

## **C O N T E N T S**

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**V-GUARD INDUSTRIES LIMITED**

Registered Office : 33/2905 F, Vennala High School Road, Vennala, Kochi-682028

Ph: 0484 3005000; E-mail: mail@vguard.in; Website: www.vguard.in

**FOURTEENTH ANNUAL REPORT 2009-2010****Board of Directors**

Shri. P G R Prasad  
Shri. Kochoseph Chittilappilly  
Dr. George Sreeba  
Shri. Mithun K Chittilappilly  
Shri. C J George  
Shri. A K Nair

Chairman  
Managing Director  
Joint Managing Director  
Executive Director  
Director  
Director

**Chief Financial Officer**

Shri. A Jacob Kuruvilla

**Company Secretary**

Smt. Jayasree K

**Bankers**

State Bank of India  
The Dhanalakshmi Bank Ltd.  
Standard Chartered Bank  
HDFC Bank Ltd.  
Citi Bank  
Punjab National Bank  
Yes Bank Ltd.  
ING Vysya Bank Ltd.

**Registrar & Share Transfer Agents**

Link Intime India Private Limited  
Surya, 35, May Flower Avenue,  
Behind Senthil Nagar, Souripalayam Road,  
Coimbatore-641028  
Phone: 0422-2314792  
Email: [coimbatore@linkintime.co.in](mailto:coimbatore@linkintime.co.in)

**Auditors**

Deloitte Haskins and Sells  
Chartered Accountants  
Kochi-682016

**Plant Locations****Cable & Solar**

K G Chavadi, Survey No.569/2A  
566/2, Ettimadai Village,  
Coimbatore-641105

6<sup>th</sup> K M Stone, Moradabad Road,  
Khasra No.86, Village Basai,  
Kashipur, Udhamasingh Nagar Dist.

**Listed at**

The National Stock Exchange of India Limited  
The Bombay Stock Exchange Limited

**Electrical & Electro Mechanical Divisions**

2/113 E, Karayampalayam Road,  
Mylampatti Post, Coimbatore-641014

Vill. Bankebada, P.O. Moginand,  
Tehsil Nahan, District Sirmour  
Himachal Pradesh-173 030.



**Chairman's Message 2009-10****Dear Shareholders,**

I am happy to address you with the annual performance of the fiscal 2009-10. The year under review was indeed a successful and eventful year for your company that witnessed V-Guard moving to the next phase of growth in terms of robust top line and also with a good geographical spread in the new markets. Though the effect of the global recession was lingering in the country in the first half of the fiscal, the economy showed good recovery and recorded higher industrial production in the second half. Moreover, Indian economy is witnessing a 'durables revolution' in the recent years. Increase in disposable income level and media reach, rise in education levels and better electrification spreads have all collectively contributed for the increase in demand for consumer durables. With innovative strategies and focused approach, your company was able to exploit the emerging opportunities to its advantage.

Let us analyse the performance of the Company in terms of financial results. Your Company has recorded net revenue of Rs.45,408.91 lakhs during the year under review, an increase of 43.35% over the previous year of Rs.31,677.67 lakhs. The Net Profit after tax has also increased from Rs.1,734.65 lakhs in 2008-09 to Rs.2,547.26 lakhs in 2009-10, an increase of 46.85%. This growth was made possible through a well-framed strategy for penetrating the new north Indian markets and by increasing the market share by extending the presence to tier II & III cities of existing south Indian markets.

While ensuring quality and reliability of the existing products, your company has been able to add new models to its product range. Efforts were also made to develop models to meet the specific demands of the local markets. In the area of Stabilizers, your company could maintain its leading position in the market with various models that meet specific requirements of the customer segments. In terms of products, wires, stabilizers, pumps and electrical water heaters have contributed more to the revenue.

Your Company was able to increase the channel partners, by adding more distributors, direct dealers and suppliers for outsourced products. A significant achievement during the year was the starting of production from the LT control and power cables production unit at coimbatore and getting the product certified by reputed test labs and certification bodies in the country. The increase in the capacity utilization of the factories set up for producing wires and LT Cable at Kashipur and Coimbatore has significantly contributed to achieving the ambitious target set for the fiscal. All out efforts were made to increase the customer base both in the retail and project segment. All these efforts are continuing and we expect better growth for the company in the years ahead.

In the area of improvements in productivity, improvement in quality and reduction in costs, your company is implementing a number of projects to sustain its competitiveness. A "Line Balancing" study for the purpose of optimizing the utilization of all machines and to improve production and productivity has been undertaken at both the cable units at Coimbatore and Kashipur. The capacity at the Cable unit in Coimbatore is expected to be doubled from the current level after the line balancing. Further, to reduce the generation of short length cables due to frequent power failure and also to improve the quality of insulation, your company is installing a 600 KVA on-line UPS for the extruders. During the year, both the cable units have switched over its production from normal PVC insulated cables to FR PVC insulated cables and BIS certification was also obtained. After the commissioning

of the Kashipur facility, the Coimbatore Unit is utilizing its capacity for the manufacture of multi core and higher sized cables. The solar Division also could launch new products in the market during the year and has undertaken a number of cost reduction measures to make its products competitive. A major achievement in this area was the development of a successful model for the winter season which has helped in improving the market share especially in north Indian states.

In the Human Resources Development area also your company is in the forefront in organizing a number of training and management development programmes for up- grading the knowledge and skills of its employees .

With the objective of strengthening the manufacturing facilities and capabilities, your Company has acquired 34.66 acres of land at Perundurai, near Erode Dist., on lease for a period of 99 years from SIPCOT, Chennai. Your Company was able to identify suitable land at Hubli and acquired it for construction of distribution cum service center. Your Directors expect to complete the remaining two projects envisaged in the offer document for public issue by the end of the fiscal 2010-11.

I am happy to announce that considering the improved profitability, the Board has recommended a dividend of Rs.3.00 per share on the paid-up share capital of the Company.

To speak on the way ahead, the year 2010-11 seems to be another year of robust growth for your company. We need to stay focused on meeting the customer demands by introducing more number of models of various products with additional features and which would suit to the local demands. Thrust will be given to procure more project and institutional orders for LT Cables and the number of channel partners will be increased wherever the same is required. Your Management hopes that the desired goals can be achieved with the contribution of highly motivated and innovative team of employees we have at all levels and with them I am confident of taking your Company to greater heights in the years to come and our brand will enjoy increased status of a trusted name in the household.

I sincerely extend my gratitude to all the stake holders of the Company – distributors, direct dealers, suppliers, various govt. authorities, consultants, bankers, employees and all those who are related with the Company directly or indirectly for the support extended to us for achieving the desired growth and look forward to get the same in the future.

With Best Wishes

Kochi  
28<sup>th</sup> May, 2010

Sd/-  
**P G R Prasad**  
**Chairman**

## NOTICE

NOTICE is hereby given that the Fourteenth Annual General Meeting of the members of V-Guard Industries Limited will be held at Hotel International, Veekshanam Road, Kochi-682035, on Monday the 26<sup>th</sup> July, 2010 at 10.00 A.M to transact the following business:

### Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as on 31<sup>st</sup> March, 2010 and Profit and Loss Account of the Company for the year ended on that date together with the Directors' Report and the Auditors' Report thereon.
2. To declare final dividend for the year 2009-10 on Equity Capital.
3. To appoint a Director in place of Mr. C J George, who retires by rotation and being eligible, offers himself for re-appointment.
4. To re-appoint the Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting by passing the following resolution, as an ordinary resolution, with or without modification(s).

RESOLVED THAT pursuant to the provisions of Section 224 of the Companies Act, 1956, M/s Deloitte Haskins & Sells, Chartered Accountants, with firm Registration No. 008072S, be and are hereby re-appointed as the Auditors of the Company till the conclusion of the next Annual General Meeting and the Board of Directors of the Company be and are hereby authorized to fix their remuneration.

### Special Business

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

RESOLVED THAT Dr. George Sreeba, who was appointed as an Additional Director of the Company, with effect from 27<sup>th</sup> May, 2010, pursuant to Article 126 of the Articles of Association of the company and Section 260 of the Companies Act, 1956 and who holds office up to the date of this Annual General Meeting and in respect of whom the company has received a notice in writing from a member under Section 257 of the Companies Act, 1956, alongwith a deposit of Rs 500/- proposing his candidature for the office of Director of the Company, be and is hereby elected and appointed as a Director of the Company liable to retire by rotation.

6. To consider and if thought fit, to pass with or without modification(s) the following Resolution as a Special Resolution:

RESOLVED THAT pursuant to the provisions of sections 198, 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereto (including any statutory modification(s) or re-enactment thereof for the time being in force) and subject to

the Articles of Association of the Company and subject to such approvals and sanctions as may be necessary, the Company hereby accords its consent and approval for the appointment of Dr. George Sreeba, as the Joint Managing Director of the Company for a period of three years with effect from 01<sup>st</sup> June, 2010 to 31<sup>st</sup> May, 2013.

RESOLVED FURTHER THAT subject to necessary approvals and the provisions of Sections 198, 269, 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force) and subject to an overall limit of 5 % of the net profits of the Company for each financial year computed in the manner prescribed in Sections 349 and 350 of the Companies Act, 1956, consent and approval be and are hereby given for payment of remuneration to Dr. George Sreeba, Joint Managing Director with effect from 1<sup>st</sup> June, 2010 to 31<sup>st</sup> May, 2013 as set out in the Explanatory Statement to this Notice, which remuneration have been approved by the members of Remuneration Committee and the Board of Directors at their respective meetings held on 27<sup>th</sup> and 28<sup>th</sup> May, 2010 and on the terms and conditions as set out in the Agreement dated 28<sup>th</sup> May, 2010 entered into between the Company and Dr. George Sreeba, which agreement is hereby specifically approved, with the liberty to the Board of Directors to alter, vary and modify the terms and conditions of the said appointment and/or remuneration in such manner as may be agreed to between the Board of Directors and Dr. George Sreeba.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year during the currency of tenure of Dr. George Sreeba, as Joint Managing Director, the remuneration payable to him shall be governed by section II of Part II of Schedule XIII of the Companies Act, 1956 or any modifications thereto and the same shall not, except with the approval of the Central Government, exceed the limits prescribed under the Companies Act, 1956 and rules made there under or any statutory modification or re-enactment thereof.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to take such steps and do all other acts, deeds and things as may be necessary or desirable to give effect to this resolution.

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

RESOLVED THAT in accordance with the provisions of Sections 198, 309, 310 and other applicable provisions, if any of the Companies Act, 1956 ("the Act") read with Article 129 of the Articles of Association of the Company and subject to such approvals, consents and sanction as may be required, consent of the members be and the same is hereby accorded for payment of remuneration in the form of commission to Mr. P G R Prasad, Chairman of the Board of Directors of the Company and who is a non-executive Director, for a period of five financial years commencing from 1<sup>st</sup> April, 2010 to 31<sup>st</sup> March 2015 and that the commission payable to him shall not exceed 1% of the net profits of the Company for each financial year computed in accordance with the provisions of Sections 349 and 350 of the Act.





RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to decide the amount of commission payable to Mr. P G R Prasad, for each financial year.

RESOLVED FURTHER THAT the commission payable to Mr. P G R Prasad shall be exclusive of sitting fee payable to him for attending meetings of the Board or Committees thereof.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to take all such steps as may be necessary or expedient to give effect to the resolution.

By Order of the Board,

Sd/-

**Jayasree K.**  
**Company Secretary**

Kochi  
28<sup>th</sup> May, 2010

**Notes:**

1. **A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy so appointed need not be a member of the company.** A blank form of proxy is enclosed and if intended to be used, should be lodged with the company at the registered office at least 48 hours before the commencement of the meeting. Proxies submitted on behalf of limited companies, societies, etc must be supported by appropriate resolutions / authority as applicable.
2. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business under item Nos. 5, 6 & 7 above, is annexed hereto. As per clause 49 of the Listing Agreement with Stock Exchanges, the brief resume and functional expertise of the Independent Director proposed for reappointment and of the Joint Managing Director proposed for appointment are furnished below along with the details of Companies in which they are directors and the details of Board Committees of which they are members.
3. The Register of Members and Transfer Books of the Company will be closed from 16<sup>th</sup> July, 2010 to 26<sup>th</sup> July, 2010, both days inclusive. If the final dividend as recommended by the Board of Directors is approved at the meeting, payment of such dividend will be made on or after 26<sup>th</sup> July, 2010 as under:
  - a) To all beneficial owners in respect of shares held in electronic form as per the data as may be made available by the National Securities Depository Limited and the Central Depository Services (India) Limited on 15<sup>th</sup> July, 2010.
  - b) To all members in respect of shares held in physical form after giving effect to valid transfers in respect of transfer requests lodged with the company on or before the close of business hours on 15<sup>th</sup> July, 2010.
4. Members holding shares in Dematerialised form may kindly note that their address and Bank account details, as furnished by their depositories to the company, shall be printed on the Dividend Warrants as per applicable regulations of the depositories. Members who wish to change their address / Bank account details are requested to advise their Depository Participants about such change.
5. Members who wish to seek/desire any further information/clarification on the annual accounts are requested to send their queries at least 48 hours in advance of the date of the meeting to the registered office.
6. Members holding shares in physical form are requested to advise any change of address immediately to M/s. Link Intime India Private Limited. Members holding shares in electronic form must send the advise about the change in address to their respective Depository Participant on or before 12<sup>th</sup> July, 2010.
7. Members are requested to bring their copies of Annual Report at the time of the meeting and to quote their Folio Nos / Client ID Nos in all correspondence.

8. Members who have not opted for ECS facility earlier are requested to fill up the enclosed mandate form and forward the same to M/s. Link Intime India Private Limited, latest by 15<sup>th</sup> July, 2010 to avail the ECS facility; members who have already availed the ECS facility may intimate M/s. Link Intime India Private Ltd., of any change in the Bank account details already furnished latest by 15<sup>th</sup> July, 2010.
9. Members who are holding shares in physical form and opts dividend warrant are also requested to intimate their Savings Account / Current Account No. and the name of the Bank & Branch with whom such account is held or of any change in the information already furnished to M/s. Link Intime India Private Limited latest by 15<sup>th</sup> July, 2010 to enable the printing of the said details on the Dividend Warrant to prevent fraudulent encashment of the same.
10. Members may note that the Registered Office of the Company was shifted to 33/2905 F, Vennala High School Road, Vennala, Kochi-682028 with effect from 1<sup>st</sup> January, 2010.

### **EXPLANATORY STATEMENT**

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

As required by section 173 of the Companies Act, 1956 (“the Act”), the following explanatory statements sets out all material facts relating to the business mentioned under Item Nos. 5, 6 & 7 of the accompanying Notice dated 28<sup>th</sup> May 2010.

#### **Item No. 5**

The Board of Directors has co-opted Dr. George Sleeba as an Additional Director of the company at their meeting held on 27<sup>th</sup> May, 2010. He is a graduate in Mechanical Engineering from Kerala University and M Tech in Industrial Engineering from IIT, Madras. He has also acquired post graduate diploma in Management from AIMA and Doctorate in Social Sciences from Cochin University of Science And Technology.

Dr. George Sleeba, was the Former Chairman and Managing Director of FACT Ltd., the biggest Central Public Sector Undertaking in the State of Kerala. He has more than 38 years of experience in various functional areas of management. He had been the Managing Director of two State Govt. Undertakings – Travancore Cements Ltd and Travancore Sugars & Chemicals Ltd. Your Board of Directors are of the opinion that his long standing experience and professional expertise on various fields of Management will help your Company to achieve higher growth in the years to come.

In terms of the provisions of Section 260 of the Act, Dr. George Sleeba holds office only up to the date of the ensuing Annual General meeting of the Company. Notice has been received from a member under section 257 of the Companies Act, 1956, along with the requisite deposit of Rs.500/- proposing the candidature of Dr. George Sleeba for the office of Director and signifying his intention to move the resolution as set out in Item No.5 of this notice.

The Directors recommend the ordinary resolution set out in Item No. 5 for approval of the shareholders.

Except Dr. George Sleeba, none of the Directors is concerned or interested in the resolution.

## Item No. 6

Your Directors have appointed Dr. George Sreeba as the Joint Managing Director of the Company for a period of three years with effect from 01<sup>st</sup> June, 2010 on the remuneration and other benefits as approved by the Remuneration Committee and the Board of Directors at their meetings held on 27<sup>th</sup> and 28<sup>th</sup> May, 2010 respectively and on the terms and conditions specified in the Agreement dated 28<sup>th</sup> May, 2010 entered into between the company and Dr. George Sreeba. The remuneration payable to Dr. George Sreeba is given herein below.

(Amt in Rs.)

Particulars	Per month	Per Annum
Basic Salary	1,80,000	21,60,000
House Rent Allowance (10 %)	18,000	2,16,000
Commission @ .50 % of the Net Profit and the amount of commission shall not exceed Rs.25,00,000/- in any Financial Year		
Maximum amount of Reimbursement of medical expenses		1,00,000
Personal Accident insurance premium not to exceed 2 % of the salary per annum		
Leave Travel Concession (Half month's Basic salary for every year)		
Annual Membership fees of two clubs		Actual
Vehicle Allowance	8,000	96,000
Petrol Reimbursement	8,000	96,000

Dr. George Sreeba, will not be entitled for sitting fee for attending the meetings of the Board or committees thereof.

Detailed resume of Dr. George Sreeba is given in the Annexure accompanying this Notice.

The appointment of Dr. George Sreeba as the Joint Managing Director with effect from 01<sup>st</sup> June, 2010 and the remuneration payable to him for the period of his appointment requires the approval of the Shareholders in General Meeting as per Schedule XIII to the Act. Accordingly, Special Resolution set out under Item No. 6 of the Notice is submitted to the Meeting for approval of the shareholders.

The terms of appointment of Dr. George Sreeba and the remuneration payable to him as set out in the resolution and explanatory statement may be regarded as an abstract of the terms and conditions and memorandum of concern or interest for the purpose of section 302 of the Act. A copy of the Agreement dated 28<sup>th</sup> May, 2010 entered into between the company and Dr. George Sreeba is available for inspection for the members of the company at the Registered office of the company on any working day during business hours upto the date of the ensuing Annual General meeting.

None of the Directors of the Company, except Dr. George Sreeba, is in any way, concerned or interested in the above resolution.

