Jurgyan Industries, K.L.J. Polymers & Chemicals Ltd., Kaeser Compressors (India) Pvt, Kailas Electricals, Kalpana Arts & Press, Kaul Associates, Klas Polymers (J/W), Komal Enterprises, Krishna Aluminium & Glass House, Labddhi Polyplast Engineers, Lookman & Sons, M. N.Dastur & Company P Ltd, Machhar Polymer Pvt. Ltd., Makson Plastic Industries, Miltech Industries Pvt Ltd, Minerva Engg Tools, Mould Craft (Hindustan) Pvt Ltd (J), Mukund Electric Stores, Multicolor Steel Pvt Ltd., Multicolor Steels (India) Pvt Ltd, National Minerals, New Era India Consultancy Pvt Ltd., Newtech Sales Corporation, Nilesh Fab & Engg. Services, Nutech Sintered Products, Omega Bearing Company, Omkar Engineering, Patkar Extrusions Ltd, Power Dynamics, Pratibha Plastic Udyog Pvt Ltd, Precimax Engineers, Precious Glotech (P) Pvt Ltd, Premier Engineers, Premier Seals I P Ltd, Prime Engineering Services, Punjab Tyres, R.P Engineers, Rajesh Gruh Udyog, Reeshpal Industries, Reliance Industrial Products, Royal Pack Industries., Rubo Tech Industries, Safex Equipments Pvt Ltd, Sakshi Packers Pvt Ltd, Sanjyot Metal Industries, Sanraaj Hoses P Ltd, Sapna Packaging, Saptagiri Industries, Savera Press Comps P Ltd, Selwel Enterprises P. Ltd., Servilink Engineers Pvt Ltd, Servilink Systems Limited, Shirish Enterprises, Shree Ashapuri Saw Mill, Shree Bhagwati Enterprises, Shree Shyam Pipes Pvt.Ltd., Shree Udyog, Shreyas Plastics, Shri Plastics(J/W), Silverline Metal Engg , Sjs Plastiblends , Skyline Distributors, Snehankit, Special Ceramics (P) Ltd., Stackwell Mktg Services Pvt Ltd, Sudarsshah Plasst, Sun Polymers, Sun Polymers (J/W), Supack Industries (P) Ltd., Suraj Industries, Techno Graphics, Trinity Sales & Services, Triumph Pack Pvt. Ltd., Udeet Electricals, Ultra Tech Cement, Varroc Engineering P.Ltd., Varsa Pastic Industries Pvt. Ltd. (, Vasundhara Chem Plast Ind, Venkatesh Trading Corporation, Venus (I) Enterprises, Wearresist Technologies Private Ltd.

22. There are no amounts due to be credited to Investor Education & Protection Fund.

**23. Related Party Disclosures:**

As required under Accounting Standard 18 on "Related Party Disclosure", the disclosure of transaction with related parties as defined in the Accounting Standard are given below:

**a) List of Related Parties:**

**i) Subsidiary Companies:**

- Paramount Global Limited
- Videocon (Cayman) Limited (upto 29th September, 2006)
- Videocon Global Limited
- Mars Overseas Limited
- Sky Billion Trading Limited (upto 28th February, 2006)
- Trend Limited (upto 29th September, 2006)
- Videocon (Mauritius) Infrastructure Ventures Limited
- Middle East Appliances LLC
- Powerking Corporation Limited
- Videocon Industrial Finance Limited (upto 29th September, 2006)
- Gajanan Electronics & Home Appliances Private Limited
- Gruhaupyogi Electronics Appliances Private Limited (upto 29th September, 2006)
- Mayur Household Electronics Private Limited
- Godavari Consumer Electronics Appliances Private Limited
- Venus Corporation Limited (w.e.f. 18th November, 2005)
- Eagle Corporation Limited (w.e.f. 13th December, 2005)
- Technologies Display Americas LLC (w.e.f. 13th December, 2005) \* (Formerly Thomson Displays Americas, LLC)
- Thomson Display Mexicana S.A. de.CV (w.e.f. 13th December, 2005) \*
- VDC Technologies S.P.A. (w.e.f. 13th December, 2005) \*
- Thomson Tubes & Displays S.A. (w.e.f. 13th December, 2005) \*
- Thomson Displays Polska S.P.Z.O.O (w.e.f. 13th December, 2005) \*
- Thomson Displays Italy Srl (w.e.f. 13th December, 2005 upto 29th September, 2006) \*
- Thomson Guandong Displays Co. Ltd. (w.e.f. 13th December, 2005) \*
- Thomson Display R & D Asia (w.e.f. 13th December, 2005) \*

\* Subsidiaries of Eagle Corporation Ltd.

**ii) Associate and Joint Venture:**

- Ravva Oil & Gas Field (unincorporated) Joint Venture - Participating Interest 25%
- Videocon India - Enterprise in which Director is a partner
- Evans Fraser & Co. (India) Limited - Associate

**iii) Key Management Personnel:**

- Mr. Venugopal N. Dhoot - Chairman & Managing Director
- Mr. Pradeepkumar N. Dhoot - Whole Time Director

b) Transactions/outstanding balances with Related Parties:  
The company has entered into transactions with certain related parties as listed below. The Board considers such transactions to be in normal course of business:

Nature of Transaction	Subsidiary Companies (Rs. in million)	Associates/ Joint Venture (Rs. in million)	Key Management Personnel (Rs. in million)
Sale of Goods	18,844.06 (11,246.46)		
Purchase of Goods	608.39 (-)		
Investments /Share Application Money During the year	13,575.75 (697.52)		
Advances/Loans given	421.44 (342.80)	0.16	
Advances/Loans paid	1,582.36 (560.82)		
Transaction with Joint Venture - Contribution towards share of expenditure		470.21 (464.27)	
<b>Outstanding as at 30.09.2006</b>			
Trade Receivables	2,769.79 (92.89)		
Trade Payables	345.86 (-)		
Advances/Loans given / (returned) (Net)	1,272.48 (-731.32)	74.59	
Investments/Share Application Money	14477.55 (1051.80)	40.63	
Receivable from unincorporated Joint Venture		2.18 (3.34)	
Payable to unincorporated Joint Venture		0.29 (-)	

24. The Company has prepared the consolidated Financial Statements as per Accounting Standard (AS) 21 and accordingly the segment information as per AS-17 "Segment Reporting" has been presented in the Consolidated Financial Statements.

**25. Loans and Advances in the nature of Loans given to Subsidiaries and Associate etc.**

**A. Loans and Advances in the nature of Loans :**

Sr. No.	Name of the Company		30.09.2006 (Rs.in millions)	30.09.2005 (Rs.in millions)	Maximum Balance During the year (Rs.in millions)
1	Paramount Global Ltd.	Subsidiary	828.61	632.18	878.82
2	Videocon Cayman Ltd.	Subsidiary (upto 29 Sept. 2006)	-	0.36	0.36
3	Middle East Appliances LLC	Subsidiary	-	216.49	216.49
4	Videocon Global Ltd.	Subsidiary	443.87	(394.92)	454.89
5	Videocon Industrial Finance Ltd.	Subsidiary (upto 29 Sept. 2006)	-	2.01	2.01
6	Sky Billion Trading	Subsidiary (upto 28 Feb. 2006)	-	(1,187.44)	-
<b>Total</b>			<b>1,272.48</b>	<b>(731.32)</b>	

**Notes :-**

1. Loans and Advances shown above, to subsidiaries fall under the category of 'Loans & Advances in nature of Loans where there is no repayment schedule'.

2. No interest is chargeable on Loans and Advances to above Subsidiaries.

**B. Investment by the loanee in the shares of the Company.**

None of the loanees have made investments in the shares of the Company.

**26. Reserves:**

Share of the Company in remaining reserves on proved and probable basis (as per Operator's estimates)

Particulars	Unit of measurement	As on 30.09.2006	As on 30.09.2005
Crude Oil	Million Metric Tonnes	2.77	3.40
Natural Gas	Million Cubic Metres	678.36	853.94

27. As required by Accounting Standard 29 "Provisions, Contingent Liabilities and Contingent Assets" issued by Institute of Chartered Accountants of India the disclosure with respect to provision for warranty and maintenance expenses is as follows:

	Rs. in million
a) Amount at the beginning of the year	94.01
b) Additional provision made during the year	359.01
c) Amount used	92.47
d) Unused amount reversed during the year	-
e) Amount at the end of the year	360.55

28. i) Future obligation of the Company for assets taken on all leases entered into before 1st April 2001 is Rs. Nil

ii) Subsequent to 1st April, 2001 the Company has entered into operating lease agreements for "Cars" to be used by employees for a period of 4 years. The lease rentals charged during the year are Rs. 2.45 million.

iii) The maximum obligation on long-term non-cancellable operating leases entered on or after April 1, 2001 payable as per the rentals stated in respective agreements are as follows

Minimum Lease Payments	As at 30.09.06 (Rs. in million)
Not later than 1 year	1.70
Later than 1 year and not later than 5 years	1.05
More than 5 year	NIL
Total	2.75

# VIDEOCON INDUSTRIES LIMITED

	30th Sept., 2006			30th Sept., 2005	
	Unit	Quantity	Rs. Million	Quantity	Rs. Million
<b>29. Additional Information pursuant to the provisions of paragraphs 3,4C,4D of part II of Schedule VI to the Companies Act,1956.</b>					
<b>QUANTITATIVE INFORMATION:</b>					
<b>I. Production:</b>					
(Including Goods Manufactured through third parties and excluding goods manufactured for others on job basis)					
a)	Crude Oil	MT	610,942	776,799	
b)	Natural Gas	Cu.Mtr	214,142,431	303,594,560	
c)	TV Sets including Asemblies and sub assemblies thereof and Glass Shells	Nos	27,919,267	15,153,628	
d)	Audio, Video and other Electricals and Electronic Appliances, including Assemblies and Sub-Assemblies thereof	Nos	4,022,326	2,604,622	
e)	Air Conditioners	Nos	304,370	178,379	
<b>II. Stocks of Finished Goods at Close:</b>					
a)	Crude Oil	MT	29,569	10,411	27.57
b)	Natural Gas	Cu.Mtr	-	-	-
c)	TV Sets including Asemblies and sub assemblies thereof and Glass Shells	Nos	1,346,583	958,394	1,378.25
d)	Audio, Video and other Electricals and Electronic Appliances, including Assemblies and Sub-Assemblies thereof	Nos	226,214	226,789	595.76
e)	Air Conditioners	Nos	23,221	4,506	57.79
<b>TOTAL</b>			<b>3,099.53</b>		<b>2,059.37</b>
<b>III. Stocks of Finished Goods at Beginning: (including addition on Amalgamation)</b>					
a)	Crude Oil	MT	10,411	22,008	53.34
b)	Natural Gas	Cu.Mtr.	-	-	-
c)	TV Sets including Asemblies and sub assemblies thereof and Glass Shells	Nos	958,394	544,827	963.15
d)	Audio, Video and other Electricals and Electronic Appliances, including Assemblies and Sub-Assemblies thereof	Nos.	266,301	195,835	694.85
e)	Air Conditioners	Nos	4,506	6,882	92.02
<b>TOTAL</b>			<b>2,268.09</b>		<b>1,803.36</b>
<b>IV. Sales/Services Rendered (Including Duty Drawback and Cash Compensatory support )</b>					
a)	Crude Oil	MT	591,784	788,396	12,929.33
b)	Natural Gas	Cu.Mtr.	196,648,932	282,700,789	1,387.19
c)	TV Sets including Asemblies and sub assemblies thereof and Glass Shells	Nos	27,531,078	14,740,061	24,574.36
d)	Audio, Video and other Electricals and Electronic Appliances, including Assemblies and Sub-Assemblies thereof	Nos	4,062,413	2,573,668	9,781.28
e)	Air Conditioners	Nos	285,655	180,755	2,568.24
f)	Other Sales & Service Income		50.31		5,297.85
<b>TOTAL</b>			<b>75,803.32</b>		<b>56,538.25</b>
<b>V. Flared/Consumed/Normal Loss</b>					
a)	Natural Gas	Cu. Mtr.	17,493,499	20,893,771	-
<b>VI. Raw Material Components and Spares Consumption including for products manufactured through third parties</b>					
a)	Printed Circuit Board (All types)	Nos	7,103,567	4,149,168	2,638.75
b)	Active & Passive Components */**		12,902.40		11,124.09
c)	Plastic and Wooden Parts	Nos	9,159,303	6,188,543	11,635.56
d)	Other Raw Materials **		7,306.78		4,907.86
<b>TOTAL</b>			<b>42,660.74</b>		<b>30,306.26</b>

\* Inclusive of job charges paid

\*\* It is not practicable to furnish quantitative information of components consumed in view of considerable number of items, of diverse in size & number  
Note: The industrial licensing has been abolished in respect of the products of the Company.



	30th Sept., 2006		30th Sept., 2005	
	Percentage	Rs. Million	Percentage	Rs. Million
VII. Value of Imported and Indigenous				
a) Raw Materials, Components and Spares Consumed *				
Imported	16.47	7,027.05	11.92	3,613.54
Indigenous	83.53	35,633.69	88.08	26,692.72
<b>TOTAL</b>		<b>42,660.74</b>		<b>30,306.26</b>
b) It is not practicable to show separately in view of the large number of items and their negligible value				
* Includes job charges paid				
VIII. CIF Value of Imports, Expenditure and Earning in Foreign Exchange:			<b>30th Sept., 2006</b>	<b>30th Sept., 2005</b>
a) C.I.F. Value of Imports			<b>Rs. Million</b>	<b>Rs. Million</b>
Raw Materials			9,231.95	3,825.37
Capital Goods (including advances)			1,535.75	836.59
b) Expenditure incurred in Foreign Currency: (on payment basis) for Cash Call paid to the Operator for the project			280.90	242.97
Technical Know How Fees			6.74	--
Interest & Bank Charges			391.40	163.45
Royalty			103.64	7.46
Training / Technical Assistance Fees			--	14.60
Travelling			43.49	28.35
Dividend- 760 shareholders holding 49,206,206 Shares (Previous Period - 714 shareholders holding 6,210,358 shares)			123.02	3.51
Investments / Share Application Money			13,577.59	0.08
Others			403.03	52.64
c) Other Earning/Receipts in Foreign Currency:				
F.O.B. Value of exports (on receipt basis)			4,292.02	2,036.09
Interest			234.51	-
Others			51.79	160.37
30. The figures for the current period ended 30th September,2006 are not comparable with those of the previous period as:				
a) the current year's figures are for a period of 12 months as against 15 months in the previous period.				
b) the current year's figures include operation of erstwhile VIDEOCON INTERNATONAL LTD. for the full period of 12 months as against in 9 months in the previous period consequent to the amalgamation with the company w.e.f. 31.12.2004.				
c) the current year's figures include operation of erstwhile EKL APPLIANCES LTD. for the full period of 12 months consequent to its amalgamation with the company effective 1st January 2005 and				
d) the figures of the previous period includes operations of business of sale and distribution of lotteries for the period of 8 months				
31. Figures in respect of previous year have been regrouped and recasted wherever necessary to make them comparable with those of current year.				