**Item No.7**

Your Directors have appointed Mr. P G R Prasad, as Chairman of the Board and he has been shouldering numerous responsibilities as outlined in the statute and ensuring the compliance of best corporate governance practices as stipulated by the market regulator. He is also acting as the Chairman of the Audit Committee and as a member of other sub-committees. The Chairman has been instrumental in chalking out various policies associated with the operations of the Company and also in adoption of best practices in governance related matters. His involvement in the activities of the Company demands considerable amount of his time. In order to remunerate him suitably, for the efforts put in by him for the business activities of the Company, Your Directors have proposed the payment of commission to Mr. P G R Prasad, for a period of 5 years from the financial year commencing from 1<sup>st</sup> April, 2010 to 31<sup>st</sup> March, 2015 and that the amount of commission payable to him shall be decided by the Board of Directors but the same shall not exceed 1% of the net profits of the Company for each financial year determined in accordance with the provisions of Sections 198, 309, 349 and 350 and other applicable provisions of the Companies Act, 1956. Such commission will be in addition to the sitting fees being paid to him by the Company for attending the Board / Committee Meetings of the Company.

Section 309 of the Companies Act, 1956 provides that a Director who is neither in the whole-time employment of the Company nor a Managing Director may be paid remuneration by way of commission, if the Company by special resolution, authorizes such payment.

Accordingly Your Directors recommend the special resolution set out under item no.7 of the Notice for approval of the shareholders.

None of the Directors of the Company, except Mr. P G R Prasad, is in any way, concerned or interested in the above resolution.

By Order of the Board,

Sd/-

**Jayasree K.**  
**Company Secretary**

Kochi  
28<sup>th</sup> May, 2010

**Details of Directors Seeking Appointment / Reappointment at the Annual General Meeting**

<b>Particulars</b>	<b>Mr. C J George</b>	<b>Dr. George Sreeba</b>
Date of Birth	22.03.1959	26.11.1949
Date of Appointment	16.08.2007	27.05.2010
Qualifications	<ul style="list-style-type: none"> <li>▶ M.Com</li> <li>▶ CFP, Specialised training in Merchant Banking, Underwriting, Securities Market and Commodities Market.</li> <li>▶ Research Scholar with the School of Management Studies of Cochin University of Science and Technology</li> </ul>	<ul style="list-style-type: none"> <li>▶ BSc (Engg) Mech, Kerala University</li> <li>▶ M Tech (Ind. Engg) IIT Madras</li> <li>▶ PGDM (AIMA)</li> <li>▶ Certificate in Training &amp; Development from Institute of Training &amp; Development (UK)</li> <li>▶ Advanced Training in Management Programme (British Council, UK)</li> <li>▶ Doctorate (Ph.D) in Management (CUSAT)</li> <li>▶ Fellow (AIMA)</li> <li>▶ Fellow (NIPM)</li> <li>▶ Life member of Indian Institution of Industrial Engineering.</li> </ul>
Directorship held in other Companies	<ul style="list-style-type: none"> <li>▶ Geojit BNP Paribas Financial Services Limited</li> <li>▶ Geojit Investment Services Limited</li> <li>▶ Geojit Credits Private Limited</li> <li>▶ Geojit Financial Distribution Private Limited</li> <li>▶ Geojit Financial Management Services Private Limited.</li> <li>▶ CJG Holdings India Private Limited</li> </ul>	<b>Nil</b>

**Details of Directors Seeking Appointment / Reappointment at the  
Annual General Meeting (Contd.)**

<b>Particulars</b>	<b>Mr. C J George</b>	<b>Dr. George Sleeba</b>
Membership / Chairmanship of Committees of other Public Companies	A member of the Shareholders & Investors Grievance Committee of Geojit BNP Paribas Financial Services Ltd.	<b>Nil</b>
Number of Shares held in the Company	<b>Nil</b>	<b>Nil</b>
Brief Profile	<p>Mr. C J George is a postgraduate in commerce, Certified Financial Planner and a Research Scholar with School of Management Studies of Cochin University of Science and Technology. He joined the company as an Independent Director on 16<sup>th</sup> August 2007. He is a member of Executive Committee of National Stock Exchange of India Ltd., National Securities Depository Ltd., BNP Paribas Personal Investors, Paris and Cochin Chamber of Commerce and also a Managing Committee member of ASSOCHAM and KMA. He is also a member of Confederation of Indian Industry, Kerala State Council and Capital Market Committee of Federation of Indian Chambers of Commerce and Industry. Charter member of Tie, Kerala. He has also been awarded the Business Man of Kerala by Business Deepika, Excellence Award from Kerala Management Association and Dhanam Business Man of the Year, 2006. Presently, he is the Managing Director of Geojit BNP Paribas Financial Services Ltd.</p>	<p>Dr. George Sleeba was the Former Chairman and Managing Director of FACT Ltd, a multidivisional corporation with more than Rs. 2300 Crores turnover and 4000 employees - the biggest Central PSU in the State of Kerala. He has proven managerial competence and academic excellence. He has more than 38 years of outstanding contribution to the industry in various functional areas of management, of which 30 years had been in FACT in senior management positions such as General Manager, Executive Director, Technical Director and as Chairman &amp; Managing Director. He had been the Managing Director of two State Govt Undertakings – Travancore Cements Ltd and Travancore Sugars &amp; Chemicals Ltd. He has also served as a Consultant to the Govt of Kerala for revival of sick units in the Public Sector. He is a member of the Industrial Relations Board of the Govt of Kerala. He is recognized as a turnaround</p>

**Details of Directors Seeking Appointment / Reappointment at the  
Annual General Meeting (Contd.)**

<b>Particulars</b>	<b>Mr. C J George</b>	<b>Dr. George Sreeba</b>
Brief Profile		<p>specialist, credited with transforming the ailing FACT into a growth oriented, diversified, profit making company. In recognition of his contribution to the industry, he has been awarded the Lal Bahadur Shastri National Award for professional excellence in public sector, Padmasree Paul Pothen Award for professional excellence, Merit Award from FACT for outstanding performance, Jaycees Award for Professional Achievement, Rotary International Award for outstanding professional from industry, Life Time Achievement Award from NIPM from Palakkad Group, Outstanding Achievement Award for revival of FACT from Kerala Darshana Veda an NGO.</p>



## DIRECTORS' REPORT

Dear Members,

Your Directors have great pleasure in presenting the Fourteenth Annual Report of the company on the business and operations together with the audited financial statements for the year ended 31<sup>st</sup> March, 2010.

### 1. Financial Results

(Rs. in lakhs)

	Year ended 31 <sup>st</sup> March, 2010	Year ended 31 <sup>st</sup> March, 2009
<b>Gross Sales</b>	46,229.03	32,604.17
Less : Excise Duty	820.12	926.50
<b>Net Sales</b>	<b>45,408.91</b>	<b>31,677.67</b>
<b>Other income</b>	<b>142.44</b>	<b>364.03</b>
<b>Total Income</b>	<b>45,551.35</b>	<b>32,041.70</b>
Operating profit before Depreciation, Interest and Tax	5,179.48	3,506.06
Less: Depreciation	714.96	404.89
<b>Profit before Interest &amp; Tax</b>	<b>4,464.52</b>	<b>3,101.17</b>
Less : Financial charges	513.25	473.26
<b>Profit before Tax</b>	<b>3,951.27</b>	<b>2,627.91</b>
<b>Provision for tax:</b>		
Current Tax	1,270.26	819.86
Deferred Tax	130.22	23.40
Fringe Benefit Tax	—	50.00
For earlier years	3.53	—
<b>Net Profit</b>	<b>2,547.26</b>	<b>1,734.65</b>
Balance in P&L account brought forward	2,926.91	2,415.26
<b>Profit available for appropriation</b>	<b>5,474.17</b>	<b>4,149.91</b>
<b><u>Appropriations</u></b>		
a) Transfer to General Reserve	500.00	350.00
b) Dividend proposed:		
Final dividend proposed	895.43	746.19
Tax on Final Dividend proposed	148.72	126.81
	1,544.15	1,223.00
c) Balance carried to Balance Sheet	3,930.02	2,926.91
	<b>5,474.17</b>	<b>4,149.91</b>

## **2. Review of Business and Operations**

Your Company recorded net revenue of Rs.45,408.91 lakhs, during the year under review, an increase of 43.35% over the previous year of Rs.31,677.67 lakhs. The Net Profit after tax increased from Rs.1,734.65 lakhs in 2008-09 to Rs.2,547.26 lakhs in 2009-10, an increase of 46.85%. Indian economy has revived from the slowdown and has shown a growth of 7-7.25% during the year under review. All the core sectors of the economy like construction, power, automobiles, consumer durables, and infrastructure have achieved significant growth. The overall growth in the different sectors has contributed to achieve the magnificent growth in the top line of the Company over the last financial year. Your Company was able to give an impressive performance both in the South and North Indian markets and increase the market presence across the country by many fold.

During the year under review, Wires & Cables, A.C. and Digital Stabilizers, Pumps, Electric Water Heaters and Fans had shown an excellent performance. With the Commissioning of the new cable factory set up at Kashipur, production of wires has increased by 75% and this has helped the Company to meet the increasing demand for the product in different parts of the north Indian markets. The Company was able to achieve the growth in the product by concentrating more on retail segment in different classes of cities and steadily increasing the project orders. The new product LT Power Cable has also contributed in a moderate way and the Company was able to make a good entry in South Indian market. Growth in the white goods segment has given a fillip to the sale of the Company's flagship product stabilizers meant for LCD TV, Air Conditions and refrigerator and the market share of the new markets was also encouraging. Your Company was able to achieve a 30% growth in the revenue of pumps by concentrating on domestic and three phase pumps. The pump division was able to supply good numbers of three phase pumps for agricultural purposes in different cities in South India and focus will be given to produce more customized models in the years to come to meet the increased demand. Electric Water Heaters has also shown a good growth and the Company was able to introduce Gas Water Heaters during the year under review, which was well accepted by the market. Your Company was able to introduce different models of Electrical Fan and many of the new models have been well accepted by customers. Other products like UPS, Digital UPS and Solar Water Heaters have also progressed in terms of quantity and value and our strategy for these products will be to enter the untapped market in different parts of the Country.

Your Company was able to add more number of channel partners in many parts of north India and this has resulted in increase of revenue from north India significantly. Emphasis was given to the penetration of markets in different classes of cities and introducing more number of models of all the products to suit with the local demands. Your Directors will continue to follow the existing strategies formulated to penetrate the north Indian markets and will take full advantage of the progress in different industrial sectors of the Country. To facilitate better distribution and handling of the products, Distributors/consignment agents will be appointed, wherever it is needed. All the pilot units will be geared to come out with better features for the existing products and thrust will be given to add new products to folder.

With an intention to increase and strengthen the existing manufacturing facilities, your company has acquired 34.66 acres of industrial land on lease basis at Perundurai, near Erode-Dist., allotted

by SIPCOT, Chennai. After analyzing the detailed project report, steps will be initiated for the execution of the project.

### **3. Changes to the Share Capital**

There was no change in the share capital of the Company, during the year under review.

### **4. Appropriations made from the profits**

#### **a) Final Dividend**

Your Directors are pleased to recommend a final dividend of Rs.3/- per share (30% on par value of Rs.10/- per share) in view of the better profits. The final dividend if declared as above, would involve an outflow of Rs.895.43 lakhs and Rs.148.72 lakhs towards dividend tax, resulting in a total outflow of Rs. 1,044.15 lakhs. If approved by the shareholders at the ensuing Annual General Meeting, the dividend will be paid as per the applicable regulations.

The Register of Members and Share Transfer Books will remain closed from 16<sup>th</sup> July 2010 to 26<sup>th</sup> July, 2010, both days inclusive.

#### **b) Transfer to Reserves**

Your directors transferred an amount of Rs.500 lakhs to the General Reserve account, out of the profits available for appropriation during the year, which is in accordance with the Companies (Transfer of Profits to Reserves) Rules 1975.

### **5. Projects of the Initial Public Offer**

Your Company has successfully completed four of the projects mentioned in the Offer Document dt. 29<sup>th</sup> February, 2008, i.e. construction of LT Cable factory at Coimbatore, Building Wire factory at Kashipur, Pilot Production Unit for pumps at Coimbatore and Service and Distribution Center at Bangalore. Your Company has identified suitable land at Hubli and purchased the same. Your company has made application to the Local Town Planning Authority, at Vijayawada and Hubli for construction of distribution and service center at the respective places. Both the projects will be completed in the current fiscal 2010-2011.

### **6. Fixed Deposit**

The Company has not accepted any fixed deposits during the year.

### **7. Change in Directors**

During the year under review, Mr. N Sreekumar and Mr. A K Nair, were co-opted as Additional Directors of the Board of the Company with effect from 27<sup>th</sup> May, 2009, of whom, Mr. A K Nair was appointed as an independent Director. He was also co-opted as a member of the Audit and Remuneration Committees. He was appointed in the 13<sup>th</sup> Annual General Meeting of the Company held on 27<sup>th</sup> July, 2009 as a Director liable to retire by rotation.

Mr. N Sreekumar was appointed as Joint Managing Director of the Company for a period of three years with effect from 1<sup>st</sup> June, 2009 with approval of the members in the 13<sup>th</sup> Annual General Meeting held on 27<sup>th</sup> July, 2009. He resigned from the Company with effect from 28<sup>th</sup> January, 2010.

Your Directors have appointed Dr. George Sreeba, as an Additional Director with effect from 27<sup>th</sup> May, 2010. Your Directors also considered and approved the proposal of appointing Dr. George Sreeba as Joint Managing Director of the Company for a period of three years with effect from 1<sup>st</sup> June, 2010 on the terms and conditions stipulated in the agreement entered with him. The said appointment will be subject to the approval of the members, in the ensuing Annual General Meeting. A copy of the agreement is kept at the Registered Office of the Company and is available for inspection to the members, during the business hours on any day, upto the date of the ensuing Annual General Meeting.

Resolutions seeking approval of the Members for appointment of Dr. George Sreeba as a Director liable to retire by rotation and his appointment as Joint Managing Director have been incorporated in the Notice of the 14<sup>th</sup> Annual General Meeting.

Mr. C J George, Director is liable to retire by rotation and being eligible has offered himself for re-appointment. Brief details of the Directors seeking appointment or re-appointment are given in the Annual Report, in compliance with the provisions of Clause 49 of the listing agreement.

## **8. Human Resources**

Human Resource Department plays a pivotal role in achieving organizational excellence. Your company constantly strives to develop Quality Human Resources, to meet the challenges of competitive business environment. The strategic HR framework aims to leverage and align HR practices to build critical capabilities in achieving the Company's objectives and goals.

The Human Resources function closely associates with the top management in the continual process of planning, attracting, recruiting, developing, motivating and retaining talent with a view of accomplishing organizational vision. HR functions as a nervous system enabling proper flow of information and communication down the line thereby sharing the common vision and mission of the organization. V-Guard is a company focused on Employee development and continuously train and retrain the Employees through In House and External training programmes throughout India. New Employees from all branches across India are provided a week's Induction training and Orientation programme at Corporate Office, Cochin, covering all basic aspects of the organization. During the year under review 3130 man hours of training has been provided to employees working in various cadres.

Total Employee strength was 955 as on 1<sup>st</sup> April, 2009, and as on 31<sup>st</sup> March, 2010 the number increased to 1220. This increase has been mainly because of the growth and expansion activities in the organization.

**9. Adequacy of Internal Control Systems**

The Company has appointed M/s. Varma & Varma, Chartered Accountants to conduct the internal audit of the Company. The Company has also formed an in-house Internal Audit Department. Internal audit is conducted on a quarterly basis and the report and findings of Internal Auditors are placed before the Audit Committee of the Board and are reviewed in detail. All significant observations and comments are placed before the Board of Directors and appropriate actions are taken based on the observations made by the Auditors.

**10. Corporate Governance**

Your Company has complied with the Corporate Governance norms as stipulated under the provisions of the Listing Agreement entered into with the Stock Exchanges. A detailed Report on Corporate Governance is attached to this Report. A certificate of Statutory Auditor confirming compliance of the Corporate Governance requirements by the Company is attached to the Report on Corporate Governance.

**11. Management Discussion and Analysis Report**

A detailed review of the industrial growth vis-à-vis the growth of the Company and the future outlook is explained under the Head “Management Discussion and Analysis Report”, which forms part of this Report.

**12. Auditors**

M/s. Deloitte Haskins & Sells, Chartered Accountants, with firm Registration No. 008072S who are the statutory auditors of the Company hold office, in accordance with the provisions of the Companies Act, 1956, upto the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

**13. Disclosure of Particulars of employees**

The details of employees who are in receipt of salary in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended and Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 are given in Annexure I, which forms part of this report.

**14. Energy conservation, Technology absorption and Foreign exchange earnings and outgo**

The information required under Section 217(1)(e) of the Companies Act, 1956, read with the companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988, with respect to conservation of energy, technology absorption and foreign exchange earnings and outgo is given in Annexure II which forms part of this report.

**15. Directors' Responsibility Statement**

In accordance with the provisions of section 217 (2AA) of the Companies Act 1956, your directors

here by state that:-

- i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) Accounting policies selected were applied consistently. Reasonable and prudent judgements and estimates were made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year as on 31st March, 2010 and of the profit of the Company for the year ended on that date;
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) The annual accounts of the company have been prepared on a going concern basis.

## 16. Acknowledgement

We would like to place on record our sincere thanks to our Clients, Bankers, Vendors, RTA and Investors for the co-operation and support extended during the year. We also thank the employees of the Company for their valuable contribution in taking the Company to newer heights. We thank the Government of India and the State Governments, the Regulatory Authorities like SEBI, Registrar of Companies, Stock Exchanges, and Depositories etc. for their valuable support and also look forward for their continued support in the years to come.

For and on behalf of the Board of Directors

Sd/-

**P G R Prasad**  
**Chairman**

Kochi  
28<sup>th</sup> May, 2010

## Annexure I

## ANNEXURE TO THE DIRECTORS' REPORT

**Information as per section 217 (2A) of the Companies Act, 1956  
read with the Companies (Particulars of Employees) Rules, 1975 and  
Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.**

Sl No	Name	Age (Years)	Designation	Remuneration (Rs. in lakhs)	Nature of Employment	Qualification & Experience (In years)	Date of Commencement of employment	Previous Employment
1.	Mr. Kochoseph Chittilappilly	59	Managing Director	91.95	Appointed by the members of the Company at the Extra Ordinary General Meeting held on 25 <sup>th</sup> August 2007 for a period of five years.	M.Sc (Physics) 31 years	12.02.1996	Chief Executive, V-Guard Industries, Cochin.
2.	Mr. Mithun K Chittilappilly	29	Executive Director	36.00	Appointed by the members of the Company at the Extra Ordinary General Meeting held on 25 <sup>th</sup> August 2007 for a period of five years.	B.Com, MBA 5 years	01.04.2004	Purchase Officer –HP
3.	Mr. N.Sreekumar	61	Joint * Managing Director	30.81	Appointed as Jr. Managing Director by the members in the 13 <sup>th</sup> Annual General Meeting held on 27 <sup>th</sup> July, 2009	B.SC (Mechanical Engg), LLB 37 years	01.06.2009	Head Projects, Apollo Tyres Limited

\* Resigned from the Board with effect from 28<sup>th</sup> January, 2010. Though the Board of Directors of the company in their meeting held on 12<sup>th</sup> March, 2010, has decided not to pay commission to Joint Managing Director, on the recommendation of Statutory Auditors as a measure of abundant caution, the same has been provided in the accounts. However, the company has obtained legal opinion from Corporate Law Chambers India, Legal Advisors, Mumbai, stating that the Board of Directors of the Company is competent to alter the terms and conditions of the appointment as per the agreement executed between the company and Joint Managing Director dated 28<sup>th</sup> May, 2009. Creation of provision does not amount to admission of liability to pay.

Kochi  
28<sup>th</sup> May, 2010

For and on behalf of the Board of Directors

Sd/-  
**P G R Prasad**  
Chariman



**ANNEXURE TO THE DIRECTORS' REPORT**
**ANNEXURE II**

Disclosures of particulars with respect to conservation of energy, technology absorption and foreign exchange earnings and out go as required under Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

**A) Conservation of energy:**

(a) Energy Conservation measures taken	<p><b>To improve the conservation of energy, the following equipments are used in our manufacturing and distribution system:</b></p> <ol style="list-style-type: none"> <li>1) Installed 11.36 Sq. Meters of Solar Collectors for heating water in Canteen and Bachelor's Quarters of the Factory at Coimbatore.</li> <li>2) CFL Lamps of 1.28 KW capacity was installed in the factory.</li> <li>3) Installed 1.4 KW of T-5 series Fluorescent lamps having 28/54W capacity in lieu of 40W conventional fluorescent lamps.</li> <li>4) During the year under review, the Company was able to generate energy of 10.69 lakhs units from Windmill. Out of this, 8.64 lakhs units were used for own or captive consumption.</li> <li>5) For streetlights, instead of HP Sodium Vapor lamps, 2.73 KW of CFL lamps were installed at Kashipur factory.</li> </ol>
(b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy.	<b>N.A</b>
(c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.	By implementing the aforesaid measures, there was a reduction in the energy consumption that resulted to the reduction of the cost of production.
(d) Total energy consumption and energy consumption per unit of production as per Form A of the Annexure in respect of Industries specified in the Schedule thereto.	<b>NA</b>



**B) Technology absorption :**

## 1. Efforts made in technology absorption as per Form B of Annexure

Research and Development (R&D)	
1. Specific areas in which R&D carried out by the Company	<ul style="list-style-type: none"> <li>a) To reduce the manufacturing cost of Solar Water Heaters (Pressurized models &amp; higher capacities), We have cut down the number of vacuum tubes and have introduced bigger vacuum tubes and we have also lessened the number of headers by introducing vertical design of headers in higher capacities.</li> <li>b) To avoid cold water mixing and to increase the performance of Solar Water Heaters in winter season, a Solar Water Heater system was developed with separator.</li> <li>c) R&amp;D was carried out to reduce power consumption for ceiling fan.</li> <li>d) R&amp;D to bring improvement in thermal efficiency for electric water heater.</li> <li>e) Introduced Stabilizers with forced air-cooling technology / system.</li> <li>f) Developed a soldering process for soldering Aluminium to Copper.</li> </ul>
2. Benefits derived as a result of the above R & D	<ul style="list-style-type: none"> <li>a) Your Company was able to produce Products with better quality at reduced cost.</li> <li>b) Tremendous increase in market demand for Solar Water Heater in particular during Winter Season.</li> <li>c) Introduced ISI fan with power consumption of less than 55 W.</li> <li>d) By using PUF insulation in some models of Electric Water Heater, energy saving of 15% could be achieved.</li> <li>e) Implemented capillary thermostat in electric water heater for better quality with accurate temperature control and thereby saving energy.</li> <li>f) Launched one model storage type electric water heater with 5-star labeling (approved by Bureau of Energy Efficiency)</li> </ul>

	<ul style="list-style-type: none"> <li>g) Decreased the size of the product, reduced the cost of production without affecting the performance.</li> <li>h) Resulted in increased productivity with more savings in production cost and also could improve the reliability of the product.</li> </ul>
3. Future Plan of action	<ul style="list-style-type: none"> <li>a) It is intended to produce SWH systems without headers and replacement of SWH inner tank material by LDPE based materials to prevent corrosion.</li> <li>b) Automated TIG welding for SWH Pipe welding &amp; End Dish welding and Introduction of Dome shape outer shell end cover.</li> <li>c) Designing of ceiling fans with BLDC technology to reduce power consumption to less than 40 W.</li> <li>d) To achieve star rating for storage type electric water heaters.</li> <li>e) Intend to develop lower cost wide range Stabilizer lighting solutions.</li> <li>f) Intend to develop transformer less Stabilizer.</li> </ul>
<b>4. Expenditure on R&amp;D</b>	
(a) Capital	Rs. 8.67 Lakhs
(b) Recurring	Rs. 123.63 Lakhs
(c) Total	Rs. 132.30 Lakhs
(d) % of R&D expenditure to total sales	0.29%
Technology absorption, adaptation and innovations	
1. Efforts in brief, made towards technology absorption, adaptation and innovation	<ul style="list-style-type: none"> <li>a) Oil cooled submersible motors were developed.</li> <li>b) Flow simulation software being used for design analysis and simulation.</li> <li>c) Development of energy efficient pumps.</li> <li>d) In the case of Solar Water Heaters, Circular cutting Machine was introduced</li> </ul>

	for end dish cutting and pneumatic cutting machine was introduced in PUF cutting.
2. Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution etc.	<ul style="list-style-type: none"> <li>a) Submersible pump sets with Oil cooled motors were launched.</li> <li>b) Number of trials required for development of new products was reduced.</li> <li>c) Obtained 5 star rating for pumps from Bureau of Energy Efficiency – Government of India.</li> <li>d) Presently the rejection due to manual error is totally reduced and the productivity is increased and manpower is reduced by 20%.</li> <li>e) Resulted in less capital investment, less power cost and less cost of consumables.</li> </ul>
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished.	
<b>a) Technology imported I</b>	Automated TIG Welding for linear welding and Heat pipe collar welding.
b) Year of import	2007
c) Has technology be fully absorbed?	No
d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.	For end dish welding and pipe welding not been implemented due to constraints in design.
<b>a) Technology imported II</b>	Imported IInd Insulating line Elements (Dual Takeup, Capstan, Breaking device and Dual Payoff) for the production of insulated cables up to a line speed of 1200m/min
b) Year of import	2009
c) Has technology be fully absorbed?	YES
d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.	N.A

**C) Foreign Exchange earnings and outgo:**

Foreign Exchange earned	Rs.8.73 Lakhs
Foreign Exchange used	Rs.1,600.98 Lakhs

For and on behalf of the Board of Directors

Sd/-

Kochi  
28<sup>th</sup> May, 2010

**P G R Prasad**  
**Chairman**

## **REPORT ON CORPORATE GOVERNANCE**

**The Company's report on Corporate Governance for the year ended 31.03.2010 as required under Clause 49 of the Listing Agreement entered into with Stock Exchanges is presented as under:**

### **I CORPORATE GOVERNANCE PHILOSOPHY**

Corporate Governance encompasses adhering effectively with the governing laws of the land, procedures, practices and an implicit rule that determines a management's ability to take sound decisions vis-à-vis all its stakeholders. It is primarily based on the principles of integrity, transparency, fairness, accountability, full disclosures and independent monitoring of the state of affairs. Strong Governance standards focusing on fairness, transparency, accountability and responsibility are vital not only for the healthy and vibrant corporate sector growth but also for the inclusive growth of the Company.

V-Guard Industries Limited is committed to the adoption of best governance practices and its adherence in the true spirit, at all times. It is ensured that Board exercises its fiduciary responsibilities towards shareholders, thereby ensuring high accountability. The decision making process at the company is transparent and documentary evidence is available for each and every transaction of the Company. The employees working at the executive level, middle and senior management team are all fully committed to achieve the vision and mission of the Company and thereby maximizing the value of the shareholders and will continuously thrive to the satisfaction of all stakeholders. It is also ensured that accurate and timely financial and managerial information are given to the present and potential investors.

The details of provisions of Clause 49 of the Listing Agreement complied by the Company are as follows:-

### **II. BOARD OF DIRECTORS**

#### **A. Composition of the Board**

The Board of Directors (the Board), an apex body formed by the shareholders, serve and protect the overall interest of Stakeholders, provides and evaluates the strategic decisions of the company, formulates and reviews management policies and ensures their effectiveness.

The Board of Directors of V-Guard Industries Limited consists of 5 directors, divided into executive and non-executive Directors. There are three Independent Directors on the board having high standing in the areas of business and finance. The Chairman of the Board is a non-executive Independent Director.

None of the Directors are disqualified under Section 274(1)(g) of the Companies Act, 1956 read with Companies (Disqualification of Directors under Section 274(1)(g) of the Companies Act, 1956) Rules 2003. Necessary disclosures have been made by the Directors stating that they do not hold any membership in more than 10 committees or chairmanship of more than 5 committees in terms of clause 49 of the Listing Agreement.

## B. Meetings & Attendance

The Board of Directors plays the primary role in ensuring good governance and functioning of the company. The meetings are governed by a structured agenda. All the agenda items are backed by comprehensive agenda notes containing all the vital information so as to enable the directors to have focused discussion at the meetings and to take concrete decisions. All the relevant information as enumerated in Annexure I A to Clause 49 of the Listing Agreement is placed before the board. The agenda and agenda notes are circulated to all the directors in advance of each meeting of the Board of Directors. Where it is not practical to send the relevant information as a part of the Agenda papers, the same is tabled at the meeting. The presentations covering the Company's Performance, operations and business strategy are also made to the board.

The board meets at least once in every quarter to review the quarterly financial results and operations of the company. Apart from the above, additional Board meetings are also convened to address the specific needs of the company.

During the year 2009-10, the Board met ten times i.e. on 27<sup>th</sup> May, 2009, 28<sup>th</sup> May, 2009, 26<sup>th</sup> July, 2009, 28<sup>th</sup> July, 2009, 21<sup>st</sup> September, 2009, 26<sup>th</sup> October, 2009, 13<sup>th</sup> December, 2009, 23<sup>rd</sup> January, 2010, 11<sup>th</sup> February, 2010 and 12<sup>th</sup> March, 2010. The time gap between two meetings did not exceed four months. The Board Meetings of the company are generally held at the Registered Office of the Company.

### Attendance of Directors at the Board Meetings and the last AGM and Details about Directorships and Memberships in Committees as on 31<sup>st</sup> March 2010

Name & Position of the Director	Category	No. of shares held as on 31.03.2010	Attendance at		Directorships and Chairmanship / Membership of Board / Committees in other companies as on 31.03.2010		
			Board Meetings	Last AGM	Director	Committee Member	Committee Chairman
Mr. P G R Prasad Chairman	Non-Executive – Independent	Nil	8	No	1	Nil	Nil
Mr. Kochouseph Chittilappilly Managing Director	Promoter Executive	73,68,518	10	Yes	1	Nil	Nil
Mr. N Sreekumar* Joint Managing Director	Executive	N.A.	6	Yes	N.A	Nil	Nil
Mr. Mithun K Chittilappilly Executive Director	Executive	47,79,946	10	Yes	Nil	Nil	Nil
Mr. C J George Independent Director	Non-Executive Independent	Nil	9	Yes	2	1	Nil
Mr. A K Nair** Independent Director	Non Executive Independent	Nil	7	Yes	6	2	Nil

\* Mr. N Sreekumar was inducted on the Board as an Additional Director on 27<sup>th</sup> May, 2009 and was subsequently appointed as the Joint Managing Director with effect from 1<sup>st</sup> June, 2009 with the consent of the members at their 13<sup>th</sup> Annual General Meeting held on 27<sup>th</sup> July, 2009. He tendered his resignation on 28<sup>th</sup> January, 2010 which was accepted by the Board at its meeting held on 12<sup>th</sup> March, 2010.

\*\* Mr. A K Nair was appointed as an Additional Director on 27<sup>th</sup> May, 2009.

Other Directorships do not include Alternate Directorships, Directorships of Private Limited Companies that are neither a subsidiary nor a holding company of a Public Company, Companies under Section 25 of the Companies Act, 1956 and of Companies incorporated outside India.

Chairmanship / Membership of Board Committees include Chairmanship / Membership of Audit Committee and Shareholders' Grievance Committee only, as clarified by SEBI. The membership or chairmanship of Board Committees of private limited companies, foreign companies and companies under section 25 of the Companies Act, 1956 are excluded for the purpose.

Resume of Directors retiring and seeking appointment / reappointment is appended in the Notice of the Annual General Meeting.

#### **C. Quarterly compliance Report**

A comprehensive report on the status of compliance with all the applicable corporate laws by the Company is placed before the Board on a quarterly basis for their review and knowledge.

#### **D. Code of Business Conduct and Ethics for Senior Management**

The Board of Directors play an important role in ensuring good governance and have laid down the Code of Conduct for Directors and ethics for Senior Management personnel of the company, which is also uploaded in the company's website [www.vguard.in](http://www.vguard.in).

### **III. COMMITTEES OF THE BOARD**

#### **A. AUDIT COMMITTEE**

The Company has constituted an Audit Committee at the Board level with the powers and role that are in accordance with Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. The Committee acts as a link between the Management, the Statutory Auditors, Internal Auditors and the Board of Directors to oversee the financial reporting process, internal control measures, risk management policies and processes, utilization of proceeds of initial public offer, related party transactions and other matters which has a direct impact on finance. The committee members also review the internal audit report periodically as well as the action taken report.

The Company's Audit Committee consists of Four Directors, of which three are Non-Executive Independent Directors. The Chairman of the Audit Committee, Mr. P G R Prasad, has an expert knowledge in finance and accounting and all the other members of the committee are financially literate. The Company Secretary acts as the Secretary to the Audit Committee.

The composition of the Audit Committee as on 31<sup>st</sup> March, 2010 are as under:-

<b>Name</b>	<b>Category</b>	<b>Position</b>
Mr. P G R Prasad	Non-Executive Independent	Chairman
Mr. Mithun K Chittilappilly*	Executive Director	Member
Mr. C J George	Non-Executive Independent	Member
Mr. A K Nair**	Non-Executive Independent	Member

\* Consequent to the resignation of Mr. R. Krishna Iyer from the Audit Committee with effect from the close of business hours on 31<sup>st</sup> March, 2009, Mr. Mithun K Chittilappilly, Executive Director of the Company was inducted as a member of the Audit Committee with effect from 1<sup>st</sup> April, 2009.

\*\* Mr. A K Nair was inducted to the Audit Committee on 27<sup>th</sup> May, 2009

**(i) Meetings & Attendance during the year**

During the Financial Year 2009-10, four meetings of the members of Audit Committee were held on 27<sup>th</sup> May, 2009, 27<sup>th</sup> July, 2009, 26<sup>th</sup> October, 2009 and 23<sup>rd</sup> January, 2010 respectively. The meetings are usually held at the Registered Office of the Company. The Chief Financial Officer and the representatives of the Internal Auditors and the Statutory Auditors are invited to attend and participate in the meeting. The audited financial results of the Company for the year ended 31<sup>st</sup> March, 2010 were taken on record at the meeting held on 27<sup>th</sup> May, 2010. Attendance of committee members at the audit committee meetings held during the financial year 2009-10 is as follows:-

<b>Name</b>	<b>No. of meetings held</b>	<b>No. of meetings attended</b>
Mr. P G R Prasad	4	3
Mr. Mithun K Chittilappilly	4	4
Mr. C J George	4	4
Mr. A K Nair	4	4

Mr. C J George occupied the position of Chairman of Audit Committee during July-October, 2009, as Mr. P G R Prasad was not able to attend to his office in the Company. Mr. C J George, was also present at the AGM as Chairman of Audit Committee, to answer Shareholders' queries.

**(ii) Terms of Reference**

The terms of reference of Audit Committee are broadly as under:

1. Overview of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.
2. Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment of any other services.



3. Discussion with the external auditors before the audit commences, of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
4. Reviewing the financial statements and draft audit report, including the quarterly / half yearly financial information.
5. Reviewing with the management, the annual financial statements before submission to the board focusing primarily on:
  - a. Any changes in accounting policies and practices.
  - b. Major accounting entries involving estimates based on the exercise of judgment by management.
  - c. Qualifications in the audit report.
  - d. Significant adjustments arising out of audit.
  - e. The going concern assumption.
  - f. Compliance with Accounting Standards.
  - g. Compliance with Stock Exchanges and legal requirements concerning financial statements.
  - h. Any related party transactions as per Accounting Standard 18.
6. Reviewing the Company's financial and risk management policies.
7. Disclosure of Contingent Liabilities.
8. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
9. Reviewing the adequacy of internal audit function, the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
10. Discussion with the internal auditors of any significant findings and follow up there on.
11. Reviewing the findings 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.
12. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

**B. SHAREHOLDERS GRIEVANCE / TRANSFER COMMITTEE**

The Company has constituted Shareholders Grievance/Transfer Committee to look into the redressal of complaints of investors such as transfer or credit of shares, non-receipt of dividend / notices / annual reports etc., and to approve the share transfer, transmission and rematerialisation of equity shares.

**(i) Composition:**

The composition of the Shareholders' Grievance / Transfer Committee as on 31<sup>st</sup> March, 2010 is as follows:

<b>Name</b>	<b>Category</b>	<b>Position</b>
Mr. C J George	Non-Executive Independent	Chairman
Mr. Mithun K Chittilappilly*	Executive Director	Member
Mr. P G R Prasad	Non-Executive Independent	Member

\* Consequent to the resignation of Mr. R Krishna Iyer from the Shareholders Grievance/Transfer Committee with effect from the close of the business hours on 31<sup>st</sup> March, 2009, Mr. C J George, was re-designated as the chairman of the committee and Mr. Mithun K Chittilappilly, Executive Director of the Company was inducted as a member of the committee with effect from 01<sup>st</sup> April, 2009.

**(ii) Terms of reference:**

The terms of reference of Shareholders Grievance / Transfer Committee are as follows:

- Look into shareholders' complaints like non-receipts of dividend warrants, refund orders, non credit of shares allotted in IPO, non-receipt of Annual Reports, transfer of shares etc.
- Overseeing and reviewing matters connected with the transfer of shares and its approval, splitting up of share holding, approving remat requests and issue of duplicate share certificates.
- Oversee the performance of the registrars and transfer agents, and recommends measures for overall improvement in the quality of investor services.
- Affix or authorize fixation of the common seal of the Company on the share certificates.