**32. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:**

<b>I. Registration Details</b>		<b>Application of Funds</b>	
Registration No.	103624	Net Fixed Assets	49,396,367
Balance Sheet Date	30.09.2006	Investments	17,811,682
State Code	11	Net Current Assets	34,391,266
<b>II. Capital Raised During the year (Amounts Rs. in Thousand)</b>		<b>IV. Performance of Company (Amounts Rs. in Thousand)</b>	
Public Issue	Nil	Turnover	73,842,614
Rights Issue	Nil	Total Expenditure	64,705,947
Bonus Issue	Nil	Profit Before Tax	9,136,666
Private Placement	46,371	Profit After Tax	8,185,020
Amalgamation	4	Earnings Per Share in Rs.	36.88
Share Application Money	-	Dividend Rate %	35%
<b>III. Position of Mobilisation &amp; Deployment of Funds (Amounts Rs. in Thousand)</b>		<b>V. Generic Names of Three Principal Products of the Company</b>	
Total Liabilities	101,599,316	(As per monetary terms)	
Total Assets	101,599,316	a) Item Code No. (ITC Code)	2709.00
<b>Sources of Funds</b>		Product Description	Crude Oil and Natural Gas
Paid-up Capital	2,668,459	b) Item Code No. (ITC Code)	8528.00
Share Capital Suspense	4	Product Description	Television
Reserves & Surplus	47,722,056	c) Item Code No. (ITC Code)	8520.00
Deferred Tax Liability (Net)	1,596,859	Product Description	Tape Recorder
Secured Loans	36,083,889	d) Item Code No. (ITC Code)	85281008
Unsecured Loans	13,528,047	Product Description	Glass Shell Panels & Funnels for C.P.T.

As per our report of even date

**For KHANDELWAL JAIN & CO.**  
Chartered Accountants

**For KADAM & CO.**  
Chartered Accountants

For and on behalf of the Board

**SHIVRATAN AGARWAL**  
Partner  
Membership No. 104180

**U. S. KADAM**  
Proprietor  
Membership No. 31055

**V. N. DHOOT**  
Managing Director

**S. PADMANABHAN**  
Director

Place : Mumbai  
Date : 31<sup>st</sup> January, 2007

**VINOD BOHRA**  
Company Secretary

**CASH FLOW STATEMENT**

	Year ended on 30th Sept., 2006 Rupees	Period ended on 30th Sept., 2005 Rupees		Year ended on 30th Sept., 2006 Rupees	Period ended on 30th Sept., 2005 Rupees	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>			
Net Profit before Tax	9,136,666,192	4,518,295,508	-	Increase in Share Capital including on account of amalgamation	603,197,740	1,736,410,950
Add:			-	Increase In share capital suspense on amalgamation	4,160	556,826,740
a) Depreciation	3,355,470,154	2,323,601,216	-	Increase in Reserves on amalgamation	1,500,000	17,949,208,982
b) Interest and Finance Charges	2,258,795,199	2,042,457,283	-	Securities Premium Received and addition on amalgamation	93,417,720	20,407,077,275
c) Producing Properties written off	177,363,117	118,750,149	-	Transfer of Deferred Tax Liabilities on amalgamation	-	3,640,702,334
d) Provision for Leave Encashment	4,272,334	26,401,188	-	Amalgamation Adjustment Account	-	3,015,133,459
e) Provision for Warranty and Maintenance Expenses	266,544,596	-	-	Increase in Secured Non Convertible Debentures	-	5,863,972,553
f) Provision for Gratuity	28,478,229	-	-	Increase in Secured Term Loans from Banks	10,134,756,026	20,227,189,024
g) Diminution in value of Investment	12,343,573	-	-	Increase in Unsecured Loans	8,793,367,521	3,833,994,914
h) Loss on Sale of Fixed Asset	17,394,595	-	-	Increase in Working Capital Loans from Banks	66,926,497	1,669,840,027
<b>TOTAL</b>	<b>15,257,327,989</b>	<b>9,029,505,344</b>	-	Share Application Money Received	-	95,589,720
Less:			<b>TOTAL</b>	<b>19,693,169,664</b>	<b>78,995,945,978</b>	
a) Interest Received	276,866,793	159,805,019	Less:			
b) Exceptional Items	-	1,901,788,861	Decrease In share capital suspense including on account of amalgamation	556,826,740	-	
c) Income from Investment Division	467,077,045	148,766,955	Amalgamation Adjustment Account	1,763,165,035	-	
d) Diminution in value of Investment written back	-	13,210,940	Redemption of Secured Non Convertible Debentures	1,878,794,681	-	
<b>TOTAL</b>	<b>743,943,838</b>	<b>2,223,571,775</b>	Decrease in Share Application Money	95,589,720	-	
Cash generated from Operating Activities before Working Capital changes	14,513,384,151	6,805,933,569	Securities Premium on account of Share issue expenses and premium on convertible bonds	145,227,202	-	
Adjustments (including on amalgamation) :			Payment of Dividend	587,753,967	-	
a) Inventories	(4,268,408,495)	(8,730,215,507)	Corporate Tax on Dividend	82,349,022	-	
b) Sundry Debtors	(1,201,661,037)	(9,964,405,950)	Interest and Finance Charges Paid	2,258,795,199	2,042,457,283	
c) Other Current Assets	(409,134,259)	(141,509,937)	<b>TOTAL</b>	<b>7,368,501,566</b>	<b>2,042,457,283</b>	
d) Loans & Advances	4,159,877,703	(11,174,025,248)	Net Cash generated from Financing Activities	12,324,668,098	76,953,488,695	
e) Current Liabilities	1,191,217,309	5,257,230,670	Net Change in Cash and Cash Equivalents	(2,597,570,123)	13,957,295,633	
Cash generated from Operating Activities	13,985,275,372	(17,946,992,403)	Opening Balance of Cash and Cash Equivalents	13,960,120,101	2,824,468	
Add: Income Tax Paid	(450,666,925)	(193,850,662)	Closing Balance of Cash and Cash Equivalents	11,362,549,978	13,960,120,101	
Add: Fringe Benefit Tax Paid	17,432,572	-				
Net Cash generated from Operating Activities	13,517,175,875	(18,140,843,065)				
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>						
Sale of Fixed Assets (Net)	86,809,132	25,163,956				
Interest Received	276,866,793	159,805,019				
Income from Investment Division	467,077,045	148,766,955				
<b>TOTAL</b>	<b>830,752,970</b>	<b>333,735,930</b>				
Less:						
Increase in Fixed Assets including Capital Work-in-progress (including net additions on amalgamation)	14,776,855,631	41,199,565,493				
Increase in Producing Properties	103,502,867	697,782,192				
Purchase of Investments (Net)	14,389,808,568	3,291,738,242				
<b>TOTAL</b>	<b>29,270,167,066</b>	<b>45,189,085,927</b>				
Net Cash generated from Investing Activities	(28,439,414,096)	(44,855,349,997)				

As per our report of even date

**For KHANDELWAL JAIN & CO.**  
Chartered Accountants

**For KADAM & CO.**  
Chartered Accountants

For and on behalf of the Board

**SHIVRATAN AGARWAL**  
Partner  
Membership No. 104180

**U. S. KADAM**  
Proprietor  
Membership No. 31055

**V. N. DHOOT**  
Managing Director

**S. PADMANABHAN**  
Director

 Place : Mumbai  
Date : 31<sup>st</sup> January, 2007

**VINOD BOHRA**  
Company Secretary

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO COMPANY'S INTEREST IN SUBSIDIARY COMPANIES**  
**Statement of Subsidiaries of Videocon Industries Ltd.**

1	Name of subsidiary	Gajanan Electronics & Supply Pvt. Ltd.	Mayur Household Electronics Appliances Pvt. Ltd.	Godavari Consumer Electronics Appliances Pvt. Ltd.	Paramount Global Ltd.	Middle East Appliances LLC	Mars Overseas Ltd	Videocon Global Ltd	Venus Corporation Ltd	Powerking Corporation Ltd	Videocon (Mauritius) Infrastructure Ventures Ltd.	Eagle Corporation Ltd (On Consolidated Basis) w.e.f. 13.12.2005
2	The financial year of the Subsidiary Companies ended on	30th Sept., 2006	30th Sept., 2006	30th Sept., 2006	30th Sept., 2006	30th Sept., 2006	30th Sept., 2006	30th Sept., 2006	30th Sept., 2006	30th Sept., 2006	30th Sept., 2006	30th Sept., 2006
3	Holding Company's interest											
	No. of Shares held by Videocon Industries Ltd with its nominees in the subsidiaries at the end of the financial year of the subsidiary Companies	10,000 Equity Shares of the face value of Rs. 10/- each fully paid	10,000 Equity Shares of the face value of Rs. 10/- each fully paid	10,000 Equity Shares of the face value of Rs. 10/- each fully paid	12,800,000 Shares of the face value of US\$ 1.00 each fully paid	2,251,800 Shares of the face value of Oman Riyal 1.00 each fully paid	1,000,000 Shares of the face value of US\$ 1.00 each fully paid	2,500 Shares of the face value of US\$ 1.00 each fully paid	2,982 Shares of the face value of US\$ 1.00 each fully paid	2,711 Shares of the face value of US\$ 1.00 each fully paid	530,000 Shares of the face value of US\$ 1.00 each fully paid	1,000 Shares of the face value of US\$ 1.00 each fully paid
	Extent of the interest of holding company at the end of financial year of the subsidiary Companies	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
4	The net aggregate amount of the Subsidiary Companies Profit / (Loss) so far as it concern the members of the Holding Company											
a.	Not dealt with in the Holding Company's accounts:											
	i For the current financial period ended	Rs. 235,561/-	Rs. 2,621,704/-	Rs. 1,180,597/-	US\$ 795,310/- in Rs. 36,719,463/-	RO 933/- in Rs. 112,184/-	(US\$ 46,375/-) in Rs. 2,141,134/-	US\$ 9,631,748/- in Rs. 444,697,805/-	(US\$ 3,189,080/-) in Rs. 147,239,824/-	(US\$ 9,406,093/-) in Rs. 434,279,314/-	(US\$ 6,678/-) in Rs. 308,323/-	(US\$ 11,568,535/-) in Rs. 534,119,261/-
	ii For the Previous financial years of the Subsidiary Companies since they became the Holding Company's subsidiaries	Rs. 847,261/-	Rs. 3,742,258/-	Rs. 1,865,604/-	(US\$4,989,617/-) in Rs. 230,370,617/-	(RO 35,495/-) in Rs. 4,267,938/-	(US\$ 446,280/-) in Rs. 20,604,748/-	US\$ 243,460/- in Rs. 11,240,548/-	N.A.	(US\$ 2,514,697/-) in Rs. 116,103,560/-	(US\$ 28,084/-) in Rs. 1,296,638/-	N.A.
b.	Dealt with in Holding Company's accounts:											
	i For the current financial year ended	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	ii For the Previous financial years of the Subsidiary Companies since they became the Holding Company's subsidiaries	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL

# VIDEOCON INDUSTRIES LIMITED

## STATEMENT OF SUBSIDIARIES\*

Statement pursuant to exemption received from Ministry of Company Affairs, under Section 212(8) of the Companies Act, 1956 relating to Subsidiary Companies\*

(Rs. in Million)

Sr. No.	Name of the Subsidiary Company	Reporting Currency	Exchange Rate	Capital	Share Application Money	Reserves	Total Assets	Total Liabilities	Investments Other than Investment in Subsidiary	Total Income	Profit Before Taxation	Provision For Taxation	Profit After Taxation	Proposed Dividend	Country
1	Gajanan Electronics & Supply Pvt. Limited.	INR	1.00	0.10	-	1.06	415.64	414.47	-	2,740.08	0.36	0.13	0.24	-	India
2	Mayur Household Electronics Appliances Pvt. Limited.	INR	1.00	0.10	-	6.34	6,741.29	6,734.85	-	17,701.27	4.05	1.43	2.62	-	India
3	Godavari Consumer Electronics Appliances Pvt. Limited.	INR	1.00	0.10	1.55	2.79	3,099.83	3,095.38	-	9,718.82	1.82	0.64	1.18	-	India
4	Paramount Global Limited.	USD	46.17	590.98	-	(193.65)	6,950.66	6,553.33	-	66.63	36.72	-	36.72	-	Hong Kong
5	Middle East Appliances LLC.	RO	120.24	270.76	-	(4.16)	567.42	300.82	-	244.95	0.11	-	0.11	-	Sultanate of Oman
6	Mars Overseas Limited.	USD	46.17	46.17	-	(22.75)	42.36	18.94	-	-	(2.14)	-	(2.14)	-	Cayman Island
7	Videococon Global Limited.	USD	46.17	0.12	-	455.94	6,766.21	6,310.16	-	2,411.17	444.70	-	444.70	-	British Verghin Island
8	Venus Corporation Limited.	USD	46.17	0.14	-	(147.24)	2,191.58	2,338.68	-	-	(147.24)	-	(147.24)	-	Cayman Island
9	Powerking Corporation Limited.	USD	46.17	0.13	-	(550.38)	3,385.81	3,936.07	-	-	(434.28)	-	(434.28)	-	Cayman Island
10	Videocoon (Mauritius) Infrastructure Ventures Limited.	USD	46.17	24.47	-	(1.60)	101.49	78.63	0.08	0.02	(0.31)	-	(0.31)	-	Mauritius
11	Eagle Corporation Limited. (w.e.f 13.12.2005) (On Consolidated Basis)	USD	46.17	0.05	13.6% <sup>26</sup>	19,341.25	51,905.15	18,867.59	1.39	40,006.39	(504.42)	29.70	(534.12)	-	Cayman Island

\*As required under para VI of the approval letter dated 27-11-2006, issued by the Ministry of Company Affairs, Indian rupees equivalents of the figures given in foreign currencies in the accounts of the subsidiary companies, have been given based on the exchange rates as on 30.09.2006.

**AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

To

The Board of Directors  
**VIDEOCON INDUSTRIES LIMITED**

We have examined the attached consolidated Balance Sheet of Videocon Industries Limited (the Company) and its subsidiaries as at 30<sup>th</sup> September 2006 and the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Company's management and have been prepared by them on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting frame work and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not jointly audit the financial statements of the Subsidiaries, whose financial statements reflect total assets of Rs. 22980.47 million as at 30<sup>th</sup> September 2006 and total revenues of Rs. 37405.15 million for the year ended on that date. These financial statements have been audited by either of us singly or by other auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of these entities, is based solely on the reports of those respective auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of the Accounting Standard (AS) 21 on "Consolidated Financial Statements", Accounting Standard (AS) 23 on "Accounting for Investments in Associates " and Accounting Standard (AS) 27 "Financial Reporting of Interest in Joint Ventures" issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company, and its subsidiaries included in Consolidated Financial Statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit report on individual audited financial statements of the Company and its subsidiaries, we are of the opinion that the attached consolidated financial statements, read with the notes and the significant accounting policies thereon, give a true and fair view in conformity with the accounting principles generally accepted in India:

- a. in the case of the Consolidated Balance Sheet, of the state of affairs of the Company and its subsidiaries as at 30<sup>th</sup> September 2006;
- b. in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the year ended on that date; and
- c. in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the company and its subsidiaries for the year ended on that date.

For **KHANDELWAL JAIN & CO.**  
*Chartered Accountants*

For **KADAM & CO.**  
*Chartered Accountants*

**SHIVRATAN AGARWAL**  
*Partner*  
Membership No.: 104180

**U.S.KADAM**  
*Proprietor*  
Membership No.: 31055

Place : Mumbai

Date : 31<sup>st</sup> January, 2007.

**CONSOLIDATED BALANCE SHEET AS AT 30<sup>th</sup> SEPTEMBER, 2006**

Particulars	Schedule	(Rupees)	As at 30th Sept., 2006 (Rupees)	As at 30th Sept., 2005 (Rupees)
<b>I. SOURCES OF FUNDS</b>				
<b>1. Share Holders' Funds</b>				
a. Share Capital	1		2,668,459,190	2,065,261,450
b. Share Capital Suspense	1A		4,160	556,826,740
c. Reserves & Surplus	2		47,293,905,937	43,320,398,075
d. Capital Reserve on Consolidation			15,578,898,414	NIL
<b>2. Minority Interest</b>			443,024,890	NIL
<b>3. Share Application Money Pending Allotment</b>			1,550,000	95,589,720
<b>4. Deferred Tax Liability (Net)</b>			1,531,463,586	1,522,040,928
<b>5. Loan Funds</b>				
a. Secured Loans	3		46,294,349,326	39,220,291,104
b. Unsecured Loans	4		15,721,754,835	2,963,879,934
	<b>TOTAL</b>		<b>129,533,410,338</b>	<b>89,744,287,951</b>
<b>II. APPLICATION OF FUNDS</b>				
<b>1. Fixed Assets</b>	5			
a. Gross Block		137,175,281,840		62,300,656,250
b. Less : Depreciation		67,459,078,627		22,874,997,678
c. Net Block		69,716,203,213		39,425,658,572
d. Producing Properties (Net)		505,171,793		579,032,043
			70,221,375,006	40,004,690,615
<b>2. Goodwill on Consolidation</b>			NIL	79,897,529
<b>3. Investments</b>	6		3,398,819,705	2,405,005,001
<b>4. Current Assets, Loans &amp; Advances</b>	7			
a. Inventories		20,456,785,922		8,847,327,814
b. Sundry Debtors		33,748,083,536		25,231,095,944
c. Cash and Bank Balances		19,970,655,661		16,809,436,914
d. Other Current Assets		555,749,668		143,275,033
e. Loans and Advances		14,671,807,973		18,269,465,315
		89,403,082,760		69,300,601,020
<b>Less : Current Liabilities &amp; Provisions</b>	8			
a. Current Liabilities		29,898,375,156		21,253,129,443
b. Provisions		3,591,538,147		792,843,176
		33,489,913,303		22,045,972,619
<b>Net Current Assets</b>			55,913,169,457	47,254,628,401
<b>5. Miscellaneous Expenditure</b> ( To the extent not written off or adjusted)	9		46,170	66,405
<b>Significant Accounting Policies and Notes to Accounts</b>	16			
	<b>TOTAL</b>		<b>129,533,410,338</b>	<b>89,744,287,951</b>

As per our Report of even date

**For KHANDELWAL JAIN & CO.**  
Chartered Accountants

**SHIVRATAN AGARWAL**  
Partner  
Membership No. 104180

 Place : Mumbai  
Date : 31<sup>st</sup> January, 2007

**For KADAM & CO.**  
Chartered Accountants

**U.S.KADAM**  
Proprietor  
Membership No. 31055

For and on behalf of the Board

**V.N.DHOOT**  
Managing Director

**S. PADMANABHAN**  
Director

**VINOD BOHRA**  
Company Secretary

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30<sup>TH</sup> SEPTEMBER, 2006

Particulars	Schedule	Year ended on 30th Sept., 2006 (Rupees)	Period ended on 30th Sept., 2005 (Rupees)
<b>I. INCOME</b>			
Sales / Income from Operations		129,633,714,471	69,135,151,562
Less : Excise Duty		<u>3,617,973,011</u>	<u>2,044,222,197</u>
Net Sales		126,015,741,460	67,090,929,365
Other Income	10	<u>4,829,641,227</u>	<u>824,387,194</u>
	<b>TOTAL</b>	<u><b>130,845,382,687</b></u>	<u><b>67,915,316,559</b></u>
<b>II. EXPENDITURE</b>			
Cost of Goods Consumed/Sold	11	81,657,378,091	42,220,368,041
Production & Exploration Expenses	12	9,583,211,058	9,573,657,175
Salaries, Wages & Employees' Benefits	13	7,344,897,910	507,462,159
Manufacturing & Other Expenses	14	15,914,961,548	6,578,292,660
Interest & Finance Charges	15	3,414,467,442	2,542,632,786
Depreciation / Amortisation / Impairment	5	5,965,045,656	3,205,078,486
Less : Transferred from General Reserve (Refer Note No B-3 of Schedule No.16)		<u>1,484,518,821</u>	<u>877,871,534</u>
	<b>TOTAL</b>	<u><b>4,480,526,835</b></u>	<u><b>2,327,206,952</b></u>
		<u><b>122,395,442,884</b></u>	<u><b>63,749,619,773</b></u>
<b>III. Profit before Exceptional Items and Taxation.</b>			
Add/(Less): Exceptional Items		8,449,939,803	4,165,696,786
Add : Adjustment on disposal of Subsidiaries		131,345,978	(1,901,788,861)
Less: Provision for Taxation		<u>147,095,603</u>	<u>39,640,623</u>
Current Tax		916,721,196	209,820,000
Deferred Tax		51,018,327	(1,870,236,602)
Fringe Benefit Tax		<u>15,415,559</u>	<u>4,023,000</u>
		7,745,226,302	3,959,942,150
<b>IV. Profit before Minority Interest and Share of Profit in Associate</b>			
Share of Profit in associate company		23,427,740	NIL
Minority Interest		(156,667,280)	NIL
Add: Excess provision for Income Tax for earlier years written back		3,950,592	24,006,725
Add: Prior Period Adjustments		<u>307,435,067</u>	<u>NIL</u>
		7,923,372,421	3,983,948,875
<b>V. Net Profit for the year</b>			
Balance brought forward		3,888,100,764	(449,675,711)
Addition/Adjustment on amalgamation		<u>(1,763,165,035)</u>	<u>2,867,351,777</u>
		<u><b>10,048,308,150</b></u>	<u><b>6,401,624,941</b></u>
<b>VI. Balance available for appropriation</b>			
<b>VII. APPROPRIATIONS</b>			
Debenture Redemption Reserve		12,600,000	1,104,498,000
Proposed Dividend - Equity		773,451,872	551,921,583
Proposed Dividend - Preference		33,871,582	24,953,220
Corporate Tax on Proposed Dividend		113,227,114	80,906,691
Transfer to General Reserve		1,500,000,000	750,000,000
Transfer to Legal Reserve		11,182	NIL
Balance Carried to Balance Sheet		<u>7,615,146,400</u>	<u>3,889,345,447</u>
	<b>TOTAL</b>	<u><b>10,048,308,150</b></u>	<u><b>6,401,624,941</b></u>
Basic Earnings per Share ( Nominal Value Rs.10/- per share)		35.68	23.18
Diluted Earnings per Share ( Nominal Value Rs.10/- per share)		35.68	23.18
(Refer Note No.B-10 of Schedule No. 16)			

Significant Accounting Policies and Notes to Accounts 16

As per our report of even date

**For KHANDELWAL JAIN & CO.**  
Chartered Accountants

**SHIVRATAN AGARWAL**  
Partner  
Membership No. 104180

Place : Mumbai  
Date : 31<sup>st</sup> January, 2007

**For KADAM & CO.**  
Chartered Accountants

**U.S.KADAM**  
Proprietor  
Membership No. 31055

For and on behalf of the Board

**V.N.DHOOT**  
Managing Director

**S. PADMANABHAN**  
Director

**VINOD BOHRA**  
Company Secretary





	As at 30th Sept., 2006 (Rupees)	As at 30th Sept., 2005 (Rupees)
<b>SCHEDULE - 3 : SECURED LOANS</b>		
A. Non-Convertible Debentures	3,985,177,872	5,863,972,553
B. Term Loans from Banks & Financial Institutions	38,434,983,605	30,769,653,009
C. External Commercial Borrowings	1,662,120,000	NIL
D. Corporate Loan from Banks	215,015,775	879,941,614
E. Vehicle Loans from Banks	21,584,544	35,447,498
F. Hire Purchase Loan	NIL	1,436,403
G. Working Capital Loans From Banks	1,975,467,530	1,669,840,027
<b>TOTAL</b>	<b>46,294,349,326</b>	<b>39,220,291,104</b>

**A. Non Convertible Debentures**

Out of the Non Convertible Debentures, those to the extent of :

- i. Rs. 920,178,672/- (Previous year Rs.2,461,469,353/-) are secured by Assignment of fixed and floating charge of all moneys received/to be received by the Company in relation to and from the Ravva Joint Venture, including all receivables of the Company, subject to the charge in favour of the Joint Ventures in terms of the Production Sharing Contract/Joint Operating Agreement in respect of Ravva Joint Venture, to the extent necessary.
- ii. Rs.93,31,00,000/- (Previous year Rs.1,181,900,000/-) are secured by first mortgage and charge on immovable and movable properties, both present and future, subject to prior charge on specified movables created/to be created in favour of Company's Bankers for securing borrowings for working capital requirements, and ranking pari passu with the charge created/to be created in favour of Financial Institutions/Banks in respect of their existing and future financial assistance and also guaranteed by Mr. V. N. Dhoot and Mr. P. N. Dhoot.
- iii. Rs.361,899,200/- (Previous year Rs.450,603,200/-) are secured by way of a first charge on the entire immovable and movable properties of the Company ranking pari passu with existing charge holders except prior charge on specified movables created in favour of Company's bankers for borrowings of working capital and exclusive charge created on specific machinery financed/to be financed by the banker/s and/ or financial institution/s and the personal guarantee of Mr. V.N.Dhoot.
- iv. Rs.1,350,000,000/- ( Previous year Rs.1,350,000,000/-) are secured by unconditional and irrevocable guarantee of IDBI ( for principle and interest). The said guarantee assistance, provided by IDBI, is secured by a first mortgage and charge in favour of the guarantor, of all the immovable properties, both present & future, and a first charge by way of hypothecation of all the movables, present & future ranking pari-passu with existing charge holders, subject to charges created / to be created in favour of the Bankers on the specified current assets for securing borrowings for working capital loans. These debentures are also guaranteed by Mr. V. N. Dhoot.
- v. Rs.420,000,000/- (Previous year Rs.420,000,000/-) are secured by third charge on the properties of the Company. This charges is subject to and subservient to the mortgages and charges created/to be created in favour of Financial Institutions/Debentures Trustees/Banks.

The Debenture referred to in (i) to (iv) above are redeemable at par, in one or more installments on various dates with the earliest redemption being on 15th October, 2006 and last date being 1st January, 2012. The debentures redeemable as follows , Rs.1,590.64 million in financial year 2006-07, Rs.829.00 million in financial year 2007-08, Rs.648.19 million in financial year 2008-09, Rs.247.78 million in financial year 2009-10, Rs.206.38 million in financial year 2010-11 and Rs.43.19 million in financial year 2011-12.

**B. Term Loans :-**

The Term Loans are secured by mortgage of existing and future assets of the Company and a floating charge on all movables assets, present and future (except book debts), subject to prior charge of the Bankers on stock of raw materials, finished, semi finished goods and other movables, for securing working capital loans in the ordinary course of business, and exclusive charge created on specific items of machinery financed by the respective lenders. The above charges ranking pari passu inter-se for all intents and purposes. The above loans are guaranteed by Mr. V. N. Dhoot. and Mr. P. N. Dhoot. In addition to the above, a part of term loan from State Bank of India is further secured by way of pledge of shares of Kitchen Appliances India Ltd. and Applicomp (India) Ltd. belonging to and held by the Company. A part of loans from banks are secured by the assignment of fixed and floating charge on all moneys received/to be received by the Company in relation to and from the Ravva Joint Venture, including all receivables of the Company, subject to the extent necessary, to the charge in favour of the Joint Ventures in terms of the Production Sharing Contract / Joint Operating Agreement in respect of Ravva Joint Venture; and the assignment / fixed and floating charge of all the right, title and interest into and under all project documents, including but not limited to all contracts, agreements or arrangements which the Company is a part to, and all leases, licenses, consents, approvals related to the Ravva Joint Venture, insurance policies in the name of the Company, in a form and manner satisfactory to Trustee.

The term Loans aggregating to Rs. 9019.78 million availed by foreign subsidiaries are secured by way of charge on present and future assets of the respective companies, Corporate Guarantee from the Parent Company and by way charge/hypothecation of receivables of fellow subsidiaries/group companies.

**C. External Commercial Borrowings :-**

External Commercial Borrowings are secured by a first charge ranking pari-passu over all the present and future immovable fixed assets. The loan is further secured by personal guarantee of Mr. V. N. Dhoot and Mr. P. N. Dhoot in favour of security trustee.