**(iii) Meeting and Attendance during the year**

During the financial year 2009-10, the committee met seven times i.e. on 17<sup>th</sup> April, 2009, 27<sup>th</sup> May, 2009, 28<sup>th</sup> July, 2009, 26<sup>th</sup> October, 2009, 24<sup>th</sup> November, 2009, 23<sup>rd</sup> January, 2010 and 12<sup>th</sup> March, 2010. Attendance of the members at the meetings held during the financial year 2009-10 is as follows:

Name	No. of meetings held	No. of meetings attended
Mr. C J George	7	7
Mr. P G R Prasad	7	4
Mr. Mithun K Chittilappilly	7	7

**(iv) Redressal of Investor Grievances**

The Company addresses all the complaints, suggestions and grievances expeditiously. The details of complaints received and resolved during the year are as follows.

Sl. No	Nature of Complaints Received	Opening as on 01.04.2009	No. of complaints received during the year	No. of complaints resolved during the year	No. of complaints pending as on 31.03.2010
1	Non credit of shares	Nil	2	NIL	2
2	Non receipt of refund order	Nil	3	3	NIL
3	Non receipt of Dividend	1	67	67	1
	<b>Total</b>	<b>1</b>	<b>72</b>	<b>70</b>	<b>3</b>

**(v) Details of Shares lying in the name of 'V-Guard Industries Ltd-IPO Escrow A/c'**

As per the SEBI Circular dated 24<sup>th</sup> April, 2009, bearing reference no.SEBI/CFD/DIL/LA/1/2009/24/04, every company is required to report the details of the shares, which are unclaimed in the initial public offer and lying in the demat account opened in the name of the Company. The Company has opened a demat account as required and has credited the unclaimed shares to this account. The details of Shares in the Demat Suspense Account are as follows:

Particulars	No. of Shares
Opening Balance as on 01-04-2009	4391
No of Shares transferred during the year 2009-10	2041
Closing balance as on 31.03.2010	2350

The Company has also credited the dividend payable in respect of the unclaimed shares to a separate bank account opened with HDFC, details of which are as follows:

Particulars	Amount (Rs.)
Opening Balance as on 14.07.2009	9,907.50
Amount Debited during the year 2009-10	3,832.50
Closing Balance as on 31.03.2010	6,075.00

**(vi) Prevention of Insider Trading**

In accordance with the Securities and Exchange Board of India (Prohibition of Insider Trading regulations), 1992, V-Guard has introduced a comprehensive code of conduct for prevention and regulation of insider trading in the Company's shares by insiders.

**(vii) Compliance Officer**

Mr. A Jacob Kuruvilla, Chief Financial Officer of the company is the Compliance Officer for complying with the requirements of SEBI regulations and the Listing Agreement with Stock Exchanges. He was inducted as the Compliance officer with effect from 11<sup>th</sup> February 2010.

**C REMUNERATION COMMITTEE**

The Company has constituted a Remuneration Committee consisting of three Non-Executive Independent Directors and an Executive Director. The broad terms of reference of Remuneration Committee includes the following:

- a) Review of remuneration payable to the Directors and Senior Management officials of the Company
- b) Reviewing and advising the board over the remuneration policies of the company generally and
- c) Such other matters as may be decided by the board from time to time.

**(i) Composition**

The composition of the Remuneration Committee as on 31<sup>st</sup> March, 2010 is as follows:

<b>Name</b>	<b>Category</b>	<b>Position</b>
Mr. C J George	Non-Executive Independent	Chairman
Mr. P G R Prasad	Non-Executive Independent	Member
Mr. A K Nair*	Non-Executive Independent	Member
Mr. Kochouseph Chittilappilly	Promoter and Managing Director	Member

\* Mr. A K Nair was inducted to the Remuneration Committee on 27<sup>th</sup> May, 2009 and Mr. R Krishna Iyer, resigned from the Remuneration Committee with effect from the close of business hours on 31<sup>st</sup> March, 2009.

**(ii) Meetings and Attendance during the year**

The members of Remuneration Committee met on 27<sup>th</sup> May, 2009 during the financial year 2009-10.

Attendance of committee members at the Remuneration Committee meeting held during the financial year 2009-10 is as follows :

Name	No. of meetings held	No. of meetings attended
Mr. P G R Prasad	1	1
Mr. A K Nair	1	1
Mr. C J George	1	1
Mr. Kochouseph Chittilappilly	1	1

(iii) Details of Remuneration paid to the Directors during the financial year 2009-10 are as follows:

(Rs. in Lakhs)

Name	Salary	Perquisites	Commission	Sitting fees
Mr. P G R Prasad	-	-	-	1.20
Mr. Kochouseph Chittilappilly	48.51	2.30	41.14	-
Mr. N Sreekumar*	16.48	0.62	13.71	-
Mr. Mithun K Chittilappilly	11.40	4.04	20.57	-
Mr. A K Nair	-	-	-	0.95
Mr. C J George	-	-	-	1.50
Mr. K Vijayan**	1.54	-	-	-
Total	77.93	6.96	75.42	3.65

\* Resigned from the Board with effect from 28<sup>th</sup> January, 2010. Though the Board of Directors of the company in their meeting held on 12<sup>th</sup> March, 2010, has decided not to pay commission to Joint Managing Director, on the recommendation of Statutory Auditors as a measure of abundant caution, the same has been provided in the accounts. However, the company has obtained legal opinion from Corporate Law Chambers India, Legal Advisors, Mumbai, stating that the Board of Directors of the Company is competent to alter the terms and conditions of the appointment as per the agreement executed between the company and Joint Managing Director dated 28<sup>th</sup> May, 2009. Creation of provision does not amount to admission of liability to pay.

\*\* Resigned from the position with effect from 31<sup>st</sup> May, 2009

#### IV GENERAL BODY MEETINGS

Details of the General Meetings held during the last three years are as follows:

Financial year ended	Date	Time	Venue
31-03-2009	27.07.2009	10.00 a.m	Hotel International, Kochi – 682035
31-03-2008	14.07.2008	10.00 a.m	Hotel International, Kochi – 682035
31-03-2007	16.07.2007	11.00 a.m	Registered Office of the Company -44/1037, LFC Road, Kaloor, Cochin-682017

**Special Resolutions:****13<sup>th</sup> Annual General Meeting held on 27<sup>th</sup> July, 2009**

- (i) To appoint Mr. N Sreekumar as the Joint Managing Director of the company pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956.
- (ii) Revising the remuneration payable to Mr. Kochouseph Chittilappilly, Managing Director pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956.
- (iii) Revising the remuneration payable to Mr. Mithun K Chittilappilly, Executive Director pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956.

**12<sup>th</sup> Annual General Meeting held on 14<sup>th</sup> July, 2008**

- (i) Change in Deployment / utilization of Initial Public Offer Proceeds of the Company.

**11<sup>th</sup> Annual General Meeting held on 16<sup>th</sup> July, 2007**

- (i) Conversion of the Company into Public, deleting the restrictive provisions of Section 3(1)(iii) of the Companies Act, 1956, changing the name of the Company by deleting the word 'Private' and adopting a new set of Articles of Association.
- (ii) Alteration of the Articles of Association of the Company in line with the Clause V of the Memorandum of Association of the Company.
- (iii) To raise funds through Initial Public Offer.
- (iv) Alteration of the Main Object Clause of the Memorandum of Association of the Company.
- (v) Alteration of the Incidental or Ancillary Object Clause of the Memorandum of Association of the Company.
- (vi) Issue of Securities under Employees Stock Option Scheme.

**VI OTHER DISCLOSURES****(i) Related Party Transactions**

Details of transactions with related parties are disclosed in the notes to the Accounts. In the opinion of the Board, none of the transactions with any of the related parties were in conflict with the interest of the Company.

**(ii) Compliances**

The Company has complied with all the applicable rules & regulations prescribed by the Stock Exchanges, SEBI or any other statutory authority relating to the Capital Markets. All returns / reports were filed with the Stock Exchanges within the stipulated time.

**(iii) Utilisation of proceeds of Public Issue**

Detailed note showing the utilization of the proceeds of the public issue is included in the notes to the accounts.

**VII GENERAL INFORMATION TO SHAREHOLDERS****(i) Registered and Corporate office**

During the fiscal 2009-10 the Registered Office of the Company has been shifted from 44/1037, Little Flower Church Road, Kaloor, Kochi-682017 to 33/2905 F, Vennala High School Road, Vennala, Kochi-682028 w.e.f 1<sup>st</sup> January, 2010.

**(ii) Date, Venue and Time of the 14<sup>th</sup> Annual General Meeting**

Date : 26<sup>th</sup> July, 2010  
Venue : Hotel International, Veekshanam Road, Kochi  
Time : 10.00 a.m.

**(iii) Dates of Book Closure**

The Register of Members and Share Transfer Books will remain closed from 16<sup>th</sup> July, 2010 to 26<sup>th</sup> July, 2010 (both days inclusive)

**(iv) Board Meetings & Financial Calendar**

Financial Year: 01<sup>st</sup> April, 2010 to 31<sup>st</sup> March, 2011

**Calendar of Board Meetings to adopt the accounts (tentative and subject to change) for the year 2010-11.**

For the quarter ending 30 <sup>th</sup> June, 2010	: 26 <sup>th</sup> July, 2010
For the quarter ending 30 <sup>th</sup> September, 2010	: 27 <sup>th</sup> October, 2010
For the quarter ending 31 <sup>st</sup> December, 2010	: 27 <sup>th</sup> January, 2011
For the year ending 31 <sup>st</sup> March, 2011	: May, 2011

**(v) Dividend**

A final Dividend of 30 % i.e. Rs 3/- per Equity Share is recommended by the Board of Directors at their meeting held on 28<sup>th</sup> May, 2010 which is subject to the approval of the shareholders at the ensuing Annual General Meeting and if approved will be payable on or after 26<sup>th</sup> July, 2010 but within the statutory time limit of 30 days.

Dividend warrants in respect of shares held in physical form will be posted to members at their registered addresses within the statutory time limit. Dividend warrants in respect of shares held in electronic form will be posted to the beneficial owners to their addresses as per the information furnished by NSDL and CDSL as on the record date. Warrants for high value amounts will be sent through registered post.

The Company will make arrangements to pay dividend through Electronic Clearing Service (ECS) to its members. Under this system of payment of dividend, the shareholders get the credit of dividend directly in their specified bank account. This ensures direct and immediate credit with no chance of loss of warrant in transit or its fraudulent encashment. Members holding shares in physical form who wish to avail the ECS facility are requested to give the ECS mandate in the prescribed form to the Company's Registrar and Share Transfer Agent, M/s. Link Intime India Private Limited, Surya, 35, May Flower Avenue, Behind Senthil Nagar, Souripalayam Road, Coimbatore-641028 latest by 16<sup>th</sup> July, 2010.

#### **(vi) Unpaid Dividend Amount**

As per the provisions of Section 205A read with Section 205C of the Companies Act, 1956, the company is required to transfer the unpaid dividend amount which is unclaimed for a period of seven years from the date of declaration of dividend to the Investor Education and Protection Fund (IEPF) set up by the Central Government. The Company had declared a final dividend of 25% for the years 2007-08 and 2008-09 at the Annual General Meetings held on 14<sup>th</sup> July, 2008 and 27<sup>th</sup> July, 2009 respectively.

Members who have not encashed their Dividend Warrants within the validity period may write to the Company at its Registered Office or to M/s Link Intime India Private Limited, the Registrars & Share Transfer Agents of the Company for obtaining Demand Drafts for getting the payment.

Given below is the due date of the transfer of the Unclaimed dividend amount to IEPF by the Company

<b>Financial Year</b>	<b>Date of Declaration of Dividend</b>	<b>Due date of transfer to IEPF</b>
2007-08	14 <sup>th</sup> July, 2008	13 <sup>th</sup> July, 2015
2008-09	27 <sup>th</sup> July, 2009	26 <sup>th</sup> July, 2016

#### **(vii) Listing on Stock Exchanges & Stock Codes**

Shares of the Company are quoted on the National Stock Exchange of India Limited (NSE) and the Bombay Stock Exchange Limited (BSE) since 13<sup>th</sup> March, 2008. Listing fees for the financial year 2010-11 have been paid to both the Stock Exchanges. The Stock codes of the Company at the Stock Exchanges are as follows:

The Bombay Stock Exchange Limited	:	Scrip Code 532953
The National Stock Exchange of India Limited	:	Symbol VGUARD/ Series: EQ
Company's ISIN	:	INE951I01019



**(viii) Custodial Fees**

As per the revised circular issued by the Securities and Exchange Board of India No. MRD/Dop/SE/Dep/Cir-2/2009, dated February, 10<sup>th</sup> 2009, the Company has paid the custodial fees for the year 2010-11 to NSDL and CDSL on the basis of the beneficial accounts maintained by them as on 31<sup>st</sup> March, 2010.

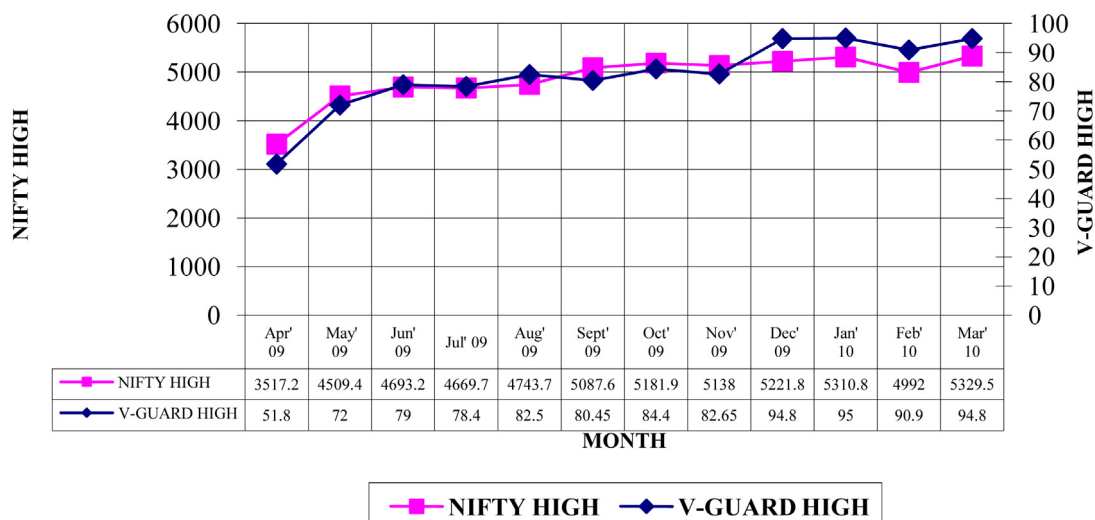
**(ix) Stock Market Data**

Monthly high and low quotations during each month during the last financial year 2009-10 as well as the volume of shares traded at the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited are as follow:

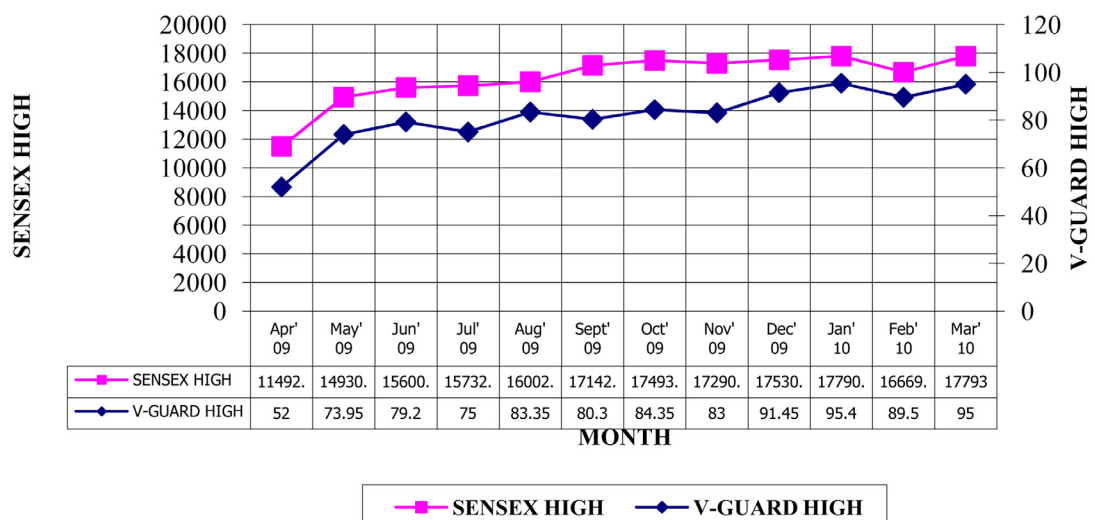
MONTH	NSE			BSE		
	High (Rs.)	Low (Rs.)	Volume (Rs. in Lakhs)	High (Rs.)	Low (Rs.)	Volume (Rs. in Lakhs)
Apr' 09	51.80	44.50	155.33	52.00	44.55	37.19
May' 09	72.00	48.00	409.64	73.95	49.00	125.77
Jun' 09	79.00	65.00	908.41	79.20	65.10	537.03
Jul' 09	78.40	63.05	511.14	75.00	64.45	153.56
Aug' 09	82.50	64.00	2,501.17	83.35	64.05	1,276.41
Sept' 09	80.45	66.60	1,675.24	80.30	72.00	711.17
Oct' 09	84.40	65.60	3,826.04	84.35	73.00	1,745.95
Nov' 09	82.65	73.05	1,336.95	83.00	71.25	487.77
Dec' 09	94.80	77.00	5,527.24	91.45	77.05	2,146.83
Jan' 10	95.00	81.70	2,823.10	95.40	80.00	1,283.78
Feb' 10	90.90	79.65	818.41	89.50	79.30	312.65
Mar' 10	94.80	85.00	2,140.19	95.00	85.70	884.72

## V-Guard Industries Limited Vs NSE S&P CNX NIFTY and BSE SENSEX

### NIFTY HIGH Vs. V-GUARD HIGH



### SENSEX HIGH Vs. V-GUARD HIGH



**(x) Share holding Pattern:** Distribution of shareholding as on 31<sup>st</sup> March 2010

Shares	Shareholders		Shareholding	
	Number	%	Number	%
1 - 500	23902	92.9569	2859576	9.5806
501 - 1000	847	3.2941	692718	2.3209
1001 - 2000	433	1.6840	660570	2.2131
2001 - 3000	161	0.6261	409286	1.3713
3001 - 4000	81	0.3150	288230	0.9657
4001 - 5000	126	0.4900	569741	1.9088
5001 - 10000	91	0.3539	658026	2.2046
10001 and above	72	0.2800	23709373	79.4350
	<b>25713</b>	<b>100.0000</b>	<b>29847520</b>	<b>100.0000</b>

**(xi) Category of Shareholders**

Category	No. of Shares	% to the total no. of shares
Promoters Holdings	11934498	39.98
Promoters Group	9350643	31.33
Corporate Bodies	746578	2.50
Banks, Financial Institutions, State & Central Govt.	352358	1.18
Foreign Institutional Investors	167129	0.56
Indian Public & Others	6832579	22.90
NRI's /OCB's/ Foreign Nationals	463735	1.55
<b>Total</b>	<b>29847520</b>	<b>100.00</b>

**(xii) Shares held in Physical and Dematerialized Form**

Particulars	No. of shares	Percentage
Shares held in Dematerialized form	29172703	97.74
Shares held in Physical form	674817	2.26
<b>Total</b>	<b>29847520</b>	<b>100.00</b>

**(xiii) Registrar & Share Transfer Agents and Share Transfer Systems**

M/s Link Intime India Private Limited  
 Surya, 35, May Flower Avenue,  
 Behind Senthil Nagar, Souripalayam Road,  
 Coimbatore-641028  
 Phone: 0422-2314792, Email: [coimbatore@linkintime.co.in](mailto:coimbatore@linkintime.co.in)

Share Transfers would be registered and share certificates are returned within a period of 20 days from the date of the receipt, if the documents are clear in all respects. The Company holds Share Transfer Committee Meetings as may be required for approving the share transfer, transmission and rematerialisation of equity shares.