The External Commercial Borrowings availed by Videocon Industries Limited is secured by way of guarantee from subsidiary of the Company and by way of charge/hypothecation of receivables of an other subsidiary.

**D. Corporate Loan from Banks :-**

Corporate Loan from Banks are partially secured by first charge, partially by second charge, ranking pari-passu, and the balance by second subservient charge, on the immovable and movable assets, both present and future, of the Company. These are further secured by unconditional and irrevocable guarantee of Mr. V. N. Dhoot.

**E. Vehicle Loans from Banks :-**

Vehicle Loans from Banks are secured by way of hypothecation of Vehicles acquired out of the said loan. The loans are also guaranteed by personal guarantee of Mr. V. N. Dhoot.

**F. Working Capital Loans From Banks :-**

Working Capital Loans from Banks are secured by hypothecation of the Company's stock of raw materials, packing materials, stock-in-process, finished goods, stores and spares, book debts of Glass Shell Division only, real estate upto 10 million euro and all other current assets of the Company and personal guarantee of Mr. V. N. Dhoot.

Installments of loans from banks and financial institutions falling due within one year Rs. 4,805.69 million (Previous period Rs. 2,333.15 million)

**SCHEDULE - 4 : UNSECURED LOANS**

	As at 30th Sept., 2006 (Rupees)	As at 30th Sept., 2005 (Rupees)
A. From Banks	5,788,792,702	2,866,858,265
B. Foreign Currency Convertible Bonds	9,143,483,202	NIL
C. From Others	696,422,092	3,964,830
D. Sales Tax Deferral	93,056,839	93,056,839
<b>TOTAL</b>	<b>15,721,754,835</b>	<b>2,963,879,934</b>

**Notes:-**

1. During the year the company had issued
  - a) 90,000 Foreign Currency Convertible Bonds of US\$ 1000 each (Rs.44,145 at issue) due on 7th March, 2011.
    - i The bonds are convertible at the option of the bondholders at any time on and after 20th March 2006 upto the close of business on 28th February, 2011 at a fixed exchange rate of Rs.44.145 per 1 US\$ and at initial conversion price of Rs.545.24 per share being at premium of 15% over the reference share price. The conversion price shall be adjusted downwards in the event that the average closing price of shares for 15 consecutive trading days immediately prior to the reset date is less than conversion price, subject to a floor price of Rs. 410/- as adjusted in accordance with the anti-dilution provisions.
    - ii Redeemable in whole but not in part at the option of the company on or after 7th February, 2009 but prior to 28th February, 2011 if aggregate value on each of 30 consecutive trading days ending not earlier than 14 days prior to the date upon which notice of such redemption is given was at least 130% of the accreted principal amount.
    - iii Redeemable at maturity date on 7th March, 2011 at 116.78% of it's principal amount, if not redeemed or converted earlier.
  - b) 105,000 Foreign Currency Convertible Bonds of US\$ 1000 each due on 25th July 2011.
    - i The bonds are convertible at the option of the bondholders at any time on or after 2nd September 2006 until 18th July 2011 except for certain closed periods, at a fixed exchange rate of Rs.46.318 per 1 US\$ and at initial conversion price of Rs.511.18 per share being at premium of 22% over reference share price. The conversion price shall be adjusted downwards in the event that the average closing price of shares for 15 consecutive trading days immediately prior to the reset date is less than conversion price, subject to a floor price of Rs. 410/- as adjusted in accordance with the anti-dilution provisions.
    - ii Redeemable in whole but not in part at the option of the Company on or after 24th August 2009, if aggregate value on each of 30 consecutive trading days ending not earlier than 14 days prior to the date upon which notice of such redemption is given was at least 130% of the accreted principal amount. Redeemable in whole but not in part at the option of the Company on or after 24th August 2009, if aggregate value on each of 30 consecutive trading days ending not earlier than 14 days prior to the date upon which notice of such redemption is given was at least 130% of the accreted principal amount.
    - iii Redeemable at maturity date on 25th July, 2011 at 127.65% of its principle amount, if not redeemed or converted earlier.
2. The Company has availed interest free Sales Tax Deferral under special incentive to prestigious unit (modified) scheme. The same is repayable in six equal annual installments commencing from 30th May, 2008.

# VIDEOCON INDUSTRIES LIMITED

(Rupees)

**SCHEDULE - 5: FIXED ASSETS**

Particulars	GROSS BLOCK					DEPRECIATION / AMORTISATION					NET BLOCK						
	As at 30.09.2005	Addition on Amalgamation	Additions During the Year	Deduction During the Year	Currency Translation Adjustment	As at 30.09.2006	Up to 30.09.2005	Addition on Amalgamation	Addition on Acquisition	For the Year	Deduction/ Adjustment	Impairment	Currency Translation Adjustment	Up to 30.09.2006	As at 30.09.2006	As at 30.09.2005	
<b>TANGIBLE ASSET</b>																	
Freehold Land	85,874,723	34,613,040	451,813,411	NIL	NIL	572,301,174	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	572,301,174	86,874,723	
Leasehold Land	9,895,586	36,427,362	1,102,265,121	NIL	NIL	1,151,088,069	4,035,726	2,171,001	NIL	13,609,682	NIL	NIL	394,197	20,210,616	1,139,877,853	5,899,680	
Building	5,538,905,532	498,660,942	3,806,212,835	9,753,985	NIL	10,648,129,662	1,146,589,525	92,281,777	1,690,710,976	212,242,070	(281,462)	NIL	1,799,912	3,143,891,722	7,518,237,940	4,392,296,027	
Onshore Building	80,818,089	NIL	149,002	NIL	NIL	80,967,091	28,236,330	NIL	2,632,843	NIL	NIL	NIL	NIL	30,889,193	50,897,898	52,581,739	
Leasehold Improvement	NIL	39,029,095	340,000	456,250	NIL	38,912,845	NIL	36,386,515	1,468,901	1,468,901	428,592	NIL	NIL	37,426,824	1,466,021	NIL	
Leasehold Premises	1,726,700	NIL	NIL	NIL	NIL	1,726,700	424,771	NIL	697,584	NIL	NIL	NIL	NIL	1,122,555	604,345	1,301,929	
Plant & Machinery *	46,510,905,827	1,437,909,314	41,338,390,186	1,818,708,398	1,027,599	100,719,948,135	17,890,613,884	821,076,072	33,233,192,235	5,236,818,256	1,108,090,886	NIL	24,683,385	56,098,293,146	44,621,654,889	27,620,291,943	
Furnace	1,139,242,759	NIL	853,216,803	NIL	NIL	1,992,459,562	1,049,737,042	NIL	63,518,118	NIL	NIL	NIL	NIL	1,113,255,160	879,204,402	89,505,717	
Electrical Installation	107,654,155	NIL	77,694,802	NIL	NIL	2,521,768,978	51,975,723	1,997,107,622	44,234,120	2,249,829	NIL	NIL	1,131,197	2,098,198,833	423,570,145	49,678,332	
Platform Tripod	45,701,338	NIL	NIL	NIL	NIL	45,701,338	44,169,757	NIL	NIL	NIL	NIL	NIL	NIL	44,169,757	1,531,631	1,531,631	
Platform Tetrapod	53,708,940	NIL	NIL	NIL	NIL	53,708,940	51,908,964	NIL	NIL	NIL	NIL	NIL	NIL	51,908,964	1,799,996	1,799,996	
Pipeline	616,725,651	NIL	7,984,800	NIL	NIL	624,710,451	560,567,599	NIL	18,002,254	NIL	NIL	NIL	NIL	578,569,853	46,140,598	56,138,052	
Terminal Facilities	63,021,162	NIL	NIL	NIL	NIL	63,021,162	60,909,368	NIL	NIL	NIL	NIL	NIL	NIL	60,909,368	2,112,094	2,112,094	
Crude Oil Storage Tank	155,425,019	NIL	290,045	NIL	NIL	155,715,064	131,434,965	NIL	7,273,334	NIL	NIL	NIL	NIL	138,708,299	17,006,765	23,990,054	
Onshore Processing Facilities	603,985,350	NIL	492,303	NIL	NIL	604,477,653	541,330,373	NIL	18,893,814	NIL	NIL	NIL	NIL	560,224,187	44,253,666	62,655,177	
Offshore Processing Facilities	665,070,993	NIL	1,082,441	NIL	NIL	666,153,434	600,612,592	NIL	19,661,959	NIL	NIL	NIL	NIL	620,274,461	46,478,973	66,038,491	
Tanker Mooring & Loading Facility	160,920,974	NIL	NIL	NIL	NIL	160,920,974	127,248,040	NIL	10,101,880	NIL	NIL	NIL	NIL	137,349,920	23,571,054	33,672,934	
Communication Equipments	3,241,278	NIL	98,708	98,962	NIL	3,241,124	1,738,737	NIL	211,095	50,675	NIL	NIL	NIL	1,899,157	1,341,967	1,502,641	
Office Equipments	85,650,799	134,927,743	130,840,886	2,132,147	NIL	488,381,329	41,254,646	88,604,217	95,344,469	26,008,900	709,537	NIL	306,290	250,809,065	229,572,844	44,196,153	
Computers Systems	312,195,248	NIL	66,607,762	1,705,071	NIL	379,097,959	213,222,533	NIL	34,054,566	1,486,798	NIL	NIL	406	245,790,707	133,307,232	98,972,715	
Furniture & Fixtures	135,606,618	NIL	88,147,474	276,180	30,611	244,820,688	82,319,793	NIL	49,272,683	13,690,631	79,636	NIL	186,930	145,390,201	99,430,487	53,286,825	
Vehicles	419,474,861	1,573,844	49,739,613	9,735,955	54,474	500,775,702	239,143,202	961,534	19,461,697	35,638,105	5,329,571	NIL	1,67,879	290,242,846	210,532,856	180,331,659	
Other	NIL	NIL	338,523,069	49,913,528	NIL	378,436,583	NIL	896,631	NIL	1,911,793	NIL	NIL	57,448	2,865,872	367,999,951	NIL	
<b>INTANGIBLE ASSET</b>																	
Goodwill (on amalgamation)	NIL	235,977,355	NIL	NIL	NIL	235,977,355	NIL	224,178,491	NIL	11,798,864	NIL	NIL	NIL	235,977,355	NIL	NIL	
Computer Software	13,750,000	6,551,511	55,127,552	121,377	NIL	418,860,222	1,604,167	2,065,625	277,925,349	26,359,779	(143,761)	NIL	4,26,749	308,525,460	110,334,762	12,146,833	
Other	NIL	NIL	1,984,421,378	455,782,327	NIL	2,392,146,254	NIL	NIL	1,067,292,860	120,531,152	NIL	44,453,889	4,957,707	1,237,235,608	1,154,910,446	NIL	
LEASED ASSET																	
Computer Systems	NIL	6,464,750	NIL	196,900	NIL	6,267,850	NIL	4,081,979	NIL	1,031,987	154,268	NIL	NIL	4,959,688	1,308,152	NIL	
TOTAL	55,809,802,692	2,432,140,956	51,961,219,482	1,908,813,450	1,112,654	125,146,746,088	22,874,997,677	1,271,807,221	38,493,294,522	5,920,591,767	1,118,148,769	44,453,889	34,112,320	67,459,078,627	57,689,667,461	32,934,804,915	
Capital Work In-Progress	6,490,853,661	3,647,140,262	NIL	NIL	NIL	12,085,535,752	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	12,085,535,752	6,490,853,661	
As at 30th September, 2006	62,300,656,253	2,432,140,956	16,853,253,854	1,908,813,450	1,112,654	137,175,281,840	23,106,997,677	1,271,807,221	38,493,294,522	5,920,591,767	1,118,148,769	44,453,889	34,112,320	69,716,203,213	39,426,688,576		
As at 30th September, 2005	1,200,706,517	48,897,959,357	5,781,498,384	69,761,669	NIL	55,809,802,589	84,046,613	19,613,650,109	1,067,292,860	120,531,152	27,777,530	NIL	NIL	22,874,997,628	32,934,804,911	1,116,059,904	
Capital Work In-Progress	NIL	7,796,123,994	NIL	NIL	NIL	6,490,853,661	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	6,490,853,661	NIL	
Total As at 30th September, 2005	1,200,706,517	56,694,083,351	5,781,498,384	69,761,669	NIL	62,300,656,250	84,046,613	19,613,650,109	1,067,292,860	120,531,152	27,777,530	NIL	NIL	22,874,997,628	32,934,804,911	1,116,059,904	

\* Gross Block of Plant and Machinery includes RS: 9,245,733,840/- (Previous Period RS:9,218,448,908/-) being the amount added on revaluation on 01.08.1998 and 01.10.2002 by erstwhile Videocon International Ltd., amalgamated with the company.

\*\* Addition on amalgamation to the Gross Block of Plant and Machinery includes RS:518,148,908/- being the amount added on revaluation on 01.08.1998 and 01.10.2002 by erstwhile Videocon International Ltd.