**(xiv) Means of Communications**

The Company regularly intimates information like the financial results and media releases on significant developments in the Company from time to time and the same are also posted on the website of the Company and have also been submitted to the Stock Exchanges in which the shares of the Company are listed, to enable them to post it into their websites.

The financial results are normally published in the Business Line (English) and Mangalam (Malayalam).

**(xv) Address for Correspondence**

Jayasree K  
Company Secretary  
33/2905 F, Vennala High School Road,  
Vennala, Kochi-682028  
e-mail: [jayasree@vguard.in](mailto:jayasree@vguard.in)  
Ph: 0484-3005000

**(xvi) Website**

The Website of the Company, [www.vguard.in](http://www.vguard.in) contains comprehensive information about the company, Directors, products, branch details etc. It serves to inform the shareholders by providing key information like shareholding pattern, financial results, other developments etc.

The Company has not complied with the non-mandatory disclosures stipulated in the Listing Agreement.

**CEO/CFO Certification**

Mr. Kochouseph Chittilappilly, Managing Director and Mr. A Jacob Kuruvilla, Chief Financial Officer have given CEO/CFO Certificate to the Board. The Board has taken on record the CEO/CFO certificate as per the format given under clause 49 (v) at its meeting held on 28<sup>th</sup> May, 2010.

**DECLARATION ON CODE OF CONDUCT**

As required by Clause 49 (ID) of the Listing Agreement, it is hereby affirmed that all the Board members and Senior Management personnel have complied with the Code of Conduct of the Company.

Kochi  
28<sup>th</sup> May, 2010.

Sd/-  
**Kochouseph Chittilappilly**  
**Managing Director**

## **AUDITORS' CERTIFICATE**

**To the Members of  
V-Guard Industries Limited**

We have examined the compliance of conditions of Corporate Governance by **V-Guard Industries Limited** ("the Company") for the year ended on 31<sup>st</sup> March 2010, 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 procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

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

For **Deloitte Haskins & Sells**  
Chartered Accountants  
(Registration No.008072S)

Sd/-  
**M. Ramachandran**  
Partner  
(Membership No.16399)

Kochi  
28<sup>th</sup> May, 2010

**Management Discussion & Analysis Report****Economic Scenario and the Environment of Electrical, Electronic and Consumer Durable Segment in India**

After witnessing the adverse effects of the global economic recession, the Indian economy was back on normal track and grew by 7-7.25% in the financial year 2009-10. The upward shift in India's growth trajectory strongly lies in robust development of the core sectors like construction, power, automobiles, consumer durables and infrastructure. Impact of the fiscal stimulus along with the monetary measures implemented by the Reserve Bank of India, facilitated the growth recovery by regenerating the investment impulse and private spending. The real growth of all the key sectors is associated with the progress in consumption. The consumer durable industry in India recorded an appreciable 25.5% growth in April-February 2009-2010. The Indian consumer durables industry has witnessed a considerable change in the past couple of years. Changing lifestyle, higher disposable income coupled with greater affordability and a surge in advertising has been instrumental in bringing about a sea change in the consumer behavior pattern. Apart from steady income gains, consumer financing and hire-purchase schemes have become a major driver in the consumer durables industry. Construction and consumer durable industry have a close nexus with the personal income of the citizens of the country. Upswing in economic activities has resulted in a swift increase in personal income level and this has changed the standard of living of common mass and many are influenced to spend more on dwelling and white goods. Innovation has played an important role in the development of electrical, electronic and consumer durable industries and this has led to a consistent demand for newer and better products and applications. The growth in the industry is not limited to the urban cities of the country. It is well seen in the tier II and III cities, where with the support of the Govt. authorities many infrastructure developmental activities have been undertaken in a massive way. Presence of major brands and need to own prestigious white goods have resulted in a surge for luxury goods in the rural parts of the country.

**Segment Wise Performance**

Your Company is mainly dealing in various ranges of products which cater the requirements of consumer durable industry, agriculture and construction sectors of the country. Your Company has been considered and accepted as a dependable source of delivering quality products at competitive prices with a good track record for providing after sales service.

**Stabilizers:**

The Company's position as the market leader in Stabilizers has been achieved due to its persistent efforts over the decades to maintain the quality of the product, bring continuous improvements and new models of the products through in-house R & D activities and also the level of after sales services provided by the Company. Life style in India has changed drastically and many of the luxury products like, refrigerator, LCD TV, Air conditioners etc have become essential commodities and an urge is seen to own these products. The so called change in life style has also influenced the rural folk and demand for these products in tier II & III cities has increased significantly. Although electrification has been done in a massive way in many parts of the country, the power distribution has not been strengthened and this factor forces the consumer to guard their products from power fluctuations. As the company enjoys a dominant position in Stabilizers in the matured markets, the product has been well accepted in the new markets also. The Company has achieved 25% growth in stabilizers during

the year under review and contributed to the total revenue significantly. Demand for A.C and LCD TV stabilizers has been increased considerably.

There are many smaller regional players in the unorganized sector for manufacture of stabilizers, besides, the competition from the organized sector. The brand image, the quality, the ability to understand the changing needs and demand of customers and well equipped channel partners spread across the country helps the Company to retain its dominant position in the industry.

### **Uninterrupted Power Supply (UPS)**

The growing need of e-commerce, the evolution of data centres and the ever increasing number of servers have all increased the need for having a well addressed Power Electronic Industry. The growth of the UPS segment was affected due to the global meltdown and with the sign of recovery of the markets in the financial year 2009-10 the industry grew by 10-14%. Your Company is presently dealing in both offline and online UPS. During the year under review, an overall growth of 7% was achieved in the product. In the case of offline UPS, with the additional features offered, your Company was able to increase its market presence in various parts of South India and also embarked into the markets of North India, which is new to the product category. Your Company has not forayed fully the online UPS segment, however was able to improve further in the segment by meeting the customized demands of various customers. As the usage of desktop is increasing in tier II & III cities and also to a considerable extent in metro cities, there will be an increase in demand for the product. Your Company is confident of capitalizing the growth potential in these cities by increasing the marketing net work to meet the customer demands.

### **Digital Home UPS**

Your Company ventured into Digital Home UPS in the financial year 2008-09 and established the product line in the year under review. Power consumption in the country is increasing day by day with the increased usage of power driven equipments in household as well as in commercial establishments. The respective Govt. Authorities in the State are finding it difficult to generate adequate power to meet the increased demand. In some of the States generation and distribution is done on private and public partnership basis. In spite of all the efforts undertaken by the Central and State Govt. authorities, uninterrupted power supply can not be ensured across the country. Acute power shortage and the poor quality of power supply have necessitated the households, commercial establishment, educational institutions and hospitals to go for alternate energy generating system. This has supported the growth of Digital UPS industry in a big way and the industry is going at an average rate of 30%. During the year under review, the product was mainly marketed in various cities of South India and it has been decided to penetrate the huge potential market in North India in the next fiscal. During the year under review, sale of Rs.875.00 lakhs was achieved and it is expected to grow in line with the industry in the coming years. Eventhough there is severe competition from the players from both organized and unorganized sectors, Your Company is confident of penetrating the potential market, coming out with quality products which suits the requirements of the customers spread across the country and also ensuring timely after sales service.

### **Wires and LT Power & Control Cables**

The Indian market is becoming increasingly important for the wire and cable industry, primarily due to growth in the sectors of building and construction, automobile, aviation, energy, engineering and telecommunications. After the economic slowdown, the construction industry has revived considerably

and as a result the building wire segment has also seen an overall improvement in demand. As the economy is growing, the personal income levels are also growing and this has resulted in demand for buildings and rise in consumption expenditure. Such an environment is creating deeper and a wider market place for building wires.

During the year under review, your Company commercialized a building wire factory at Kashipur, Uttaranchal, with an installed capacity of 3,00,000 coils per month. Presently, the total installed capacity of both the building wire factories together comes to 4,80,000 coils per month. Your Company had also successfully completed the commercialization of LT Cable factory at Coimbatore, for producing power and control cables mainly meant for industrial and commercial purposes. Your Company was able to achieve an overall growth of 70% in building wire segment, when compared with the last year. A sizable amount of turnover was achieved from the north Indian markets also.

Cable industry showed an overall growth of 12 per cent mainly due to 14.54 % growth in power cable segment, mainly and higher demand from industrial projects. Your Company made a good entry into the LT Cable segment in South Indian market and was able to deliver quality products to its customers. Total revenue achieved in the segment during the year under review was Rs.1600.00 lakhs.

Cable as a whole has contributed maximum to the total turnover of the Company. All the three factories producing cables are having certifications like ISO 9001-2008, ISO 14,001-2004 (Environment) and OCHSAS 18001-2007. The Company hopes to increase the turnover in the years to come.

However, the product may face stiff competition from players in the organized and unorganized sectors. The high volatility in the price of core raw-material copper will also affect the net realization from the product. There are times, at which the passing of the burden of increase in price to the customers may not be feasible.

### **Pumps**

Pumps play a dominant role in the sectors like agriculture, production of oil and natural gas, petroleum refining, petrochemicals, power generation, domestic and household utilities, etc, and contribute a major part in nation's economy. Indian pump industry has shown a growth of 8% during the year under review. Your Company is mainly manufacturing domestic pumps and recently ventured into three phase pumps which are meant for agricultural purposes. The growth of the pump segment during the year under review was in line with the industry growth and the product was able to make a significant contribution to the total turnover of the Company. Growth of the segment from previous year was 30% and the penetration level of the product in rural India was fairly good. This was achieved with whole hearted support of the channel partners of the Company spread across various parts of the country. Company was also able to provide adequate after sales service for the product, wherever the same was required. Outlook for the coming years is to manufacture more number of customized models which satisfies the customer demand. Thrust will be given to increase the market share of three phase pumps of different capacities and to secure a dominant position in the segment. The Company has a capacity to produce 1,500 units of pumps per month in its factory located at Coimbatore and is continuously engaged in the research and development activities to add more number of efficient models to its existing product range.



**Electric Water Heaters:**

Electric Water Heater is one of the premier products of the Company that has a good growth potential in terms of volume as well as value. The product has been well accepted in the market and has got significant presence in both the South and North Indian markets. The focus of the Company is mainly to launch different models, which will reduce the consumption of energy, with some added features like star ratings. The R & D wing of the Company is focusing on models which consume less unit of power considering the scarcity of the power and the cost involved in it. During the year under review the product showed a growth of 13% over the previous year and made a sizeable contribution to the total turnover of the Company. Recently, the Company has ventured into Gas Water heaters also, which is also well accepted by the market. During the year under review, Your Company was able to successfully commission its pilot production unit for water heater at Kala Amb, Himachal Pradesh; capable of producing 4,50,000 numbers of electric water heaters per annum.

**Fans:**

Your Company forayed into electrical fans in the fiscal 2006-07 and over the four years, was able to increase the market presence many fold. The product fetched a turnover of Rs.2504.00 lakhs during the fiscal 2009-10, which shows 95% growth over the last year's sales. V-Guard was able to successfully launch the product in new North Indian markets also with unique high end models and with good quality of economy models. During the year under review, more number of distributors were added to deal in the product. With the support of the R & D Dept., energy consumption in some models of electrical ceiling fan was reduced by 4%. A pilot production unit for fans was set up, during the year under review, at Kala Amb, Himachal Pradesh, as envisaged in the Prospectus dated 29<sup>th</sup> February, 2008 with a capacity to produce 6,00,000 fans per annum. As the construction industry is booming, there will also be a simultaneous increase in the electric consumer segment and Your Company is confident of capitalizing the vast potential market in the country. The Company is facing stiff competition from both organized and unorganized sector. All the efforts will be taken to improve the quality of product further, to face the competition from the industry.

**Solar Water Heaters:**

With an intention to encourage the use of renewable energy, the product solar water heater was launched in the year 2002. Your Company is manufacturing solar water heaters of different capacities suitable for domestic as well as commercial purposes. Presently, the industry is growing at 6-7% annually. As the Govt. is taking several initiatives to create awareness of the importance of renewable energy, the industry is likely to grow further in the years ahead. Moreover, the acute power shortage present in the country and its higher cost is influencing many households and commercial establishments to prefer photovoltaic devices to heat water. Many of the banks are financing for purchase of solar water heater at cheaper rates of interest. All these factors will lead to the growth of the industry to a considerable extent.

Your Company has set up a manufacturing facility at Chavadi, Coimbatore for production of solar water heaters of different capacities at an installed capacity of 18,000 units per annum. The factory has acquired ISO 9001-2008, ISO 14001-2004 (Environmental) and OCHSAS 18001-2007 certifications. The product fetched a turnover of Rs.1640.00 lakhs during the year under review and this shows a growth of 5% over the previous year. The set back associated with the marketability of the product is that it is not usable in all climatic conditions and is more functional in the climatic

conditions of Southern States and also in the States of Maharashtra and Gujarat. Moreover, the nature of water available at the particular areas will also affect the life of the inner tank of the heating device. To overcome this problem, with the support of the R & D Wing, your Company was able to launch models which suits areas where hard water is available. Your Company is confident of taking this product also to the next phase of growth.

### **Opportunities & Threats**

The Company's operations are presently diversified in the segments like electronic & electrical consumer durable, agriculture, construction and power segment. Growth of all the products which the Company is dealing are closely linked to the economic development of the country. Our Country is thriving to progress further and aims to convert herself as a developed nation. To attain this objective, the development of all the core sectors like infrastructure, power, construction, automobiles, consumer durables, etc. is essential and this in turn is expected to augment the growth of the corporate sector of the country as a whole. As the economy is growing in a fast manner, the disposable income of the people is also increasing and most of the population is brought under spectrum of spending for housing and white goods. Importantly, the aspiration to own luxury goods is also seen increasing and this has resulted in a revolution for consumer durables. Your Company is confident of capitalizing all these factors and increasing its market presence across the country with focus on penetrating the rural markets. Importance will be given to maintain the quality of the products and make improvements, wherever the same is required.

One of the main threats the Company is facing in all the products is the competition from the unorganized sector. It affects the entry of our brand to the new markets where the regional players have a dominant position. Your Company has evolved innovative business practices and approaches for handling the competitive business situations. Another major threat is the price fluctuation of cost of raw-materials, especially the cost of copper. The supply chain management dept. of the Company is continuously negotiates with the bulk suppliers for procuring rawmaterials at better prices.

### **Future Outlook**

The global slow down has not severally affected our Country and with the timely stimulus packages implemented by the Government of India, almost all the sectors have shown the signs of revival or recovery and this has resulted in the Indian economy growing by 7-7.25% in the fiscal 2009-10. As the Company is dealing in different segments, your Directors are confident of capitalizing the growth in different sectors of the industry. The economy is expected to grow further at 8% during the fiscal 2010-11. Thus the long term outlook for the products of the Company seems to be positive.

### **Risk Management Document**

The Company has a Risk Profile in place. The document defines the risks associated with the business activities of the Company, its ranking, chances of its occurrence and the steps adopted to mitigate the same. Management has also prepared a separate risk register for all the products of the Company and the risk profile is periodically reviewed and updated in line with the business activities of the Company.

## **AUDITORS' REPORT**

To the Members of  
**V-Guard Industries Limited**

1. We have audited the attached Balance Sheet of **V-Guard Industries Limited** ("the Company") as at 31<sup>st</sup> March 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both 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 the 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the 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 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) 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;
  - (iii) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;

- (v) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts 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:
- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2010;
  - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
  - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31<sup>st</sup> March, 2010 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **Deloitte Haskins & Sells**  
Chartered Accountants  
(Registration No.008072S)

Sd/-

M. RAMACHANDRAN  
Partner  
(Membership No.: 16399)

Kochi, 28<sup>th</sup> May, 2010

**ANNEXURE TO THE AUDITORS' REPORT**  
**(Referred to in paragraph 3 of our report of even date)**

- i) Having regard to the nature of the Company's business, clauses (iii) (b) to (d), (f) and (g), (vi), (x), (xii), (xiii), (xv), (xviii), and (xix) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, are not applicable to the Company for the year ended 31<sup>st</sup> March, 2010.
- ii) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
  - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
  - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- iii) In respect of its inventory:
  - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
  - (b) In our opinion, and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion, and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- iv) The Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- v) In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- vi) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:

- (a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
  - (b) Where each of such transaction is in excess of Rs.5 lakhs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time.
- vii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of PVC insulated electrical cables and are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the Company.
- ix) According to the information and explanations given to us, in respect of statutory dues:
- (a) The Company has generally been regular in depositing undisputed 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 applicable to it with the appropriate authorities.
  - (b) There were no undisputed amounts payable in respect of 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 in arrears as at 31st March, 2010 for a period of more than six months from the date they became payable.
  - (c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on 31<sup>st</sup> March, 2010 on account of disputes are given below:

Statute	Nature of Dues	Forum where dispute is pending	Period to which the amount relates	Amount involved (Rs. in lakhs)
Kerala General Sales Tax Act, 1963	Sales Tax	Supreme Court of India	1988-89 to 1994-95	32.33
Kerala General Sales Tax Act, 1963	Value Added Tax	Dy. Commissioner (Appeals), Cochin	1994-95 & 1995-96	6.66
Kerala General Sales Tax Act, 1963	Sales Tax	Dy. Commissioner (Appeals), Cochin	1996-97 & 1997-98	1.04
Kerala General Sales Tax Act, 1963	Sales Tax	High Court of Kerala	1997-98	10.55
Kerala General Sales Tax Act, 1963	Interest on Sales Tax	Dy. Commissioner (Appeals), Cochin	1998-99	3.78
Central Sales Tax Act	Central Sales Tax	Dy. Commissioner (Appeals), Cochin	1998-99	23.36
Kerala General Sales Tax Act, 1963	Sales Tax	Dy. Commissioner (Appeals), Cochin	2003-04 & 2004-05	1.91
Andhra Pradesh VAT Act	Value Added Tax	Addl. Dy. Commissioner (CT), Hyderabad	2005-06	0.75

- x) In our opinion, and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks and a financial institution from which loans have been availed.
- xi) Based on our examination of the records and evaluations of the related internal controls, the Company has maintained proper records of the transactions and contracts in respect of its dealing in securities and timely entries have been made therein. The aforesaid securities have been held by the Company in its own name.
- xii) In our opinion, and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were obtained.
- xiii) In our opinion, and according to the information and explanations given to us, and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used for long-term investment.
- xiv) The Management has disclosed the end use of money raised by public issues and we have verified the same.
- xv) To the best of our knowledge and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For **Deloitte Haskins & Sells**  
Chartered Accountants  
(Registration No.008072S)

Sd/-

M. RAMACHANDRAN  
Partner  
(Membership No.: 16399)

Kochi, 28<sup>th</sup> May, 2010

**BALANCE SHEET AS AT 31ST MARCH 2010**
*(Rupees in lakhs)*

Particulars	Schedule No.	As at 31st March, 2010	As at 31st March, 2009
<b>SOURCES OF FUNDS</b>			
<i>Shareholders' Funds</i>			
Share capital	1	2,984.75	2,984.75
Reserves and surplus	2	11,163.49	9,660.38
<i>Loan Funds</i>			
Secured loans	3	7,051.10	2,625.03
Unsecured loans	4	1,000.00	-
<i>Deferred Tax Liability (Net)</i>		572.83	442.61
<b>TOTAL</b>		<b>22,772.17</b>	<b>15,712.77</b>
<b>APPLICATION OF FUNDS</b>			
<i>Fixed Assets</i>	5		
Gross block		13,789.41	9,011.32
Less: Accumulated depreciation		2,559.64	1,883.10
Net block		11,229.77	7,128.22
Capital work-in-progress	6	288.75	2,576.82
		11,518.52	9,705.04
<i>Investments</i>	7	457.69	1,136.04
<i>Current Assets, Loans &amp; Advances</i>			
Inventories	8	9,852.68	3,586.00
Sundry debtors	9	7,559.92	4,875.33
Cash and bank balances	10	741.42	409.11
Loans and advances	11	886.32	634.82
		19,040.34	9,505.26
<i>Less: Current Liabilities &amp; Provisions</i>			
Liabilities	12	6,902.12	3,536.53
Provisions	13	1,342.26	1,097.04
		8,244.38	4,633.57
<i>Net Current Assets</i>		10,795.96	4,871.69
<b>TOTAL</b>		<b>22,772.17</b>	<b>15,712.77</b>
Significant Accounting Policies and Notes on Accounts	21		

Schedules 1 to 21 form an integral part of the accounts.

In terms of our report attached.

For and on behalf of the Board of Directors

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants

Sd/-  
**P. G. R. PRASAD**  
Chairman

Sd/-  
**KOCHOUSEPH CHITILAPPILLY**  
Managing Director

Sd/-  
**M. RAMACHANDRAN**  
Partner

Sd/-  
**A. JACOB KURUVILLA**  
Chief Financial Officer

Sd/-  
**JAYASREE K.**  
Company Secretary

Place: Kochi  
Date : 28<sup>th</sup> May, 2010

Place: Kochi  
Date : 28<sup>th</sup> May, 2010



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010**
*(Rupees in lakhs)*

Particulars	Schedule No.	For the year ended 31st March 2010	For the year ended 31st March 2009
<b>INCOME</b>			
Turnover (Gross)	14	46,229.03	32,604.17
Less : Excise duty		820.12	926.50
		45,408.91	31,677.67
Other income	15	142.44	364.03
		<b>45,551.35</b>	<b>32,041.70</b>
<b>EXPENDITURE</b>			
Cost of goods sold	16	30,768.58	21,677.75
Employee costs	17	2,681.14	1,905.84
Selling and distribution expenses	18	5,183.59	3,186.86
Establishment expenses	19	1,738.56	1,765.19
Financial expenses	20	513.25	473.26
Depreciation/Amortisation	5	714.96	404.89
		41,600.08	29,413.79
<b>Profit Before Tax</b>		<b>3,951.27</b>	<b>2,627.91</b>
Provision for tax:			
Current tax		1,270.26	819.86
Deferred tax (Refer Note 23 of Schedule 21)		130.22	23.40
Fringe benefit tax		-	50.00
Income tax for earlier years		3.53	-
<b>Profit After Tax</b>		<b>2,547.26</b>	<b>1,734.65</b>
Balance brought forward		2,926.91	2,415.26
<b>Profit available for appropriation</b>		<b>5,474.17</b>	<b>4,149.91</b>
<b>Appropriations:</b>			
Transfer to General Reserve		500.00	350.00
Proposed dividend on Equity Share Capital		895.43	746.19
Corporate Dividend Tax on Proposed Dividend		148.72	126.81
		1,544.15	1,223.00
<b>Balance carried to Balance Sheet - Schedule 2</b>		<b>3,930.02</b>	<b>2,926.91</b>
		<b>5,474.17</b>	<b>4,149.91</b>
Basic and Diluted Earnings Per share (In Rupees) (Equity Shares of face value of Rs.10/- each) (Refer Note 22 of Schedule 21)		8.53	5.81
Significant Accounting Policies and Notes on Accounts	21		

Schedules 1 to 21 form an integral part of the accounts.

In terms of our report attached.

For and on behalf of the Board of Directors

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants

Sd/-  
**P. G. R. PRASAD**  
Chairman

Sd/-  
**KOCHOUSEPH CHITILAPPILLY**  
Managing Director

Sd/-  
**M. RAMACHANDRAN**  
Partner

Sd/-  
**A. JACOB KURUVILLA**  
Chief Financial Officer

Sd/-  
**JAYASREE K.**  
Company Secretary

Place: Kochi  
Date : 28<sup>th</sup> May, 2010

Place: Kochi  
Date : 28<sup>th</sup> May, 2010

**CASH FLOW STATEMENT**
*(Rupees in lakhs)*

Particulars	2009-10	2008-09
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	3,951.27	2,627.91
Add / (Less):		
Depreciation / Amortisation	714.96	404.89
Financial expenses	513.25	473.26
Provision for doubtful debts & advances	61.11	-
Loss on sale / write off of fixed assets	0.90	0.95
Interest income from banks	(5.43)	(36.16)
Dividend from non-trade current investments	(33.49)	(222.08)
<b>Cash flow before changes in working capital</b>	<b>5,202.57</b>	<b>3,248.77</b>
Changes in working capital:		
(Increase) / Decrease in debtors	(2,743.11)	(1,080.97)
(Increase) / Decrease in inventories	(6,266.68)	755.26
(Increase) / Decrease in loans and advances	(254.09)	(103.46)
Increase / (Decrease) in current liabilities and provisions	3,408.96	366.10
<b>Cash generated from operations</b>	<b>(652.35)</b>	<b>3,185.70</b>
Less: Income tax incld. fringe benefit tax paid (net of refunds)	(1,254.55)	(775.22)
<b><i>Cash flows from / (used in) Operating Activities</i></b>	<b><i>(1,906.90)</i></b>	<b><i>2,410.48</i></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(2,541.55)	(4,183.17)
Sale of fixed assets	12.21	2.64
Dividend from non-trade current investments	33.49	222.08
Purchase of investments	(1,933.49)	(17,657.88)
Sale of investments	2,611.84	18,021.84
Interest income received from banks	5.43	36.16
<b><i>Cash flows from / (used in) Investing Activities</i></b>	<b><i>(1,812.07)</i></b>	<b><i>(3,558.33)</i></b>

**CASH FLOW STATEMENT**

(Rupees in lakhs)

Particulars	2009-10	2008-09
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Term loan availed during the year	200.00	-
Term loans repaid during the year	(48.74)	(486.75)
Increase / (Decrease) in working capital loans	5,255.72	(440.93)
Increase / (Decrease) in medium term loans	13.69	(21.28)
Dividend paid	(743.05)	(740.83)
Corporate dividend tax paid	(126.81)	(126.81)
Interest paid	(499.53)	(482.92)
<b>Cash flows from / (used in) financing activities</b>	<b>4,051.28</b>	<b>(2,299.52)</b>
<b>Net increase / (decrease) in cash &amp; cash equivalents</b>	<b>332.31</b>	<b>(3,447.37)</b>
Add: Opening cash & cash equivalents \$	409.11	3,856.48
<b>Closing cash and cash equivalents \$</b>	<b>741.42</b>	<b>409.11</b>
(\$ - Refer Note 17 of Schedule 21)		
Significant Accounting Policies and Notes on Accounts - 21		
Schedules 1 to 21 form an integral part of the accounts.		
In terms of our report attached.	For and on behalf of the Board of Directors	
For <b>DELOITTE HASKINS &amp; SELLS</b>	Sd/-	Sd/-
Chartered Accountants	<b>P. G. R. PRASAD</b>	<b>KOCHOUSEPH CHITILAPPILLY</b>
	Chairman	Managing Director
Sd/-	Sd/-	Sd/-
<b>M. RAMACHANDRAN</b>	<b>A. JACOB KURUVILLA</b>	<b>JAYASREE K.</b>
Partner	Chief Financial Officer	Company Secretary
Place: Kochi	Place: Kochi	
Date : 28 <sup>th</sup> May, 2010	Date : 28 <sup>th</sup> May, 2010	

**Schedules forming part of Balance Sheet as at 31st March 2010**
*(Rupees in lakhs)*

Particulars	As at 31st March 2010	As at 31st March 2009
<b>SCHEDULE 1: SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
30,000,000 Equity shares of Rs.10/- each	3,000.00	3,000.00
<b>ISSUED, SUBSCRIBED, CALLED-UP AND PAID-UP</b>		
29,847,520 Equity shares of Rs.10/- each, fully paid up	2,984.75	2,984.75
	<b>2,984.75</b>	<b>2,984.75</b>
<b>SCHEDULE 2: RESERVES &amp; SURPLUS</b>		
<b>Securities Premium</b>		
As per last Balance Sheet	5,244.46	5,244.46
	5,244.46	5,244.46
<b>General Reserve</b>		
As per last Balance Sheet	1,489.01	1,139.01
Transferred from Profit & Loss Account	500.00	350.00
	1,989.01	1,489.01
<b>Profit and Loss Account</b>		
	3,930.02	2,926.91
	<b>11,163.49</b>	<b>9,660.38</b>
<b>SCHEDULE 3: SECURED LOANS</b>		
Term loans from banks	907.08	755.82
Interest accrued and due	6.08	6.60
(Repayable within one year Rs.377.60 lakhs (Previous Year: Rs.448.36 lakhs))		
Working capital loans from banks	6,052.35	1,790.71
Medium Term Loans:		
From banks	39.20	76.93
From others	47.70	-
Less: Interest suspense	(1.31)	(5.03)
(Repayable within one year Rs.57.23 lakhs (Previous Year: Rs.39.35 lakhs))	85.59	71.90
(Refer Note 1 of Schedule 21)	<b>7,051.10</b>	<b>2,625.03</b>
<b>SCHEDULE 4: UNSECURED LOANS</b>		
Working capital loans from banks	1,000.00	-
	<b>1,000.00</b>	<b>-</b>

## Schedules forming part of Balance Sheet as at 31st March 2010

**SCHEDULE 5: FIXED ASSETS**

(Rupees in lakhs)

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at 01/04/2009	Additions	Deletions/ Transfers	As at 31/03/2010	Up to 01/04/2009	For the year	On Deletions / Transfers	Up to 31/03/2010	As at 31/03/2010	As at 31/03/2009
<i>Tangible Assets:</i>										
Freehold land	1,411.99 1,234.09	66.49 177.90	- -	1,478.48 1,411.99	- -	- -	- -	- -	1,478.48 1,411.99	1,411.99 1,234.09
Leasehold land	- -	426.38 -	- -	426.38 -	- -	1.79 -	- -	1.79 -	424.59 -	- -
Buildings	2,434.83 1,216.72	1,899.51 1,218.11	- -	4,334.34 2,434.83	159.76 128.52	75.31 31.24	- -	235.07 159.76	4,099.27 2,275.07	2,275.07 1,088.20
Plant & Machinery	3,282.59 1,692.36	1,964.31 1,608.32	6.67 18.09	5,240.23 3,282.59	1,006.11 835.70	405.33 186.96	4.11 16.55	1,407.33 1,006.11	3,832.90 2,276.48	2,276.48 856.66
Office equipments	91.24 86.05	112.62 10.89	2.28 5.70	201.58 91.24	29.82 26.26	16.37 9.26	1.05 5.70	45.14 29.82	156.44 61.42	61.42 59.79
Computers	366.46 290.05	208.55 90.90	16.31 14.49	558.70 366.46	179.96 158.25	56.31 36.20	15.98 14.49	220.29 179.96	338.41 186.50	186.50 131.80
Furniture and Fixtures	123.84 106.72	139.07 24.72	1.82 7.60	261.09 123.84	73.11 69.15	30.40 11.49	1.52 7.53	101.99 73.11	159.10 50.73	50.73 37.57
Vehicles	238.30 214.11	12.69 28.86	24.45 4.67	226.54 238.30	56.07 36.99	21.48 21.77	15.76 2.69	61.79 56.07	164.75 182.23	182.23 177.12
<i>Intangible Assets:</i>										
Trademark	1,062.07 1,062.07	- -	- -	1,062.07 1,062.07	378.27 270.30	107.97 107.97	- -	486.24 378.27	575.83 683.80	683.80 791.77
Total	9,011.32	4,829.62	51.53	13,789.41	1,883.10	714.96	38.42	2,559.64	11,229.77	7,128.22
Previous Year	5,902.17	3,159.70	50.55	9,011.32	1,525.17	404.89	46.96	1,883.10	7,128.22	4,377.00

Note: Previous year figures are shown in italics.

**Schedules forming part of Balance Sheet as at 31st March 2010**
*(Rupees in lakhs)*

Particulars	As at 31st March 2010	As at 31st March 2009
<b>SCHEDULE 6: CAPITAL WORK-IN-PROGRESS</b>		
Capital work-in-progress	260.20	2,473.24
Advances for capital expenditure	48.55	123.58
Less: Provision for doubtful advances	(20.00)	(20.00)
	<b>288.75</b>	<b>2,576.82</b>
<b>SCHEDULE 7: INVESTMENTS</b>		
<i>Current Investments - At lower of cost and fair /net asset value</i>		
<i>Unquoted, Non-trade</i>		
In Mutual Funds (Refer Note 6 of Schedule 21)	457.69	1,136.04
(Net Asset Value: Rs.457.69 lakhs (Previous Year:1,136.04 lakhs)	<b>457.69</b>	<b>1,136.04</b>
<b>SCHEDULE 8: INVENTORIES</b>		
Raw materials	800.48	366.95
Goods-in-transit	488.65	127.17
Finished goods	7,135.71	2,605.11
Stock-in-process	985.73	317.90
Scrap stock	120.99	23.10
Stores, Spares and Consumables	321.12	145.77
	<b>9,852.68</b>	<b>3,586.00</b>
<b>SCHEDULE 9: SUNDRY DEBTORS</b>		
<b>Considered Good</b>		
Debts outstanding for a period exceeding six months	16.13	6.31
Other debts	7,543.79	4,869.02
	<b>7,559.92</b>	<b>4,875.33</b>
<b>Considered Doubtful</b>		
Debts outstanding for a period exceeding six months	24.36	-
Other debts	34.16	-
	<b>58.52</b>	<b>-</b>
Less: Provision for doubtful debts	<b>58.52</b>	<b>-</b>
	<b>-</b>	<b>-</b>
[Debts considered good in respect of which the company is fully secured: Rs.789.13 lakhs (Previous Year: Rs.733.45 lakhs) and debts considered good for which the company holds no security other than the debtor's personal security: Rs. 6,770.79 lakhs (Previous Year: Rs.4,141.88 lakhs)]		
	<b>7,559.92</b>	<b>4,875.33</b>

**Schedules forming part of Balance Sheet as at 31st March 2010**
*(Rupees in lakhs)*

Particulars	As at 31st March 2010	As at 31st March 2009
<b>SCHEDULE 10: CASH AND BANK BALANCES</b>		
Cash on hand	2.05	1.97
Cheques on hand	94.40	16.02
Balance with Scheduled Banks:		
- in current accounts	549.22	326.16
- in current accounts - unclaimed dividend	8.50	5.36
- in EEFC account	2.00	0.15
- in deposit accounts (Pledged with banks as security for guarantee/letter of credit facility provided by them)	85.25	59.45
	<b>741.42</b>	<b>409.11</b>
<b>SCHEDULE 11: LOANS AND ADVANCES</b>		
(Unsecured and Considered Good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received:		
Considered Good	647.04	540.79
Considered Doubtful	2.59	-
Less: Provision for doubtful advances	(2.59)	-
	647.04	540.79
Deposits :		
With Government authorities	164.87	43.72
With others	74.41	50.31
	<b>886.32</b>	<b>634.82</b>
<b>SCHEDULE 12: CURRENT LIABILITIES</b>		
Sundry Creditors		
- Dues to Micro and Small Enterprises (Refer Note 16 of Schedule 21)	525.91	118.88
- Others	2,466.47	1,585.90
Acceptances	2,532.38	831.96
Deposits from distributors	705.80	568.25
Investor Education & Protection Fund shall be credited by:		
- Unclaimed dividend (Refer Note 25 of Schedule 21)	8.50	5.36
Other liabilities	638.95	410.39
Interest accrued but not due on loans	24.11	15.79
	<b>6,902.12</b>	<b>3,536.53</b>
<b>SCHEDULE 13: PROVISIONS</b>		
Employee benefits	47.30	37.01
Warranty (Refer Note 26 of Schedule 21)	187.54	143.00
Proposed dividend on Equity Share Capital	895.43	746.19
Corporate Dividend Tax on Proposed Dividend	148.72	126.81
Income Tax including Fringe Benefit Tax (Net of Advance Tax)	63.27	44.03
	<b>1,342.26</b>	<b>1,097.04</b>