	As at 30th Sep., 2006 (Rupees)	As at 30th Sep., 2005 (Rupees)
<b>SCHEDULE - 6 : INVESTMENTS</b>		
<b>LONG TERM INVESTMENTS :</b>		
<b>IN GOVERNMENT &amp; TRUST SECURITIES</b>	408,445	408,445
<b>QUOTED</b>		
IN EQUITY SHARES (Fully Paid up) - TRADE	98,833,761	86,851,270
IN EQUITY SHARES (Fully Paid up) - OTHERS	514,628,285	125,137,795
IN MUTUAL FUNDS UNITS	10,000,000	10,004,879
<b>UNQUOTED</b>		
IN EQUITY SHARES (Fully Paid up) - TRADE	304,242,365	354,755,000
IN EQUITY SHARES (Fully Paid up) - OTHERS	124,385,828	67,976,332
IN EQUITY SHARES OF SUBSIDIARY CO. (Fully Paid up)	Nil	22,583,300
<b>IN DEBENTURES - TRADE</b>	10,000,000	10,000,000
<b>IN BONDS</b>	1,000,975,342	Nil
<b>OTHER INVESTMENTS</b>	522,910	522,910
<b>SHARE APPLICATION MONEY PENDING ALLOTMENT</b>	449,640,000	1,000,000,000
<b>CURRENT INVESTMENTS:</b>		
<b>UNQUOTED</b>		
IN UNITS OF MUTUAL FUNDS	885,182,769	726,765,070
<b>TOTAL INVESTMENTS</b>	<b>3,398,819,705</b>	<b>2,405,005,001</b>
Aggregate cost of quoted Investments	623,870,491	222,402,389
Aggregate market value of quoted Investments	941,300,507	517,932,757
Aggregate cost of unquoted Investments/ Application Money	1,773,973,872	2,182,602,612
<b>SCHEDULE - 7 : CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>A. Inventories</b> (As taken, valued and certified by Management)		
Raw Materials including Consumables, Stores & Spares	9,877,186,890	4,905,251,468
Work in Process	1,515,396,942	624,030,220
Finished Goods	6,401,004,269	2,106,603,621
Material in Transit and in Bonded warehouse	2,351,833,114	1,059,607,238
Drilling and Production Materials	226,831,533	124,266,213
Crude Oil	84,533,174	27,569,054
<b>TOTAL (A)</b>	<b>20,456,785,922</b>	<b>8,847,327,814</b>
<b>B. Sundry Debtors (Unsecured)</b>		
Outstanding for a period exceeding six months		
Considered Good	1,428,790,780	
Considered Doubtful	808,693,987	
Less : Provision for doubtful debts	789,698,898	18,995,089
	1,447,785,869	254,272,838
Others		
Considered Good	32,300,297,667	24,976,823,106
<b>TOTAL (B)</b>	<b>33,748,083,536</b>	<b>25,231,095,944</b>
<b>C. Cash &amp; Bank Balances</b>		
Cash on hand	16,052,039	7,700,145
Cheque/Drafts on hand /in Transit	161,579,339	116,172,117
Balance With Bank		
In Current Accounts	3,530,184,378	14,402,036,372
In Fixed Deposits	16,222,153,009	2,242,998,710
In Dividend/Interest Warrant Account (Per Contra)	40,686,896	40,529,570
<b>TOTAL (C)</b>	<b>19,970,655,661</b>	<b>16,809,436,914</b>
<b>D. Other Current Assets</b>		
Interest Accrued	58,482,694	108,289,287
Insurance Claim Receivable	31,537,735	32,032,222
Duty Drawback Receivable	1,905,977	2,953,524
Other Receivable	463,823,262	Nil
<b>TOTAL (D)</b>	<b>555,749,668</b>	<b>143,275,033</b>
<b>E. Loans &amp; Advances(Unsecured, considered good)</b>		
Advances recoverable in Cash or in kind or for value to be received	13,958,234,790	17,487,161,644
Balance with Central Excise / Customs Department	531,754,567	254,658,746
Advance Tax & TDS (Net of Provision)	Nil	12,503,174
Advance Fringe Benefit Tax (Net of Provision)	80	Nil
Other Deposits	181,818,536	515,141,751
<b>TOTAL (E)</b>	<b>14,671,807,973</b>	<b>18,269,465,315</b>
<b>TOTAL (A to E)</b>	<b>89,403,082,760</b>	<b>69,300,601,020</b>

	As at 30th Sep., 2006 (Rupees)	As at 30th Sep., 2005 (Rupees)
<b>SCHEDULE - 8 : CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>A. Current Liabilities</b>		
Sundry Creditors *	21,610,666,036	19,172,668,753
Temporary Overdraft from Banks	355,936,171	104,959,351
Income Received in Advance	78,959,919	6,101,196
Interest Accrued but not due	441,958,445	403,119,385
Other Liabilities	7,370,167,689	1,525,290,722
Unclaimed Dividend/Interest (Per Contra)	40,686,896	40,529,570
Finance Lease	Nil	460,466
*Including Acceptance of Rs.4,473.00 million (Previous period Rs. 3,085.77 million)		
<b>TOTAL (A)</b>	<b>29,898,375,156</b>	<b>21,253,129,443</b>
<b>B. Provisions</b>		
Provision for Income Tax ( Net of Advance Tax)	368,531,287	Nil
Provision for fringe Benefit Tax (Net of Advance Tax)	Nil	2,016,933
Proposed Dividend - Equity	773,451,872	551,921,583
Proposed Dividend - Preference	33,871,582	35,989,710
Provision for Corporate Tax on Proposed Dividend	113,227,114	82,349,022
Provision for Warrantly and Maintenance Expenses	390,100,279	94,010,150
Provision for Leave Encashment	105,423,909	26,555,778
Provision for Retirement Benefits	1,612,035,494	Nil
Provision for Restructuring Cost	62,255,949	Nil
Provision for contingencies / other provisions	132,640,661	Nil
<b>TOTAL (B)</b>	<b>3,591,538,147</b>	<b>792,843,176</b>
<b>TOTAL (A + B)</b>	<b>33,489,913,303</b>	<b>22,045,972,619</b>
<b>SCHEDULE - 9 : MISCELLANEOUS EXPENDITURE</b> (To the extent not written off or adjusted)		
<b>Preliminary Expenses</b>		
As per Last Balance Sheet	66,405	88,540
Less : Written off During the year	20,235	22,135
<b>TOTAL</b>	<b>46,170</b>	<b>66,405</b>
<b>SCHEDULES TO PROFIT AND LOSS ACCOUNT</b>		
	Year ended on 30th Sep., 2006 (Rupees)	Period ended on 30th Sep., 2005 (Rupees)
<b>SCHEDULE - 10 : OTHER INCOME</b>		
Rent Received	14,134,411	75,000
Interest Income (TDS Rs.8,593,785/- Previous period Rs.7,985,692/-)	599,322,432	196,872,087
Income From Investments & Securities Division ( TDS Rs.56,043,347/-, Previous period Rs.25,774,321/- ) (Refer Note No.B-9 of Schedule No. 16)	454,733,472	161,977,895
Profit on Sale of Investment (net)	Nil	647
Profit on Sale of Fixed Asset	2,248,652,475	1,296,059
Insurance Claim Received	49,971,838	157,950,745
Exchange Rate Fluctuation	53,172,707	184,346,034
Write Back against diminution in the value of Quoted Investment	234,549,786	Nil
Miscellaneous Income (TDS Rs.Nil Previous period Rs.161,162/-)	1,175,104,106	121,868,727
	<b>4,829,641,227</b>	<b>824,387,194</b>
<b>SCHEDULE 11 : COST OF GOODS CONSUMED/SOLD</b>		
<b>A. Material and Components Consumed</b>		
Opening Stock	7,344,361,948	Nil
Add : Addition on Amalgamation	262,732,704	4,572,933,074
Add : Purchases	85,618,950,051	42,859,589,370
	93,226,044,703	47,432,522,444
Less : Closing Stock	9,924,250,007	4,908,063,243
<b>(A)</b>	<b>83,301,794,696</b>	<b>42,524,459,201</b>
<b>B. (Increase)/Decrease in Stock</b>		
<b>Closing Stock :</b>		
Finished Goods	6,302,964,382	2,134,172,675
Work in Process	1,487,446,274	624,030,220
	7,790,410,656	2,758,202,895
<b>Opening Stock :</b>		
Finished Goods	4,221,904,623	97,000,968
Add : Addition on Amalgamation	208,723,561	1,803,355,828
Work in Process	1,709,774,342	Nil
Add : Addition on Amalgamation	5,591,525	553,754,939
	6,145,994,051	2,454,111,735
<b>(B)</b>	<b>(1,644,416,605)</b>	<b>(304,091,160)</b>
<b>TOTAL (A+B)</b>	<b>81,657,378,091</b>	<b>42,220,368,041</b>

# VIDEOCON INDUSTRIES LIMITED

	Year ended on 30th Sept., 2006 (Rupees)	Period ended on 30th Sept., 2005 (Rupees)
--	--	--

## SCHEDULE 12 : PRODUCTION & EXPLORATION EXPENSES

Production Expenses	241,927,197	356,167,891
Royalty	393,959,400	496,794,518
Cess	543,247,795	722,696,310
Production Bonus	191,869,582	211,271,878
Government Share in Profit Petroleum	7,861,838,385	7,574,814,993
Abandonment Costs	61,240,410	75,083,006
Producing Properties Written Off	177,363,117	118,750,149
Exploration Expenses	111,765,172	18,078,430
	<u>9,583,211,058</u>	<u>9,573,657,175</u>

## SCHEDULE 13 : SALARY, WAGES & EMPLOYEES' BENEFITS

Salary, Wages & Other Benefits	6,429,349,750	442,980,525
Contribution to Provident and other Funds	667,312,597	28,662,403
Staff Welfare	248,235,563	35,819,231
<b>TOTAL</b>	<u>7,344,897,910</u>	<u>507,462,159</u>

## SCHEDULE 14.: MANUFACTURING & OTHER EXPENSES

	Year ended on 30th Sept., 2006 (Rupees)	Period ended on 30th Sept., 2005 (Rupees)
Rent, Rates & Taxes	810,436,316	106,134,428
Draw and Licence Fees	NIL	3,660,000
Prize Pay-out Expenses	NIL	2,824,783
Draw Related Expenses	NIL	34,021,928
Power, Fuel & Water	3,395,340,631	273,655,429
Repairs to Building	35,942,889	8,294,114
Repairs to Plant & Machinery	66,057,464	24,361,441
Repairs & Maintenance-others	546,838,509	33,298,494
Bank Charges	320,815,796	274,635,813
Directors' Sitting Fees	778,467	178,000
Royalty	212,173,894	13,175,285
Printing & Stationery	36,042,024	31,600,056
Freight & Forwarding	2,192,410,093	327,919,948
Advertisement & Publicity	1,068,130,000	761,249,928
Sales Promotion	544,374,853	126,404,086
Discount & Incentive Scheme	2,802,974,313	2,441,419,430
Legal & Professional Charges	422,838,777	169,558,503
Donation	71,592,277	21,312,000
Insurance Expenses	565,594,142	585,055,982
Auditors' Remuneration	60,422,610	7,360,955
Bad Debts Written off	41,733,170	835,749,192
Warranty and Maintenance Expenses	540,669,353	94,010,150
Miscellaneous Expenditure written off	22,608	98,552
Technical Know-How	8,706,241	NIL
Miscellaneous Expenses	2,171,067,121	402,314,163
<b>TOTAL</b>	<u>15,914,961,548</u>	<u>6,578,292,660</u>

## SCHEDULE 15 : INTEREST & FINANCE CHARGES

On Fixed Period Borrowings	2,662,362,721	2,341,577,596
On Others	752,104,721	201,055,190
<b>TOTAL</b>	<u>3,414,467,442</u>	<u>2,542,632,786</u>

## SCHEDULE 16 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### A) SIGNIFICANT ACCOUNTING POLICIES:

#### 1. Basis of Consolidation

- The Consolidated financial statements relate to Videocon Industries Limited ("the Company" or "the Parent Company") and its subsidiary companies "collectively referred to as "the Group".
- The financial statements of the subsidiary companies in the preparation of the Consolidated Financial Statement are drawn upto the same reporting date as that of the Company i.e, 30th September, 2006.
- The Consolidated Financial Statements (CFS) have been prepared in accordance with the Accounting Standard 21 "Consolidated Financial Statements", Accounting Standard 27 "Financial Reporting of Interests in Joint Venture" and Accounting Standard 23 "Accounting for investments in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- Principles of Consolidation:
 

The Consolidated Financial Statements have been prepared on the following basis:

  - The financial statements of the Company, its subsidiary companies and jointly controlled entities have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances /transactions and unrealised profits or losses.
  - All separate financial statements of subsidiaries, originally presented in a currency different from the Group's presentation currency, have been converted into Indian Rupees (INR) which is the functional currency of the parent company. In case of foreign subsidiaries, revenue items have been consolidated at the average of the rates prevailing during the period. All assets and liabilities are translated at rates prevailing at the balance sheet date. The exchange difference arising on the translation is debited or credited to Foreign Currency Translation Reserve.
  - The CFS have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements except in respect of depreciation and retirement benefits, where it was not practicable to use uniform accounting policies in case of certain foreign subsidiaries. However, the amount of impact of these differences is not material.
  - The excess of the cost to the company of its investment in subsidiary over the Company's share of equity of the subsidiary as at the date on which investment in subsidiary is made, is recognised in the financial statement as Goodwill. The excess of Company's share of equity and reserve of the subsidiary Company over the cost of acquisition is treated as Capital Reserve.
  - The difference between the proceeds from disposal of investment in a Subsidiary and the carrying amount of its assets less liabilities as of the date of disposal is recognised in the Consolidated Statement of Profit and Loss Account as the profit or loss on disposal of Investment in Subsidiary.
  - Minority interest in the net asset of Consolidated Subsidiary consists of (a) The amount of equity attributable to minorities at the date on which investment in a subsidiary is made and (b) The minorities share of movements in equity since the date the Parent subsidiary relationship came into existence.
  - Investments in entities in which the company or any of its subsidiaries has significant influence but not a controlling interest, are reported according to the equity method. The carrying amount of the investment is adjusted for the post acquisition change in the investor's share of net assets of the investee. The consolidated profit and loss account includes the company's share of the results of the operations of the investee.
- The companies which are included in the consolidation with their respective countries of incorporation and the percentage of ownership interest therein of the Company as on 30th September, 2006 are as under:

Name of the subsidiary	Country of incorporation	Percentage of Holding As at	
		30th Sept. 2006	30th Sept.2005
Paramount Global Ltd.	Hong Kong	100%	100%
Middle East Appliances LLC	Sultanate of Oman	100%	100%
Videocon (Cayman) Ltd. (Up to 29 <sup>th</sup> September, 2006)	Cayman Islands	NIL	100%
Trend Ltd. (Up to 29 <sup>th</sup> September, 2006)	Hong Kong	NIL	100%

Name of the subsidiary	Country of incorporation	Percentage of Holding As at	
		30th Sept. 2006	30th Sept.2005
Sky Billion Trading Ltd. (Up to 28 <sup>th</sup> February 2006)	Hong Kong	NIL	100%
Mars Overseas Ltd.	Cayman Islands	100%	100%
Videocon Global Ltd.	British Virgin Islands	100%	100%
Venus Corporation Ltd. (w.e.f. 18 <sup>th</sup> November, 2005)	Cayman Islands	100%	NIL
Powerking Corporation Ltd.	Cayman Islands	100%	100%
Videocon (Mauritius) Infrastructure Ventures Ltd.	Mauritius	100%	100%
Videocon Industrial Finance Ltd. (Up to 29 <sup>th</sup> September, 2006)	India	NIL	100%
Gruhaupyogi Electronics Appliances Pvt Ltd. (Up to 29 <sup>th</sup> September, 2006)	India	NIL	100%
Gajanan Electronics and Home App. Pvt Ltd.	India	100%	100%
Mayur Household Electronics Pvt Ltd.	India	100%	100%
Godavari Consumer Electronics App. Pvt Ltd.	India	100%	100%
Eagle Corporation Ltd (w.e.f. 13 <sup>th</sup> December, 2005)	Cayman Island	100%	NIL
Technologies Display Americas LLC * (w.e.f. 13 <sup>th</sup> December, 2005)	State of delaware	100%	NIL
Thomson Display Mexicana S.A. de.CV * (w.e.f. 13 <sup>th</sup> December, 2005)	Mexico	100%	NIL
VDC Technologies S.P.A. * (w.e.f. 13 <sup>th</sup> December, 2005)	Italy	100%	NIL
Thomson Tubes & Displays S.A. * (w.e.f. 13 <sup>th</sup> December, 2005)	France	100%	NIL
Thomson Displays Polska S.P.Z.O.O * (w.e.f. 13 <sup>th</sup> December, 2005)	Poland	100%	NIL
Thomson Displays Italy Srl * (w.e.f. 13 <sup>th</sup> December, 2005 upto 29 <sup>th</sup> September, 2006)	Italy	100%	NIL
Thomson Guandong Displays Co. Ltd. * (w.e.f. 13 <sup>th</sup> December, 2005)	China	91.3%	NIL
Thomson Display R & D Asia * (w.e.f. 13 <sup>th</sup> December, 2005)	China	100%	NIL

\* Subsidiaries of Eagle Corporation Ltd.

Name of the Associate	Country of incorporation	Percentage of Holding As at 30th Sept. 2006
Evans Fraser & Co. (India) Ltd.	India	41.67%

**2. Basis of Accounting:**

The financial statements are prepared under historical cost convention, except for certain Fixed Assets which are revalued, using the accrual system of accounting in accordance with the accounting principles generally accepted in India (Indian GAAP) and the requirements of the Companies Act, 1956, including the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India, as referred to in Section 211 (3C) of the Companies Act, 1956.

**3. Fixed Assets:**

- Fixed Assets are stated at actual cost, except for certain fixed assets which have been stated at revalued amounts, less accumulated depreciation / amortisation and impairment loss, if any. The actual cost is inclusive of freight, installation cost, duties, taxes, financing cost and other incidental expenses but net of Modvat/Cenvat/Value added tax, exchange difference, if any, in respect of liabilities incurred to acquire fixed assets is adjusted to the carrying amount of respective fixed assets.
- Capital Work in Progress is carried at cost, comprising of direct cost, attributable interest and related incidental expenditure. The advances given for acquiring fixed assets are shown under Capital Work in Progress.

**4. Joint Ventures for Oil and Gas Fields:**

In respect of joint ventures in the nature of Production Sharing Contracts (PSC) entered into by the Company for oil and gas exploration and production activities, the Company's share in the assets and liabilities as well as income and expenditure of Joint Venture Operations are accounted for according to the Participating Interest of the Company as per the PSC and the Joint Operating Agreements on a line by line basis in the Company's Financial Statements.

**5. Exploration, Development and Production Costs:**

The Company follows the "Successful Efforts Method" of accounting for oil and gas exploration, development and production activities as explained below:

- Exploration and production cost are expensed in the year/period in which these are incurred.
- Development costs are capitalised and reflected as "Producing Properties". Costs include recharges to the Joint Venture by the Operator/Affiliate in respect of the actual cost incurred and as set out in the Production Sharing Contract (PSC). Producing Properties are depleted using the "Unit of Production Method".

**6. Abandonment Costs:**

Abandonment Costs relating to dismantling, abandoning and restoring offshore well sites and allied facilities are provided for on the basis of "Unit of Production Method". Aggregate abandonment costs to be incurred are estimated based on technical evaluation by experts.

**7. Depreciation and Amortisation:**

- The Parent Company and Indian Subsidiary Companies provide depreciation on fixed assets held in India on written down value method in the manner and at the rates specified in the Schedule XIV to the Companies Act, 1956 except a) on Fixed Assets of Consumer Electronics Division and; b) on office buildings acquired after 01.04.2000, on which depreciation is provided on straight line method at the rates specified in the said Schedule. Depreciation on fixed assets held outside India is calculated on straight line method at the rates prescribed in the aforesaid Schedule or based on useful life of assets whichever is higher. Producing Properties are depleted using the "Unit of Production Method". Leasehold Land is amortised over the period of lease.

The depreciation on revised carrying amount of fixed assets arising on account of translation of Foreign Currency Loans availed in respect of the Fixed Assets and on revaluation of assets is provided as aforesaid over the residual useful life of the respective assets.

Intangibles: Intangible assets are amortised over a period of five years.

- In case of foreign subsidiaries, depreciation is charged to the income statement on a straight line basis over the estimated remaining useful life of the Assets. Leasehold land is amortised on straight line method over the period of lease

**8. Impairment of Assets :**

The Fixed Assets or a group of assets (Cash generating unit) and Producing Properties are reviewed for impairment at each Balance Sheet date. In case of any such indication, the recoverable amount of these assets or group of assets is determined, and if such recoverable amount of the asset or cash generating unit to which the asset belongs is less than its carrying amount, the impairment loss is recognised by writing down such assets to their recoverable amount. An impairment loss is reversed if there is change in the recoverable amount and such loss either no longer exists or has decreased.

**9. Investments:**

- Current Investments : Current Investments are carried at lower of cost and quoted/fair value.

# VIDEOCON INDUSTRIES LIMITED

- b) Long Term Investments : Quoted Investment are valued at cost or market value whichever is lower. Unquoted Investments are stated at cost. The decline in the value of the unquoted investment, other than temporary, is provided for.  
Cost is inclusive of brokerage, fees and duties but excludes Securities Transaction Tax.
- 10. Inventories:**  
Inventories including crude oil stock are valued at cost or net realisable value whichever is lower. Cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on Weighted Average Basis.
- 11. Borrowing Costs:**  
Borrowing costs that are directly attributable to the acquisition, construction or production of an qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.
- 12. Excise and Customs Duty**  
Excise Duty in respect of finished goods lying in factory premises and Customs Duty on goods lying in customs bonded warehouse are provided for and included in the valuation of inventory.
- 13. MODVAT/ CENVAT/ Value Added Tax**  
MODVAT/ CENVAT / Value Added Tax Benefit is accounted for by reducing the purchase cost of the materials/ fixed assets.
- 14. Revenue Recognition:**
- Revenue is recognised on transfer of significant risk and reward in respect of ownership.
  - Sale of Crude Oil and Natural Gas are exclusive of Sales Tax. Other sales/turnover includes sales value of goods, services, excise duty, duty drawback and other recoveries such as insurance, transportation and packing charges but excludes sales tax and recovery of financial and discounting charges.
  - Insurance, Duty Drawback and other claims are accounted for as and when admitted by the appropriate authorities.
- 15. Foreign Currency Transactions:**
- Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of transactions. Current Assets and Current Liabilities are translated at the year end rate. The difference between the rate prevailing on the date of transaction and on the date of settlement as also on translation of Current Assets and Current Liabilities at the end of the year is recognised, as the case may be, as income or expense for the year.
  - Foreign Currency liabilities in respect of loans availed for fixed assets and outstanding on the last day of the financial year are translated at the exchange rate prevailing on that day and any loss or gain arising out of such translation is adjusted to the cost of the fixed assets and depreciation is also charged/adjusted on such differences.
- 16. Translation of the financial statements of foreign branch which are integral foreign operations.**
- Revenue items are translated at average rates.
  - Opening and closing inventories are translated at the rate prevalent at the commencement and close, respectively, of the accounting year.
  - Fixed assets are translated at the exchange rate as on the date of the transaction. Depreciation on fixed assets is translated at the rates used for translation of the value of the assets to which it relates.
  - Other current assets and current liabilities are translated at the closing rate.
- 17. Retirement Benefits**
- Contributions to Provident Fund and Family Pension Scheme are accounted for on accrual basis and charged to Profit & Loss Account.
  - The Company's employees, except for employees of units at Shahjahanpur, Dist. Alwar, Rajasthan and at Butibori Dist. Nagpur, Maharashtra, are covered under the Employees Group Gratuity Cum Life Assurance Scheme of Life Insurance Corporation of India. The Company accounts for gratuity liability equivalent to the premium amount payable to Life Insurance Corporation of India every year, which is based on actuarial valuation. The liability with respect to the gratuity for the employee's of units at Shahjahanpur, Dist: Alwar, Rajasthan and at Butibori Dist: Nagpur, Maharashtra are accounted/ provided for on the basis of actuarial valuation at year end.
  - Liability on account of leave encashment in respect of employees of Glass Shell unit at village Chhavaj, Dist.Bharuch, Gujrat, unit at Shahjahanpur Dist. Alwar, Rajasthan, and unit at Butibori Dist. Nagpur, Maharashtra, is provided for on actuarial valuation basis and in respect of other employees to the extent encashable as at the end of the financial year as per rules of the Company.
  - In case of foreign subsidiaries retirement benefits are recognised as per the respective local laws.
- 18. Taxation:**  
Income tax comprises of Current Tax, Deferred Tax and Fringe Benefit Tax.  
Current Tax :  
Provision for Current Tax and Fringe Benefit Tax is calculated on the basis of the provisions of local laws of respective entity.  
Deferred Tax :  
Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences, subject to the consideration of prudence. Deferred tax assets and liabilities are measured using the tax rates enacted or substantively enacted by the balance sheet date. The carrying amount of deferred tax asset/liability are reviewed at each Balance Sheet date.
- 19. Share Issue Expenses:**  
Share issue expenses are written off to Securities Premium Account.
- 20. Premium on Redemption of Bonds / Debentures**  
Premium on Redemption of Bonds / Debentures are written off to Securities Premium Account.
- 21. Research and Development:**  
Revenue expenditure pertaining to Research and Development is charged to revenue under the respective heads of account in the period in which it is incurred. Capital expenditure, if any, on Research and Development is shown as an addition to Fixed Assets under the respective heads.
- 22. Accounting for Leases:**  
Where the company is lessee
- Operating Leases: Rentals in respect of all operating leases are charged to Profit & Loss Account.
  - (i) Finance Leases: Rentals in respect of all finance leases entered before 1st April, 2001 are charged to Profit & Loss Account.  
(ii) In accordance with Accounting Standard - 19 on "Accounting for Leases" issued by the Institute of Chartered Accountants of India, assets acquired under finance lease on or after 1st April, 2001, are capitalised at the lower of their fair value and present value of the minimum lease payments and are disclosed as "Leased Assets".
- 23. Warranty:**  
Provision for the estimated liability in respect of warranty on sale of consumer electronics is made in the year in which the revenues are recognised, based on technical evaluation and past experience.
- 24. Prior Period Items:**  
Prior period items are included in the respective heads of accounts and material items are disclosed by way of notes to accounts.
- 25. Provision, Contingent Liabilities and Contingent Assets:**  
Provisions comprise liabilities of uncertain timing or amount. Provisions are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.  
Contingent Liabilities are disclosed by way of Notes to Accounts. Disputed demands in respect of Central Excise, Customs, Income-tax and Sales Tax are disclosed as contingent liabilities. Payment in respect of such demands, if any, is shown as advance, till the final outcome of the matter.  
Contingent assets are not recognised in the financial statements.
- 26. Other Accounting Policies:**  
These are consistent with the generally accepted accounting practices.
- B) NOTES TO ACCOUNTS:**
- |   | As at<br>30th September,<br>2006<br>(Rs. Million) | As at<br>30th Sept.,<br>2005<br>(Rs. Million) |
|---|---|---|
| <b>1. Contingent Liabilities not provided for:</b>  |   |   |
| a) Letters of Guarantees<br>Includes Bank Guarantees given to Sales Tax Department Rs.869.12 million (Previous Period Rs. 10.53 million) against demand stated in 'g' below   | 13,924.04   | 12,584.48                                     |
| b) Letters of Credit opened   | 4,216.09  | 1,077.81                                      |
| c) Customs Penalty - Stayed by High Court   | 11.85   | 11.85   |
| d) Customs Duty demands under dispute [Amount paid under protest Rs. 3.94 million (Previous Period Rs. 0.4 million)]  | 94.42   | 18.82   |
| e) Income Tax demands under dispute [Amount paid under protest Rs. 100.25 million (Previous year Rs. 9.21 million)]   | 100.25  | 9.21  |
| f) Excise Duty demand under dispute [Amount paid under protest Rs. 2.43 million (Previous Period Rs. 5.31 million)]   | 387.17  | 237.59  |
| g) Sales Tax demands under dispute [Amount paid under protest Rs. 34.20 million (Previous year Rs. 47.28 million)]  | 243.74  | 186.77  |
| h) Others   | 47.91   | NIL   |
| i) Claims against the Company not acknowledged as debts:  |   |   |
| i. Claim by Delhi Development Authority in respect of unearned income, ground rent and interest in respect of property acquired on amalgamation of Banganga Investments Private Limited with the Company - Rs. 293.93 million (Previous period Rs. 293.93 million).   |   |   |
| ii. Disputed Claims through Redemption of Debentures Rs.504.00 million and interest thereon Rs.48.52 million (referred to an Arbitration)   |   |   |
| j) Disputed Income Tax demand amounting to Rs. 22.29 million in respect of certain payment made by Ravva Oil & Gas Field Joint Venture is currently pending before the Income Tax Appellate Tribunal. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the accounts as the same is subject to agreement by the members of the Joint Venture. Should it ultimately become payable, the Company's share as per the participating interest would be Rs. 5.57 million. |   |   |