**Schedules forming part of the Profit and Loss Account for the year ended 31st March 2010**
*(Rupees in lakhs)*

Particulars	For the year ended 31st March 2010	For the year ended 31st March 2009
<b>SCHEDULE 14: TURNOVER (Gross)</b>		
Sale of products		
Sales	48,750.82	34,915.12
Less: Trade / Quantity discounts allowed	(2,521.79)	(2,310.95)
	<b>46,229.03</b>	<b>32,604.17</b>
<b>SCHEDULE 15: OTHER INCOME</b>		
Service charges	27.92	34.69
Mould hire charges [TDS: Rs.1.84 lakhs (Previous Year: Rs.2.33 lakhs)]	29.65	16.25
Dividend from non-trade current investments	33.49	222.08
Interest from banks (Gross) [TDS: Rs.0.98 lakhs (Previous Year: Rs.8.86 lakhs)]	5.43	36.16
Other interest (Gross) [TDS: Rs.0.37 lakhs (Previous Year: Rs.2.42 lakhs)]	17.11	20.34
Miscellaneous income (Gross) [TDS: Rs.1.33 lakhs (Previous Year: Rs.Nil)]	28.84	32.48
Foreign exchange fluctuation gain (Net)	-	2.03
	<b>142.44</b>	<b>364.03</b>
<b>SCHEDULE 16. COST OF GOODS SOLD</b>		
<b>a) Raw Materials Consumed (Manufacturing)</b>		
Opening stock	366.95	193.64
Add: Purchases	14,921.38	6,660.67
	15,288.33	6,854.31
Less: Closing stock	800.48	366.95
	14,487.85	6,487.36
<b>b) Cost of Goods Sold (Trading)</b>		
Opening stock	1,948.71	2,655.00
Add: Purchases	19,452.36	13,453.50
Add: Freight inward	577.34	-
	21,978.41	16,108.50
Less: Closing stock	4,174.65	1,948.71
	17,803.76	14,159.79
Add: Packing expenses	102.80	89.80
” Spares and components	361.86	213.08
	18,268.42	14,462.67



**Schedules forming part of the Profit and Loss Account for the year ended 31st March 2010**
*(Rupees in lakhs)*

Particulars	For the year ended 31st March 2010	For the year ended 31st March 2009
<b>c) Manufacturing Expenses</b>		
Power and fuel	285.43	94.83
Consumables	77.64	56.32
Packing expenses	384.30	160.70
Factory expenses	29.43	8.61
Excise duty	47.50	-
Labour charges	129.70	82.14
Powder coating expenses	31.98	28.18
	<b>985.98</b>	<b>430.78</b>
<b>d) Change in Finished Stock (Manufacturing)</b>		
Opening stock:		
Finished goods	656.40	997.07
Stock-in-process	341.00	250.20
Stock-in-process - Trial production stock	113.59	65.68
	<b>1,110.99</b>	<b>1,312.95</b>
Used for captive consumption	(16.88)	(18.61)
	<b>1,094.11</b>	<b>1,294.34</b>
Closing stock:		
Finished goods	2,961.06	656.40
Stock-in-process (Including scrap)	1,106.72	341.00
	<b>4,067.78</b>	<b>997.40</b>
Increase / (Decrease) in stock	<b>2,973.67</b>	<b>(296.94)</b>
	<b>30,768.58</b>	<b>21,677.75</b>
<b>SCHEDULE 17: EMPLOYEE COSTS</b>		
Salaries and wages (Refer Note 9 of Schedule 21)	2,299.40	1,583.47
Bonus and ex-gratia	126.86	96.24
Contribution to provident & other funds	100.94	79.54
Gratuity	16.92	38.15
Staff welfare expenses	137.02	108.44
	<b>2,681.14</b>	<b>1,905.84</b>
<b>SCHEDULE 18: SELLING &amp; DISTRIBUTION EXPENSES</b>		
Discounts and incentives	2,540.60	1,476.75
Advertisement and sales promotion	2,313.88	1,622.76
Freight Outward	292.12	-
Sales tax, Turnover tax, etc.	20.19	70.20
Gifts and compliments	6.90	9.97
Commission to consignment agent	9.90	7.18
	<b>5,183.59</b>	<b>3,186.86</b>

***Schedules forming part of the Profit and Loss Account for the year ended 31st March 2010***
*(Rupees in lakhs)*

Particulars	For the year ended 31st March 2010	For the year ended 31st March 2009
<b>SCHEDULE 19: ESTABLISHMENT EXPENSES</b>		
Rent	105.37	104.29
Power and fuel	86.03	37.29
Postage, telephone and telex	115.97	96.03
Printing and stationery	47.29	29.61
Insurance	47.16	23.63
Rates and taxes	69.01	28.04
Freight charges	-	484.45
Travelling expenses	365.77	260.93
R & D expenses (Refer Note 9 (d) of Schedule 21)	123.63	77.40
Professional charges (Refer Note 10 of Schedule 21)	74.81	77.04
Legal charges	3.94	4.78
Office expenses	89.07	72.22
Repairs & Maintenance - Machinery	91.96	27.39
Repairs & Maintenance - Building	40.40	22.34
Repairs & Maintenance - Others	104.48	93.57
Warranty commitment charges	194.80	235.48
Bank charges	69.53	34.44
Donations	30.68	35.27
Commission/Brokerage	1.23	10.32
Provision for doubtful debts & advances	61.11	-
Miscellaneous expenses	9.44	5.42
Loss on sale / write off of fixed assets (Net)	0.90	0.95
Foreign exchange fluctuation loss (Net)	2.33	-
Sitting fees to directors	3.65	4.30
	<b>1,738.56</b>	<b>1,765.19</b>
<b>SCHEDULE 20: FINANCIAL EXPENSES</b>		
Interest on fixed loans	447.43	411.54
Other interest	65.82	61.72
	<b>513.25</b>	<b>473.26</b>

*Schedules forming part of the Accounts for the year ended 31<sup>st</sup> March 2010*

**SCHEDULE 21 - SIGNIFICANT ACCOUNTING POLICIES AND  
NOTES ON ACCOUNTS**

**I. SIGNIFICANT ACCOUNTING POLICIES**

**Accounting Convention**

The financial statements are prepared under historical cost convention on accrual basis and in accordance with the requirements of Companies Act, 1956 and Accounting Standards specified in Rule 3 of the Companies (Accounting Standards) Rules, 2006.

**Use of Estimates**

The preparation of the financial statements in conformity with the accounting standards generally accepted in India, requires the management to make estimates that affect the reported amount of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statement and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates.

**Fixed Assets**

Fixed Assets are stated at cost less accumulated depreciation. Cost of assets comprises of purchase value (net of cenvat credit) and other costs attributable to bringing the assets to working condition for the intended use.

**Intangible Assets**

Trademark and computer software are classified as intangible assets. Acquisition cost of trademark comprises of purchase cost and other expenses incurred in connection with its acquisition.

**Impairment of Assets**

Impairment is ascertained at each Balance Sheet date in respect of the Company's fixed assets. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value, based on an appropriate discount factor. Reversal of impairment loss is recognised as income in the Profit and Loss Account.

**Borrowings Costs**

Borrowing costs attributable to acquisition or construction of qualifying assets are capitalised as part of the cost of assets up to the date such assets are ready for their intended use. Other borrowing costs are recognized as expense in the period in which they are incurred.

**Depreciation/Amortisation**

Depreciation on fixed assets, other than moulds and patterns & dies, is provided under Straight Line Method at the rates specified in Schedule XIV of the Companies Act, 1956. Moulds and Patterns & Dies are depreciated over their useful life of 5 years, as estimated by the Management. Depreciation on addition is provided from the month the asset is put to commercial use and on deletion upto the month of sale. Assets costing less than Rs.5,000/- are fully depreciated in the year of addition.

Trademark and Computer Software are amortized over a period of ten years and five years respectively.

**Investments**

Long term investments are stated at cost less provision for diminution, other than temporary, in their value. Current Investments are stated at lower of cost and market/fair value.

**Inventories**

Manufactured goods are valued at lower of cost, including excise duty payable at the time of removal of goods wherever applicable, and net realizable value. Cost is computed under weighted average method and includes attributable direct costs and production overheads.

Traded goods are valued at lower of cost and net realizable value. Cost is computed at weighted average purchase price including applicable taxes and freight directly attributable to the acquisition.

Stock-in-process is valued at lower of cost and net realizable value. Cost includes attributable direct costs and production overheads incurred up to the respective stage of completion.

Other items of inventory are valued at lower of cost and net realizable value. Cost is computed under weighted average method.

**Excise Duty**

Excise duty is accounted on removal of finished goods from the factory and provision is made for excise duty payable on stock of finished goods in hand at the balance sheet date.

**Employee Benefits****Post-employment Benefit Plans**

Contributions to defined contribution retirement benefit schemes are recognised as expense when employees have rendered services entitling them to contributions.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuation being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the profit and loss account of the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested,

and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme.

#### Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employees render the service. These benefits include compensated absences such as paid annual leave and performance incentives.

#### Long-term employee benefits

Compensated absences which are not expected to occur within the twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation at the balance sheet date.

#### Research & Development

Expenditure on research and development is charged to profit and loss account. Assets acquired for research and development are capitalised and depreciated in the same manner as other assets.

#### Revenue Recognition

Revenue from sales is recognised on transfer of title to goods to the buyer. Dividend income is accounted for when right to receive dividend is established. Interest income is accounted on time proportion basis.

#### Foreign Exchange Transactions

Foreign exchange transactions are recorded at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated at year-end rates. Exchange loss/gain, if any, is charged / credited to the profit and loss account.

#### Segment Reporting

The accounting policies used for segment reporting are in line with the accounting policies of the Company. Revenues, expenses, assets and liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenues, expenses, assets and liabilities, which relate to the enterprise as a whole, and are not allocable to segments on a reasonable basis, have been included under 'Unallocated corporate revenues, expenses, assets and liabilities respectively.

**Earnings Per Share**

Basic and diluted earnings per share is computed in accordance with Accounting Standard 20 – ‘Earnings per share’. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares outstanding during the year and dilutive potential equity shares outstanding at year end.

**Taxes on Income**

Current tax is determined as the amount of tax payable in respect of taxable income for the period as per the provisions of the Income Tax Act, 1961.

Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are recognised and carried forward only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such asset items can be realised.

**Provisions, Contingent Liabilities and Contingent Assets**

A Provision is recognized, in terms of Accounting Standard 29 – ‘Provisions, Contingent Liabilities and Contingent Assets’ notified by the Companies (Accounting Standards) Rules, 2006, when there is a present obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation, which can be reliably estimated. Provision is not discounted to its present value and is determined based on the best estimate required to settle the obligation at the balance sheet date. Provisions are reviewed at each balance sheet date and adjusted to reflect the best current estimate.

Contingent Liabilities are recognised only when there is a possible obligation arising from past events, due to occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Company, or where any present obligation cannot be measured in terms of future outflow of resources, or where a reliable estimate of the obligation cannot be made. Obligations are assessed on an ongoing basis and only those having a largely probable outflow of resources are provided for.

Contingent Assets are not recognised in the financial statements.

## II. NOTES ON ACCOUNTS

1. Particulars of Security provided for the loans are as under: -

### *Term loans from Banks:*

- a) Term loan of Rs.370 lakhs from Dhanlaxmi Bank Ltd. is secured by hypothecation by way of (1) first charge on the plant and machinery, tools and accessories in respect of specific assets financed by the bank, namely (a) 2 x 230 KW Wind Mills situated at Dharapuram Taluk, Erode, Tamil Nadu; (b) Machinery and equipment in respect of Solar Water Heater Unit at K.G Chavadi, Coimbatore; and (c) Office cum godown building at Mansoorabad Village, Renga Reddy District, Andhra Pradesh and (2) equitable mortgage of 4 acres of land relating to the Wind Mills, at Erode, Tamil Nadu and 2,091.5 sq. meters of land at Mansoorabad Village in Andhra Pradesh.
- b) Term loan of Rs.100 lakhs from Dhanlaxmi Bank Ltd. is secured by way of equitable mortgage of 106.424 cents of land at Edappally South Village, Kanayannur Taluk, Vennala Desom, together with godown with an area of 1,578.40 sq. meters.
- c) Term loan of Rs.1,000 lakhs from State Bank of India is secured by way of (a) charge over the registered Trade Mark "V-GUARD"; and (b) exclusive charge over (i) Plant and Machinery in the trading division having establishments at Ernakulam, Bangalore, Coimbatore and Hyderabad; (ii) Factory building and plant and machinery at Solar Water Heater Division; (iii) 47.737 cents of land at Sastha Temple Road, Kaloore; (iv) 113.293 cents of land at High School Road, Vennala; (v) 1,306 cents of land at K.G Chavadi, Coimbatore; and (vi) 12.52 cents of land at Mettupalayam Road, Coimbatore.
- d) Term loan of Rs.800 lakhs from State Bank of India is secured by way of (a) charge over the assets acquired / constructed out of bank finance, viz., corporate office building at Vennala; (b) extension of equitable mortgage over 47.737 cents of land at Sastha Temple Road, Kaloore, 113.293 cents of land at High School Road, Vennala, 1,306 cents of land at K.G Chavadi, Coimbatore, 12.52 cents of land at Mettupalayam Road, Coimbatore, and (c) extension of charge over Plant and Machinery in Trading Division and Solar Water Heater Division and factory building of Solar Water Heater Division.
- e) Term loan of Rs.200 Lakhs from Punjab National Bank is secured by way of hypothecation of 622.50 Cents of land at Survey No.37/2, 37/3 and 37/4 together with godown building at Thenkurissi Village near NH-47 Junction, Palakkad.

### *Medium term loan from Banks:*

Medium term loans from Dhanlaxmi Bank Ltd. and HDFC Bank Ltd. are secured by hypothecation of vehicles financed by the lender.

### *Medium term loan from Others:*

Medium term loan from Cisco Systems Capital India Pvt. Ltd. is secured by hypothecation of fixed assets financed by the lender.

## Working capital loan from Banks:

- a) Working capital loan from State Bank of India, Dhanlaxmi Bank Ltd, Citibank N.A., HDFC Bank and Standard Chartered Bank are secured by hypothecation by way of pari-passu first charge on all current assets of the Company, both present and future, including stock of goods, book debts and all other movable assets including document of title to goods on pari-passu basis and third pari-passu charge on all fixed assets of the Company including immovable properties.
  - b) Working capital loan from Punjab National Bank is secured by way of first pari-passu charge on all current assets of the Company, wherever located, or in transit or delivery to the Company including stock of goods, book debts and all other movable assets along with other banks. Balance outstanding in this facility as on 31.03.2010 is Rs. Nil.
2. Company has availed supplier bill-discounting facilities of Rs.500 lakhs from Small Industries Development Bank of India (SIDBI), Rs.1,000 lakhs from State Bank of India, Rs.1,050 lakhs from Standard Chartered Bank and Rs.1,000 lakhs from Dhanlaxmi Bank Ltd. The security details of these facilities are as follows:
- a) The limit with SIDBI is secured by a second charge by way of hypothecation of all the movable assets including movable plant, machinery, spares, tools, accessories, equipments, computers etc., both present and future, of the Company and personal guarantee of Shri Kochouseph Chittilappilly, Managing Director of the Company.
  - b) The limit with State bank of India, Standard Chartered Bank and Dhanlaxmi Bank Ltd. are secured by way of extension of security provided for working capital loans.
3. Contingent liabilities:

<i>(Rs. in lakhs)</i>		
<b>Particulars</b>	<b>2009-10</b>	<b>2008-09</b>
a) Sales tax matters under dispute	125.35	97.49
b) Open letters of credit for import purchase	343.72	65.22

4. Estimated amount of contracts remaining to be executed on capital amount and not provided for (net of advances): Rs.343.96 lakhs. (Previous Year: Rs.576.10 lakhs).



5. Utilization during the year out of proceeds from the allotment of Equity Shares to public:

(Rs. In lakhs)

Details of Implementation of Projects			Details of use of IPO Proceeds	
Particulars of Projects	Envisaged in the Prospectus	Invested in Projects upto 31.03.2010	Particulars	Amount
Setting up of facilities for cable manufacturing in Coimbatore and Uttaranchal	4,478.20	4,154.27	Issue Proceeds	6,560.00
Setting up development and Pilot Production Plants for Water Heaters, Fans and Pumps at Himachal Pradesh and Coimbatore	567.11	620.26	Less: Funds pending utilisation (invested in mutual funds)	358.90
Investment for setting up Service and Distribution Centres at Bangalore, Hubli and Vijayawada	956.52	492.38	<b>Funds utilized out of IPO Proceeds</b>	<b>6,201.10</b>
Issue management expenses	486.95	515.54	Out of IPO Proceeds	6,201.10
General Corporate Purpose*	904.56	802.00	Out of Internal Accruals \$	383.35
<b>Total</b>	<b>7,393.34</b>	<b>6,584.45</b>	<b>Amount invested in Projects</b>	<b>6,584.45</b>

\* Out of the above, the project for setting up of enameling plant at Coimbatore amounting to Rs. 904.56 lakhs has been abandoned with the approval of the share holders vide Special Resolution passed in their twelfth Annual General Meeting held on 14.07.2008. The members also approved that fund earmarked for this purpose can be utilised for the General Corporate Purpose of the Company.

\$ Funds utilised out of internal accruals for investment in projects are to be appropriated out of IPO proceeds invested in mutual funds.