2. a) There was a dispute regarding (i) deductibility of ONGC Carry while computing the PTRR under the Ravva PSC; (ii) deductibility of provision of Site Restoration Costs for computation of Cost Petroleum and PTRR; (iii) deductibility of inventory purchased for computation of Cost Petroleum and PTRR; (iv) deductibility of Notional Dividend Distribution Tax under the Income-tax Act, 1961 for computation of PTRR; and (v) deductibility of Deposits, Advances and Pre-payments made for the purpose of Petroleum Operations in the business of Ravva Oil & Gas Field for computation of Cost Petroleum and PTRR. The Dispute was referred to an International Arbitration in accordance with the provisions of the Ravva PSC. Vide the interim award dated 31st March 2005, the Tribunal has upheld the Company's claims stated in (i) and (v) above whereas the claim of the Company stated in (ii), (iii) and (iv) above were rejected by the Tribunal. While accepting the Interim Award, the Company computed and submitted the calculation on 31st May 2005 to GOI indicating the amount payable by the Company after applying the said Arbitration Award at US\$ 27.02 million equivalent to Rs. 1,176.04 million, which was not accepted by GOI and it claimed that the Company needs to pay US\$ 43.72 million equivalent to Rs. 1,901.79 million and interest thereon applying the same Arbitration Award. The Company filed a supplementary application on 7th July 2005 followed by an amendment application on 8th August 2005 with the Arbitration Tribunal with a prayer to determine the correct amount payable to GOI as well as to determine the interest, if any, payable on the same to GOI. Pending the final decision of the Hon'ble Arbitral Tribunal, the Company has accounted for and paid the sum of US\$ 43.72 million equivalent to Rs. 1,901.79 million to GOI on ad hoc basis. The GOI has further filed an affidavit on 10th May 2005 before the Kuala Lumpur High Court in Malaysia challenging the Arbitration Award and praying for setting aside the Partial Award dated 31.03.2005 only in respect of ONGC Carry issue whereas the Company has challenged the jurisdiction of the Kuala Lumpur High Court and therefore the maintainability of such an appeal at that Court.
- b) There is a dispute between the Company and GOI with regard to the computation of interest on delayed payment of profit petroleum to the extent of US\$ 67,636 equivalent to Rs.2.98 million. The Company has filed an Interim Application on 7<sup>th</sup> July 2005 before the Hon'ble Arbitral Tribunal for final determination of such amount, pending which no provision has been made by the Company.
- c) There is a dispute regarding the rate of conversion from US\$ into Indian rupees applicable to the Nominees of the GOI for the purpose of payment of amount of the invoices for sale of the Crude Oil by the Company under the Ravva PSC. The dispute was referred to an International Arbitration in accordance with the provisions of the Ravva PSC. Vide the interim award dated 31st March 2005, the Tribunal has partly upheld the Company's claim. While accepting the Award, the Company has worked out and submitted a computation on 30th June 2005 to GOI indicating the amount receivable at Rs.121.43 million being the amount short paid by GOI nominees up to June 19, 2005 and interest thereon also calculated up to June 19, 2005. However, GOI and the Nominees of the GOI have rejected the computation and claim made by the Company. The Company has filed a supplementary application on 7<sup>th</sup> July 2005 and an amendment application on 8<sup>th</sup> August 2005 with the Arbitration Tribunal with a prayer to determine the correct amount payable by GOI/its Nominees as well as to determine the interest, if any, payable on the same. The GOI has filed an Original Miscellaneous Petition (OMP) 329 of 2006 dated 20th July 2006 before Hon'ble Delhi High Court challenging the award in respect of this Dispute. Another OMP 223 of 2006 dated 9<sup>th</sup> May 2006 has been filed by GOI's nominees HPCL and BRPL in the Hon'ble Delhi High Court challenging the Partial Award dated 31.03.2005 in respect of Conversion/Exchange Rate Matter. The GOI nominees continue to make payments at the exchange rate without considering directive from the Hon'ble Arbitral Tribunal in this regard.
- d) GOI has filed OMP 255 of 2006 dated 30<sup>th</sup> May 2006 before the Hon'ble Delhi High Court under section 9 of the Arbitration and Conciliation Act for change of situs of arbitration from London (U.K.) to Kuala-Lumpur (Malaysia). GOI has challenged London as the permanent seat of arbitration for resolution of disputes under the Ravva PSC and has claimed for declaration of Kuala-Lumpur as the permanent seat of arbitration whereas the Company honours the award dated 15<sup>th</sup> November 2003 of the Hon'ble Arbitral Tribunal, passed with mutual consent of both the GOI and the Company, permanently fixing the seat of Arbitration at London in both disputes stated in (i) and (iii) above.
- e) In respect of the Disputes stated in (i) and (ii) above, the GOI has vide its' letter dated 3<sup>rd</sup> November 2006 now raised a collective demand of Rs. 334.13 Million on account of additional profit petroleum payable and interest on delayed payments of profit petroleum calculated up to 30<sup>th</sup> September 2006 pursuant to the Partial Arbitral Award dated 31<sup>st</sup> March 2005 in the Dispute stated above at (i) and Interim Award dated 12<sup>th</sup> February 2004 and Partial Award dated 23<sup>rd</sup> December 2004 in the Dispute stated above at (ii). The Company has disputed such demand and is instead seeking refund of USD 16.70 Million excess paid by the Company to the GOI with interest thereon.
- Any further sum required to be paid or returnable in respect of dispute above at (a) to (e) in accordance with the determination of the amount by Hon'ble Arbitral Tribunal/ High Courts in this behalf shall be accounted for on the final outcome in this regard.
3. In case of parent company, the gross block of the Fixed Assets includes Rs. 9,245.73 million (Previous period Rs. 9,518.45 million) on account of revaluation of Plant and Machinery as at 01.04.1998 and 01.10.2002. The additional depreciation of Rs. 1,484.52 million for the period 01.10.2005 to 30.09.2006 consequent to the said revaluation has been charged to the Profit and Loss Account and an equivalent amount has been withdrawn from General Reserve and credited to the Profit and Loss Account.

4. EKL Appliances Limited formerly known as Electrolux Kelvinator Limited, (EKL or the amalgamating Company) has been amalgamated with the Company with effect from 1st January, 2005 (the appointed date) in terms of the Scheme of Amalgamation (the Scheme) sanctioned by the Hon'ble High Court of judicature at Bombay vide its order dated 30th June, 2006. The Scheme has become effective on 21st July 2006. For giving effect to the Scheme, the following accounting treatment has been given in the accounts:

- a) Amalgamation has been accounted for under the "Pooling of Interest Method" as prescribed by Accounting Standard - 14 "Accounting for Amalgamations" issued by the Institute of Chartered Accountants of India. Accordingly, the assets and liabilities and reserves of EKL have been recorded at their book values in the accounts of the Company.
- b) EKL was mainly engaged in the business of manufacturing, marketing and distribution of household appliances. In accordance with the Scheme, the entire business and undertaking of EKL stands transferred and vested in the Company with effect from the appointed date i.e. 01st January, 2005. Pursuant to the Scheme, in consideration of the said transfer, 416 equity shares of Rs.10/- each fully paid up of the Company have to be issued and allotted at par to the shareholders of EKL. Pending the allotment of the said equity shares pursuant to the Scheme, the amount has been shown as "Share Capital Suspense." The difference between the paid up value of the shares allotted and the paid up value of the Equity share Capital of EKL amounting to Rs. 4,484.43 million and value of Preference Share Capital of Rs. 1,650.00 million have been adjusted against the Reserves.
- c) As the effective date falls after 30th September, 2005, the losses of EKL amounting to Rs. 1,580.03 million for the period from 01st January 2005 to 30th September 2005 have been adjusted in the Reserves, as the accounts for the period upto 30th September 2005 of the Company, have been closed and approved.
- d) The summarized Profit and Loss Account of EKL for the period from 01st January 2005 to 30th September 2005 is given below:

	<u>Rs. Million</u>
<b>Income</b>	
Sales/Income from operations	2,499.06
Other Income	78.82
	<u>2,577.88</u>
<b>Expenditure</b>	
Cost of goods Sold/Traded	2,472.39
Administrative & General Expenses	1,490.27
Interest and Finance Charges	65.11
Depreciation	142.55
	<u>4,170.32</u>
Loss before tax and exceptional items (a-b)	(1,592.44)
Exceptional Items	15.39
Fringe Benefit Tax	(2.98)
Net loss for the period	<u>(1,580.03)</u>

5. During the year certain revalued assets have been disposed off. As required by Accounting Standard - 10 "Accounting for Fixed Asset", after adjusting the net value of those assets of Rs.13.64 million (Previous period Rs.NIL) relating to the increase which was previously recorded as a credit to Revaluation Reserve the balance amount of Rs. 259.07 million (Previous Period Rs.NIL) standing in revaluation reserve relating to those assets has been transferred to General Reserve.

	<u>As at</u>	<u>As at</u>
	<u>30th September,</u>	<u>30th Sept.,</u>
	<u>2006</u>	<u>2005</u>
	<u>(Rs. In Million)</u>	<u>(Rs. In Million)</u>

6. The major components of deferred tax liabilities/assets are as under:

<b>a) Deferred Tax Liabilities</b>		
i) Related to Depreciation on Fixed Assets & amortisation	2,798.24	2,555.95
ii) Others	-	15.44
	<u>2,798.24</u>	<u>2,571.39</u>
<b>b) Deferred Tax Assets</b>		
i) Related to Unabsorbed Depreciation and Business Loss	1,139.23	986.26
ii) Expenses charged in the financial statements but allowable as deduction in future years under the Income Tax Act, 1961	21.30	26.50
iii) Diminution in value of investments charged in Profit & Loss Account	40.74	36.59
iv) Others	65.51	-
	<u>1,266.78</u>	<u>1,049.35</u>
Net Deferred Tax Liability	<u>1,531.46</u>	<u>1,522.04</u>

# VIDEOCON INDUSTRIES LIMITED

## 7. Joint Venture Disclosure:

### Unincorporated Joint Venture

- a) Ravva Oil & Gas Field:  
The Production Sharing Contract (PSC) in respect of Ravva Oil and Gas Field was entered into on 28th October 1994 (Effective Date) between the President of India on behalf of the Government of India and contractor parties viz. Oil and Natural Gas Corporation Ltd., erstwhile Petrocon India Limited (now amalgamated with the Company), Cairn Energy India Pty Limited and Ravva Oil (Singapore) Pte. Ltd. The contractor parties have pursuant to the PSC, entered into a Joint Operating Agreement on the Effective Date. Cairn Energy India Pty Ltd. is the Operator. The participating interest of the Company in the said PSC is 25%.
- b) The Consortium comprising the Company, Oilex NL Australia, GAIL India Ltd., Hindustan Petroleum Ltd. and Bharat Petroleum Ltd. has been awarded the Block # 56, on the Eastern Plank of the Central Salt Producing Oil Field in Oman. The Exploration Production Sharing Agreement and Joint Operating Agreement has been executed on 28th June, 2006. The exploration drilling would be commenced after the acquisition of additional seismic data. The Participating interest of the Company in the said venture is 25%. The Capital Commitments of the Company based on estimated minimum work programme for first exploration period of three years in relation to it's participating interest is Rs. 344.43 million.
- c) Great Artesian Oil and Gas Ltd (GOG) holds 100% of EPP 27 offshore Otway Basin, South Australia which is in year 6 of the permit term. The Company, Oilex NL, Gujarat State Petroleum Corporation Ltd. and GOG have entered into Farm-in agreement and Joint Operating Agreement in February, 2006. The acquisition of 2D Seismic Data and drilling of one exploration well is in progress. The participating interest of the Company is 20%. The minimum work programme proposed in the bid application for seismic survey, data processing and drilling of one exploration well involves capital commitment in relation to it's participating interest of Rs. 194.53 million.
- The Financial Statements reflect the share of the Company in the assets and the liabilities as well as the income and the expenditure of Joint Venture Operations on a line by line basis. The Company incorporates its share in the operations of the Joint Venture based on statements of account received from the Operator.
8. The Company has kept the investment activities separate and distinct from the normal business. Consequently, all the income and expenditure pertaining to investment activities have been allocated to the Investments & Securities Division and the income/loss after netting off the related expenditure has been shown as "Income/(Loss) from Investments & Securities Division" under "Other Income".

	For the year ended 30th September, 2006 (Rs. Million)	For the year ended 30th September, 2005 (Rs. Million)
--	--	--

### 9. The Income from Investments and Securities Division includes:

	For the year ended 30th September, 2006 (Rs. Million)	For the year ended 30th September, 2005 (Rs. Million)
i. Dividends:		
on Long Term Investments	15.35	9.46
ii. Debenture/Bond - Interest/Premium		
on Long Term Investments (TDS Rs.3,186,264 (Previous Period Rs.130,432/-))	14.20	0.58
iii. Gain / (Loss) on Sale of Investment		
a. Long Term	172.12	19.84
b. Current	(14.77)	-

### 10. Earnings Per Share:

i. Net Profit attributable to Equity Shareholders		
Net Profit as per Profit & Loss Account	7,923.37	3,983.95
Less : Dividend on Preference Shares including Tax on the same	38.62	28.45
Net Profit attributable to Equity Shareholders including exceptional Items	7,884.75	3,955.50
Add/(Less): Exceptional Items (net of taxes)	(131.35)	1,741.75
Net Profit attributable to Equity Shareholders excluding exceptional Items	7,753.41	5,697.25
ii. Weighted Average number of equity shares for Basic EPS	220,986,249	170,626,962
Weighted Average number of equity shares for Diluted EPS	220,986,249	170,627,437
iii. Basic Earnings per Share including exceptional items	35.68	23.18
Diluted Earnings per Share including exceptional items	35.68	23.18
Basic Earnings per Share excluding exceptional items	35.09	33.39
Diluted Earnings per Share excluding exceptional items	35.09	33.39
iv. Reconciliation of weighted average Numbers of Equity Shares outstanding during the period		
For Basic Earning Per Share	220,986,249	170,626,962.00
Add : Adjustment for weighted Shares on account of pending GDR	--	475.00
For Diluted Earning Per Share	220,986,249	170,627,437.00

Potential Equity Shares are anti-dilutive and hence ignored for calculating diluted Earning Per Share.

11. The Company has invested an amount of Rs. 885.18 million (Net of diminution) in units of mutual funds out of which investments to the extent of Rs. 552.54 million have been earmarked against provision for abandonment cost included under the head 'Other Liabilities' in Schedule 8.

12. As per the terms of the 42,00,000 Non Convertible Debentures of Rs.100/- each, aggregating to Rs.420.00 million shown under "Secured Loans", the date of redemption is 20th November, 2006.

These debentures were held as such pending the implementation of the arrangement for the equity contributions into a group company by its JV partner, pending regulatory compliances. There are series of disputes between the said group company and its JV partner, currently in the arbitration.

The company has been legally advised that there will not be any liability either on account of the redemption or as the case may be, for the coupon payments pertaining to these debentures.

In view of this, although the principal amount of debentures has been shown under the head "Secured Loans", no provision for interest payable on the same and towards the redemption amount has been made in the books of account.

### 13. Related Party Disclosures

As required under Accounting Standard 18 on "Related Party Disclosure", the disclosure of transaction with related parties as defined in the Accounting Standard are given below.

#### a) List of Related Parties

- i) Associate and Joint Venture
- Ravva Oil & Gas Field (unincorporated) Joint Venture - Participating Interest 25%
  - Videocon India - Enterprise in which Director is a partner
  - Evans Fraser & co. (India) Ltd.- Associate
- ii) Key Management Personnel
- Mr. Venugopal N. Dhoot - Chairman & Managing Director
  - Mr. Pradeepkumar N. Dhoot - Whole time Director
  - Mr. Chirstian Bozzi
  - Mr. Francois Petrait
  - Mr. Terry Moody
  - Mr. Tadeusz Han
  - Mr. Marco Padela
  - Mr. Sanjay Karwa

#### b) Transactions/outstanding Balances with Related Parties :

The company has entered into transactions with certain related parties as listed below. The Board considers such transactions to be in normal course of business.

(Rs. Million)

Nature of Transaction	Associates/ Joint Venture	Key Management Personnel
Contribution towards share of expenditure	470.21 (464.27)	
Remuneration		64.27 (NIL)
<b>Outstanding as at 30th September 2006</b>		
Receivable from unincorporated Joint Venture	2.18 (3.34)	
Payable to unincorporated Joint Venture	0.29 (NIL)	

14. The funds mobilised by issue of Convertible Bonds have been utilised for the object of the issue i.e. for expansion of glass shell manufacturing facilities, expansion of consumer electronics and household appliances business and global CPT business

### 15. Segment Information

i) The Company and its subsidiaries have identified two reportable segments viz. Crude Oil & Natural Gas and Consumer Electronics & Home Appliances. Segments have been identified and reported taking into account nature of products and services, the differing risks and return

a) Segment revenue and expenses include the respective amounts identifiable to each of the segments on the basis of relationship to operating activities of the segment as also amounts allocated on a reasonable basis. Revenue and expenses which relate to enterprise as a whole and are not allocable to a segment on reasonable basis have been disclosed as "Unallocable"

b) Segment assets and segment liabilities represent assets and liabilities in respective segments. Investments, tax related assets and other corporate assets and liabilities that cannot be allocated between the segment are disclosed as "Unallocable".



c) Primary Segment Information - Business segment:

(Rs. Million)

Particulars	Crude Oil & Natural Gas		Consumer Electronics & Home Appliances		Others		Total	
	30th Sept. 2006	30th Sept. 2005	30th Sept. 2006	30th Sept. 2005	30th Sept. 2006	30th Sept. 2005	30th Sept. 2006	30th Sept. 2005
1. Segment Revenue								
- External	14,394.14	14,316.52	115,239.57	53,599.18	-	1,219.45	129,633.71	69,135.15
- Inter Segment	-	-	-	-	-	-	-	-
Total Segment	14,394.14	14,316.52	115,239.57	53,599.18	-	1,219.45	129,633.71	69,135.15
2. Segment Result before Interest	4,824.34	4,339.89	4,999.65	2,866.51	-	(21.97)	9,823.99	7,184.43
Less: Interest Expenses	-	-	-	-	-	-	3,414.47	2,679.68
Add/(Less) Other Unallocable	-	-	-	-	-	-	2,040.42	(339.06)
Profit before Exceptional Items, Minority Interest, Share of Profit of Associate and Taxation	-	-	-	-	-	-	8,449.94	4,165.69
Add/(Less) : Exceptional Items	-	-	-	-	-	-	131.35	(1,901.79)
Add: Adjustment on Disposal of Subsidiaries	-	-	-	-	-	-	147.10	39.64
Less : Provision for Current Tax	-	-	-	-	-	-	916.72	209.82
Less : Provision for Deferred Tax	-	-	-	-	-	-	51.02	(1,870.24)
Less : Provision for Fringe Benefit Tax	-	-	-	-	-	-	15.42	4.02
<b>Profit for the year before Minority Interest and Share of Profit of Associate</b>	-	-	-	-	-	-	7,745.23	3,959.94
Share of Profit in Associate Company							23.43	-
Minority Interest							(156.67)	-
Excess provision for Income Tax for earlier years written back							3.95	24.01
Prior Period Adjustments							307.43	-
<b>Net Profit for the year</b>							7,923.37	3,983.95

	Crude Oil & Natural Gas		Consumer Electronics Home Appliances		Unallocable		Total	
	30th Sept. 2006	30th Sept. 2005	30th Sept. 2006	30th Sept. 2005	30th Sept. 2006	30th Sept. 2005	30th Sept. 2006	30th Sept. 2005
3. Other Information								
Segment Assets	3,502.87	2,585.10	147,726.32	97,135.54	11,794.13	12,067.60	163,023.32	111,788.24
Segment Liabilities	1,809.15	2,473.64	92,567.18	57,706.23	3,105.73	5,665.90	97,482.06	65,845.77
Capital Expenditure	22.26	24.58	16,804.89	5,738.72	26.10	18.20	16,853.25	5,781.50
Depreciation	106.08	189.27	4,288.33	2,082.90	86.12	55.04	4,480.53	2,327.21
Non Cash Expenses other than depreciation	177.36	118.75	-	-	0.02	0.10	177.38	118.85

ii) Secondary Segment Information

Particulars	Within India	Outside India	Total
a. Segment Revenue - External Turnover	94,085.49	35,548.22	129,633.71
b. Segment Assets	103,085.00	59,938.32	163,023.32
c. Segment Liabilities	69,223.61	28,258.45	97,482.06
d. Capital Expenditure	13,687.43	3,165.82	16,853.25

As per Accounting Standard 17 on segment reporting (AS-17) issued by the Institute of Chartered Accountants of India, the Company has reported segment information on consolidated basis including the business conducted through its subsidiaries.

16. Capital Reserve on consolidation is net of Goodwill on consolidation of Rs. 79.90 million.
17. The brought forward losses, in Profit & Loss Account, includes the losses of Rs.1.24 million of Videocon (Mauritius) Infrastructure Venture Ltd. upto 30th Sept., 2005, as the said subsidiary is considered for consolidation w.e.f 1st October, 2005.
18. The figures for the current period ended 30th September,2006 are not comparable with those of the previous period as:
  - a) the current year's figures are for a period of 12 months as against 15 months in the previous period.
  - b) the current year's figures include operation of erstwhile VIDEOCON INTERNATIONAL LTD. for the full period of 12 months as against in 9 months in the previous period consequent to the amalgamation with the company w.e.f. 31.12.2004.
  - c) the current year's figures include operation of erstwhile EKL APPLIANCES LTD for the full period of 12 months consequent to its amalgamation with the company effective 1st January 2005 and
  - d) the figures of the previous period includes operations of business of sale and distribution of lotteries for the period of 8 months
19. Figures in respect of previous year have been regrouped and recasted wherever necessary to make them comparable with those of current year.

**CONSOLIDATED CASH FLOW STATEMENT**

	Year ended on 30th September, 2006 Rupees	Period ended on 30th Sept., 2005 Rupees		Year ended on 30th September, 2006 Rupees	Period ended on 30th Sept., 2005 Rupees
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			Less:		
Net Profit before Tax	8,449,939,803	4,165,696,786	Increase in Fixed Assets including Capital Work-in-progress (including net additions on amalgamation)	37,046,254,978	41,556,661,292
Add:			Increase in Producing Properties	103,502,867	697,782,192
a) Depreciation	4,480,526,835	2,327,206,952	Purchase of Investments (Net)	771,608,491	1,788,302,617
b) Interest and Finance Charges	3,414,467,442	2,542,632,786	Increase in Miscellaneous Expenditure	-	88,540
c) Producing Properties written off	177,363,117	118,750,149	<b>TOTAL</b>	<b>37,921,366,336</b>	<b>44,042,834,641</b>
d) Provision for Leave Encashment	78,868,131	26,364,502	Net Cash generated from Investing Activities	(33,682,189,853)	(43,615,570,190)
e) Provision for Warranty and Maintenance Expenses	296,090,129	-	<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
f) Provision for Retirement Benefits	1,612,035,494	-	- Increase in Share Capital including amalgamation	603,197,740	1,736,410,950
g) Provision for Restructuring Cost	62,255,949	-	- Increase in Share Capital suspense including amalgamation	4,160	556,826,740
h) Provision for Contingencies	132,640,661	-	- Increase in Reserves on amalgamation	1,500,000	20,816,560,759
i) Miscellaneous Expenditure written off	20,235	144,763	- Securities Premium Received and addition on amalgamation	93,417,720	20,407,077,275
j) Prior Period Adjustments	307,435,067	-	- Capital Reserve on Consolidation	15,578,898,414	-
k) Diminution in value of Investment	12,343,573	-	- Goodwill on Consolidation	79,897,529	(79,871,642)
l) Share of Profit in Associate Company	23,427,740	-	- Minority Interest	443,024,890	-
<b>TOTAL</b>	<b>19,047,414,176</b>	<b>9,180,795,938</b>	- Foreign Currency Translation Reserve on Consolidation	201,675,259	96,098,877
Less:			- Earlier period Loss of Subsidiary	(1,244,683)	-
a) Income from Investments	-	647	- Transfer of Deferred Tax Liabilities on amalgamation	504,318	3,640,911,193
b) Interest Received	599,322,432	196,872,087	- Increase in Secured Non Convertible Debentures	-	5,863,972,553
c) Write back of diminution in value of Investment	234,549,786	13,210,940	- Increase in Secured Term Loans from Banks	8,647,225,400	31,683,389,524
d) Income from Investment Division	467,077,045	148,766,955	- Increase in Unsecured Loans	12,757,874,901	2,063,194,914
e) Minority Interest for the year	156,667,280	-	- Increase in Working capital Loan	305,627,503	1,669,840,027
f) Exceptional Items	(131,345,978)	1,901,788,861	- Increase in Share Application Money	(94,039,720)	95,589,720
g) Profit on Sale of Fixed Asset	2,248,652,475	-	- Preference Share Capital of JV entity	-	(10,000,000)
<b>TOTAL</b>	<b>3,574,923,040</b>	<b>2,260,639,490</b>	- Increase in Revaluation Reserve	39,784,537	-
Cash generated from Operating Activities before Working Capital changes	15,472,491,136	6,920,156,448	- Associates Equity	-	-
Adjustments (including on amalgamation) :			<b>TOTAL</b>	<b>38,657,347,968</b>	<b>88,540,000,890</b>
a) Inventories	(11,609,458,108)	(8,844,126,030)	Less:		
b) Sundry Debtors	(8,516,987,592)	(25,223,974,941)	- Decrease in share capital suspense	556,826,740	-
c) Other Current Assets	(412,474,635)	(141,832,745)	- Amalgamation Adjustment Account	1,763,165,035	-
d) Loans & Advances	3,585,154,248	(18,104,985,398)	- Decrease in Secured Non Convertible Debentures	1,878,794,681	-
e) Current Liabilities	8,645,088,387	20,010,823,795	- Securities Premium on account of Share issue expenses and premium on convertible bonds	145,227,202	-
Cash generated from Operating Activities	7,163,813,436	(25,383,938,871)	- Payment Dividend	587,753,967	-
Add: Income Tax Paid	(531,736,143)	(192,124,007)	- Corporate Tax on Proposed Dividend	82,349,022	-
Add: Fringe Benefit Tax Paid	17,432,572	-	- Interest and Finance Charges Paid	3,414,467,442	2,542,632,786
Net Cash generated from Operating Activities	6,614,644,721	(25,576,062,878)	<b>TOTAL</b>	<b>8,428,584,089</b>	<b>2,542,632,786</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>			Net Cash generated from Financing Activities	30,228,763,879	85,997,368,104
Sale of Fixed Assets (Net)	3,025,681,403	41,984,139	Net Change in Cash and Cash Equivalents	3,161,218,747	16,805,735,036
Profit on Sale of Investments (Net)	-	647	Opening Balance of Cash and Cash Equivalents	16,809,436,914	3,701,878
Interest Received	599,322,432	196,872,087	Closing Balance of Cash and Cash Equivalents	19,970,655,661	16,809,436,914
Adjustment on Disposal of Subsidiaries	147,095,603	39,640,623			
Income from Investment Division	467,077,045	148,766,955			
<b>TOTAL</b>	<b>4,239,176,483</b>	<b>427,264,451</b>			

As per our report of even date

 For **KHANDELWAL JAIN & CO.**  
Chartered Accountants

 For **KADAM & CO.**  
Chartered Accountants

For and on behalf of the Board

**SHIVRATAN AGARWAL**  
Partner  
Membership No. 104180

**U. S. KADAM**  
Proprietor  
Membership No. 31055

**V.N.DHOOT**  
Managing Director

**S. PADMANABHAN**  
Director

 Place : Mumbai  
Date : 31<sup>st</sup> January, 2007

**VINOD BOHRA**  
Company Secretary

**PROXY FORM**

**VIDEOCON INDUSTRIES LIMITED**

Regd. Office : Auto Cars Compound, Adalat Road, Aurangabad – 431 005

Regd. Folio No./Client ID No. ....

I/We ..... of

..... in the district of

..... being a member / members of the above

named Company hereby appoint ..... of

..... in the district of ..... or failing him

..... of ..... in the

district of ..... as my/our proxy to vote for me/our behalf at the 18th ANNUAL GENERAL MEETING of the Company to be held on Friday, March 30, 2007 at 9.30 A.M. at Registered Office of the Company at Auto Cars Compound, Adalat Road, Aurangabad – 431 005 and at any adjournment thereof.

Signed this ..... day of ..... 2007.

Affix  
Rupee 1/-  
Revenue  
Stamp

TEAR HERE

NOTE : This form duly completed and signed should be deposited at the Registered Office of the Company not later than 48 hours before the time of the Meeting.

**ATTENDANCE SLIP**

**VIDEOCON INDUSTRIES LIMITED**

Regd. Office : Auto Cars Compound, Adalat Road, Aurangabad – 431 005

**18th ANNUAL GENERAL MEETING**

Regd. Folio No./Client ID No.: ..... No. of Shares held .....

I certify that I am a registered Shareholder/Proxy for the registered Shareholder of the Company.

I hereby record my presence at the 18th ANNUAL GENERAL MEETING of the Company to be held on Friday, March 30, 2007 at 9.30 A.M. at Registered Office of the Company at Auto Cars Compound, Adalat Road, Aurangabad – 431 005.

.....  
Member's / Proxy's Name in Block Letters

.....  
Member's / Proxy Signature

NOTE : Please fill in this attendance slip hand it over at the ENTRANCE OF THE HALL. Please read errata for typesetting matter.

# BOOK-POST

*If undelivered, please return to :*

**MCS LIMITED**

**Unit : VIDEOCON INDUSTRIES LIMITED**

Harmony, 1st Floor, Sector 1,  
Khanda, New Panvel (West) - 410 206,  
District - Raigad (Maharashtra)