6. Details of Current Investments – Unquoted & Non-trade (stated at lower of cost and net asset value):  
(Value Rs. In lakhs)

Name of Security	No. of units as on 31.03.2010	Book Value as on 31.03.2010	No. of units as on 31.03.2009	Book Value as on 31.03.2009
SBI MF - Liquid Plus Institutional Plan Daily Dividend (5,238,927 units (including dividend reinvested - 241,626) were purchased during the year and 6,996,102 were sold during the year)	4,574,136	457.69	6,331,311	633.45
HDFC MF - Cash Management Fund - Treasury Advantage Plan Daily Dividend Reinvestment (60,486 units (dividend reinvested) were purchased during the year and 5,070,635 units were sold during the year)	--	--	5,010,149	502.59
<b>Total</b>	--	<b>457.69</b>	--	<b>1,136.04</b>

Details of securities purchased and sold during the year: (Number of units)

Name of Security	As on 31.03.2009	Purchased during the year (Incl. Dividend reinvested)	Sold during the year	As on 31.03.2010
SBI MF - SHF Ultra Short Term Fund Institutional Plan Daily Dividend (Including dividend reinvested – 31,798)	--	14,024,641	14,024,641	--

7. (a) Particulars in respect of opening stock, closing stock and turnover of manufactured goods:

Particulars	Units	OPENING STOCK		NET TURNOVER		CLOSING STOCK	
		Qty.	Value (Rs. in lakhs)	Qty.	Value (Rs. in lakhs)	Qty.	Value (Rs. in lakhs)
<b>2009-2010</b>							
a) PVC Insulated Cables	K.mts	3,959	292.97	1,82,953	11,985.39	29,900	2,187.01
b) LT Power & Control Cable	K.mts	-	-	1,777	1,524.07	392	399.43
c) Solar Water Heater	Nos.	1,012	126.80	8,016	1,626.13	1,315	156.01
d) Pumps	Nos.	4,034	232.42	13,528	891.08	3,449	180.98
e) Other Items*	-	-	4.21	-	238.56	-	37.63
<b>Total</b>	-	-	<b>656.40</b>	-	<b>16,265.23</b>	-	<b>2,961.06</b>

Particulars	Units	OPENING STOCK		NET TURNOVER		CLOSING STOCK	
		Qty.	Value (Rs. in lakhs)	Qty.	Value (Rs. in lakhs)	Qty.	Value (Rs. in lakhs)
<b>2008-2009</b>							
a) PVC Insulated Cables	K.mts	8,912	672.78	107,651	6,950.26	3,959	292.97
b) Solar Water Heater	Nos.	809	102.33	7,536	1,546.60	1,012	126.80
c) Pumps	Nos.	3,649	219.28	8,576	620.40	4,034	232.42
d) Other Items *	-	-	2.68	-	60.00	-	4.21
<b>Total</b>	-	-	<b>997.07</b>	-	<b>9,177.26</b>	-	<b>656.40</b>

\* Quantitative particulars in respect of opening stock, closing stock and turnover of 'Other Items' could not be furnished on account of diverse nature of such goods.

(b) Particulars in respect of opening stock, purchases and closing stock of traded goods:

(i) **Stabilizer:**

Particulars	2009-10		2008-09	
	Qty. (Nos.)	Value (Rs. in lakhs)	Qty. (Nos.)	Value (Rs. in lakhs)
Opening Stock	85,203	669.87	220,008	1,184.17
Purchases	1,319,340	7,268.39	927,296	5,007.56
Net Sales	1,170,544	12,204.64	1,062,101	9,679.85
Closing Stock	233,999	1,612.87	85,203	669.87

(ii) **Pump:**

Particulars	2009-10		2008-09	
	Qty. (Nos.)	Value (Rs. in lakhs)	Qty. (Nos.)	Value (Rs. in lakhs)
Opening Stock	18,947	657.78	29,893	863.40
Purchases	248,766	5,324.30	165,779	3,764.05
Net Sales	226,267	7,637.98	176,725	6,001.94
Closing Stock	41,446	975.04	18,947	657.78

(iii) **Water Heater:**

Particulars	2009-10		2008-09	
	Qty. (Nos.)	Value (Rs. in lakhs)	Qty. (Nos.)	Value (Rs. in lakhs)
Opening Stock	15,765	309.03	10,703	220.64
Purchases	128,112	2,457.55	110,385	2,017.39
Net Sales	113,963	3,619.89	105,323	3,306.19
Closing Stock	29,914	637.42	15,765	309.03

**(iv) Other Items\*:**

Particulars	2009-10		2008-09	
	Qty. (Nos.)	Value (Rs. in lakhs)	Qty. (Nos.)	Value (Rs. in lakhs)
Opening Stock	--	312.03	--	386.79
Purchases	--	4,402.12	--	2,664.50
Net Sales	--	5,681.17	--	3,512.43
Closing Stock	--	949.32	--	312.03

\*Quantitative particulars in respect of stocks, purchases and sales of 'Other items' could not be furnished on account of diverse nature of such goods.

**8. Particulars in respect of raw materials consumed:**

Particulars	2009-10		2008-09	
	Qty. (Kgs.)	Value (Rs. in lakhs)	Qty. (Kgs.)	Value (Rs. in lakhs)
Copper	3,011,056	10,259.48	1,347,052	4,857.67
PVC	2,772,004	1,555.46	968,189	542.39
Others*	--	2,672.91	--	1,087.30
<b>Total</b>		<b>14,487.85</b>		<b>6,487.36</b>

\*Quantitative particulars in respect of 'Other' raw materials consumed could not be furnished on account of diverse nature of such goods.

**9. (a) Salaries and Allowances include the following remuneration paid to Managing Director and Whole-time Directors:**

(Rs. in lakhs)

Particulars	2009-10			2008-09		
	Salary	Commission	Perquisites	Salary	Commission	Perquisites
Managing Director	48.51	41.14	2.30	57.42	27.60	7.40
Whole time Directors	29.42	34.28	4.65	20.38	13.80	1.54
<b>Total</b>	<b>77.93</b>	<b>75.42</b>	<b>6.95</b>	<b>77.80</b>	<b>41.40</b>	<b>8.94</b>

\* Perquisites have been valued in accordance with the Income Tax Rules, 1962.

\* The above remuneration is within the limits specified u/s 198 of the Companies Act, 1956.

\* Provisions for / contributions to employee retirement benefits, which are based on actuarial valuations done for the Company as a whole, are excluded from the above.

\* Mr. N. Sreekumar who was occupying the position of the Joint Managing Director resigned w.e.f 28<sup>th</sup> January, 2010. Though Board of Directors in their meeting held on 12<sup>th</sup> March, 2010, has decided not to pay commission to the Joint Managing Director, on the recommendation of Statutory Auditors as a measure of abundant caution, the same has been provided in the accounts. However, the company has obtained legal opinion from Corporate Law Chambers India, Legal Advisors, Mumbai stating that the Board of Directors of the Company is competent to alter the terms and conditions of the appointment as per the agreement executed between the company and the Joint Managing Director dated 28<sup>th</sup> May, 2009. Creation of provision does not amount to admission of liability to pay.

(b) Payments to Non-executive Directors:

(Rs. in lakhs)

Particulars	2009-10	2008-09
Sitting fees	3.65	4.30
<b>Total</b>	<b>3.65</b>	<b>4.30</b>

(c) Computation of net profit in accordance with section 198 / 309(5) of the Companies Act, 1956 and commission payable to the Managing Director, Joint Managing Director (from June, 2009 to January, 2010) and Executive Director:

(Rs in lakhs)

Particulars	2009-10	2008-09
Profit before tax	3,951.27	2,627.91
Add:		
Managerial remuneration	158.76	128.14
Directors sitting fees	3.65	4.30
Adjusted Net Profit	4,113.68	2,760.35
Commission payable to Managing Director @ 1% , Joint Managing Director @ 0.5% and Executive Director @ 0.5% (Previous year @ 1% to Managing Director and 0.5% to Executive Director)	75.42	41.40

(d) R&D expenses include salary and allowances of R&D staff amounting to Rs.85.25 lakhs  
(Previous Year: Rs.58.00 lakhs)

10. Professional charges include remuneration paid to statutory auditors towards:

(Rs. in lakhs)

Particulars	2009-10	2008-09
a) Statutory Audit Fees	10.00	8.00
b) Tax Audit fee	2.50	2.00
c) Reimbursement of out of pocket expenses	0.29	--
d) Fees towards Quarterly Limited Reviews	2.25	1.50
e) Certifications	1.13	--
f) Service tax thereon	1.68	1.18
<b>Total</b>	<b>17.85</b>	<b>12.68</b>

11. Particulars in respect of Installed Capacity and Actual Production (as certified by Management and relied upon by Auditors):

Particulars	2009-10 Qty.	2008-09 Qty.
<b>Installed Capacity:</b>		
PVC Insulated Cables (Mtrs.)	310,403,260	148,968,000
LT Power & Control Cable (Kms.)	2,888	-
Solar Water Heaters (Nos.)	18,000	18,000
Pumps (Nos.)	20,000	20,000
<b>Actual Production:</b>		
PVC Insulated Cables (Mtrs.) (in 1 and 1.5 sq mm dia.)	258,022,884	123,374,107
LT Power & Control Cable (Kms.)	2,147	-
Solar Water Heaters (Nos.)	13,231	12,182
Pumps (nos.)	12,943	8,961

**Note:** As the cables and solar water heaters are of different sizes, total production has been restated to a uniform unit of measurement.

12. C.I.F. Value of Imports:

(Rs. in lakhs)

Particulars	2009-10	2008-09
Raw Materials	224.04	167.65
Capital Goods	145.57	114.96
Finished Goods	1,118.28	342.53
R & D Components	106.55	0.40
<b>Total</b>	<b>1,594.44</b>	<b>625.54</b>

13. Expenditure in Foreign Currency:

(Rs. in lakhs)

Particulars	2009-10	2008-09
Traveling expenses	6.54	2.55

14. Consumption of Raw Materials:

Particulars	2009-10		2008-09	
	Value (Rs. in lakhs)	%	Value (Rs. in lakhs)	%
Imported	224.04	2	191.39	3
Indigenous	14,263.81	98	6,295.97	97
<b>Total</b>	<b>14,487.85</b>	<b>100</b>	<b>6,487.36</b>	<b>100</b>

**15. Earnings in Foreign Currency:**
*(Rs. in lakhs)*

<b>Particulars</b>	<b>2009-10</b>	<b>2008-09</b>
F.O.B value of exports	8.73	7.62

**16. The disclosure with regard to dues to Micro and Small Enterprises are as follows:**
*(Rs. in lakhs)*

<b>Particulars</b>	<b>2009-10</b>	<b>2008-09</b>
Principal amount remaining unpaid to Micro and Small Enterprises as at the end of accounting year	525.91	118.88
Interest due thereon	--	--
Amount of interest paid by the Company along with the amount of the payment made to the supplier beyond the appointed day during the year	--	--
Amount of interest due and payable for the period of delay in making payment (which have been paid, but beyond the appointed day) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act, 2006	--	--
Amount of interest accrued and remaining unpaid at the end of the accounting year	--	--
Unpaid interest brought forward to current year	--	--

**17. Notes on Cash Flow Statement:**

- The Cash Flow Statement has been prepared using the 'indirect method' specified in Accounting Standard – 3 "Cash Flow Statements" notified in Companies (Accounting Standards) Rules, 2006.
- Cash and Cash Equivalents includes (a) fixed deposits of Rs.85.25 lakhs (Previous Year: Rs.59.45 lakhs), given as security for guarantee and letter of credit facility extended by State Bank of India and Dhanlaxmi Bank Ltd.; and (b) unclaimed dividend amounting to Rs.8.50 lakhs (Previous Year: Rs.5.36 lakhs), not available for use by the Company.

**18. Interest capitalized during the year on funds borrowed for construction of Corporate Office building: Rs. Nil (Previous Year: Rs.36.97 lakhs).**
**19. Employee Benefits:**

The Company has provided the following benefits to its employees during the year:

**I. Defined Contribution Plan – Provident Fund:**

During the year, the Company has recognised the employer's contribution to Employees Provident Fund Organisation amounting to Rs.27.34 lakhs (Previous Year: Rs.21.71 lakhs) as part of Employee Costs in Schedule 17 of the financial statements.

**II. State Plans:**

- a) Employer's contribution to Employees' State Insurance Scheme.
- b) Employer's contribution to Employees' Pension Scheme, 1995.

During the year, the Company has recognised the following amounts in the Profit and Loss Account, included as part of Employee Costs in Schedule 17 of the financial statements:

Details of Plans	2009-10	2008-09
Employer's contribution to Employees' State Insurance Scheme	Rs.26.38 lakhs	Rs.24.12 lakhs
Employer's contribution to Employees' Pension Scheme, 1995	Rs.62.06 lakhs	Rs.49.28 lakhs

**III. Defined Benefit Plan - Gratuity**

Gratuity liability is funded with Life Insurance Corporation of India. In accordance with the revised Accounting Standard 15, actuarial valuation was done in respect of the aforesaid defined benefit using the following assumptions:

Particulars	2009-10	2008-09
Discount Rate (per annum)	7% p.a.	7% p.a.
Rate of increase in compensation levels	4% p.a.	4% p.a.
Rate of return on plan assets	7.50% p.a.	7.50% p.a.
Expected average remaining working lives of employees (years)	27.75 years	28.34 years

The estimate of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

Other disclosures required under revised Accounting Standard 15 are as follows:

(Rs. in lakhs)

**(A) Change in Present Value (PV) of Obligation:**

Particulars	2009-10	2008-09
Opening PV of Obligation	121.41	83.28
Current service cost	19.68	15.88
Interest cost	9.19	6.39
Actuarial (gain) / loss on obligation	3.61	26.76
Benefits paid	(11.15)	(10.90)
Past service cost	--	--
Closing PV of Obligation	<b>142.74</b>	<b>121.41</b>



*(Rs. in lakhs)*
**(B) Change in the Fair Value (FV) Plan Asset:**

Particulars	2009-10	2008-09
Opening FV of Plan Asset	171.42	123.21
Expected return on Plan Asset	12.86	9.24
Actuarial gain / (loss)	2.70	1.63
Contributions by the employer	3.21	48.24
Benefits paid	(11.15)	(10.90)
Closing FV of Plan Asset	<b>179.04</b>	<b>171.42</b>

**(C) Reconciliation of Present Value (PV) of Obligation and Fair Value (FV) of Plan Asset:**

Closing PV of Obligation	142.74	121.41
Closing FV of Plan Asset	179.04	171.42
Funded Status [Surplus/(Deficit)]*	36.30	50.01

\* Included in Loans and Advances in Schedule 11

**(D) Amounts recognized in Profit and Loss Account:**

Current service cost	19.68	15.88
Interest cost	9.19	6.39
Expected return on Plan Assets	(12.86)	(9.24)
Actuarial (gains) / losses	0.91	25.13
Past service cost	--	--
Net amount recognised in Profit and Loss Account *	<b>16.92</b>	<b>38.16</b>

\* Included in Schedule 17 – Employee costs

**(E) Constitution of Plan Asset:**

Equity instruments	--	--
Debt instruments	--	--
Property	--	--
Insurer managed asset #	179.04	171.42

# The details with respect to the composition of investments in the fair value of plan assets have not been disclosed in the absence of the aforesaid information

20. Segment Disclosures:

- a) Business segments have been identified as per Accounting Standard 17 - Segment Reporting taking into account the product portfolio, internal reports, organisation structure, etc.
- b) The Company has considered business segment as the primary segment for the purpose of disclosure.
- c) Types of products in each Business Segment:

<b>Business Segment</b>	<b>Types of Products</b>
Electronics	Voltage Stabilizers, UPS and Digital Home UPS
Electrical / Electro Mechanical Products	PVC Insulated Cables, Pumps, Water Heaters, Fans and LT Power and Control Cables.
Others	Solar Water Heaters, Gas Water Heaters, Water Level Controller, Windmill Energy etc.

- d) The Segment revenues, results, assets and liabilities include amounts identifiable to specific segment and amounts allocated to that segment on a reasonable basis.

## e) Primary Business Segment information:

(Rupees in lakhs)

Particulars	Electronics		Electrical /Electro Mechanical		Others		Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
<b>Segment Revenues:</b>								
External Sales	14,829.37	11,418.75	28,452.02	18,506.62	2,127.52	1,752.30	45,408.91	3,1677.67
Inter Segment Sales	--	--	--	--	--	--	--	--
<b>Total Revenue</b>	<b>14,829.37</b>	<b>11,418.75</b>	<b>28,452.02</b>	<b>18,506.62</b>	<b>2127.52</b>	<b>1,752.30</b>	<b>45,408.91</b>	<b>31,677.67</b>
<b>Result:</b>								
Segment Result	2,663.87	1,818.91	1,553.37	937.23	363.08	179.40	4,580.32	2,935.54
Other Income	38.61	28.31	33.89	39.03	45.44	46.82	117.94	114.16
Unallocated Corporate Income							17.88	19.81
Unallocated Corporate Expenses							(290.54)	(226.58)
<b>Operating profit</b>							<b>4,425.60</b>	<b>2,842.93</b>
Financial Expenses							(513.25)	(473.26)
Interest Income							5.43	36.16
Dividend Income							33.49	222.08
Provision for Taxes							(1,404.01)	(893.26)
<b>Net Profit</b>							<b>2,547.26</b>	<b>1,734.65</b>
<b>Other information:</b>								
Segment Assets	4,254.88	2,597.81	18,224.13	10,639.00	1,016.30	943.96	23,495.31	14,180.77
Unallocated Corporate Assets							7,521.24	6,132.72
<b>Total Assets</b>							<b>31,016.55</b>	<b>20,313.49</b>
Segment Liabilities	798.10	692.87	1,717.79	908.47	68.37	96.68	2,584.26	1,698.02
Unallocated Corporate Liabilities							13,711.22	5,527.73
<b>Total Liabilities</b>							<b>16,295.48</b>	<b>7,225.75</b>
Capital Expenditure	--	--	803.18	3,354.47	4.02	4.53	807.20	3,359.00
Unallocated Capital Expenditure							1,734.35	824.17
<b>Total Capital expenditure</b>							<b>2,541.55</b>	<b>4,183.17</b>
Depreciation	--	--	398.41	138.17	39.93	40.12	438.34	178.29
Unallocated Depreciation							276.62	226.60
<b>Total Depreciation</b>							<b>714.96</b>	<b>404.89</b>
Non-cash expenses other than depreciation	--	--	--	--	--	--	--	--

f) The Company's operations are mainly in India. Hence, secondary geographical segment information disclosure is not applicable.

**21. Related Party Disclosures:**
**I. Related party disclosures under Accounting Standard 18:**
**a) Nature of Relationship and Name of Related Parties:**

Sl. No.	Nature of Relationship	Name of Related Party
(i)	Key Management Personnel	Mr. Kochouseph Chittilappilly (Managing Director), Mr. Mithun K. Chittilappilly, (Executive Director), Mr. N. Sreekumar (Joint Managing Director - From June 2009 to January 2010)
(ii)	Relatives of Key Management Personnel	Ms. Sheela Kochouseph, Mr. Arun K. Chittilappilly, Mr. C. T. John - Wife, Son and Brother respectively of Mr. Kochouseph Chittilappilly
(iii)	Enterprises in which the Key Management Personnel and his relatives have substantial interest	M/s. Wonderla Holidays Private Limited, M/s. V-Star Creations Private Limited and M/s. Vintes Solutions Private Limited

**b) Transactions during the year and balance outstanding at the balance sheet date:**
*(Rs. in Lakhs)*

Particulars	Key Management Personnel		Enterprises in which the Key management personnel and his relatives have substantial interest		Relatives of Key Management Personnel	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
<b>Transactions during the year:</b>						
Rent received	--	--	2.15	2.08	--	--
Rent paid	24.22	30.37	--	--	2.10	2.10
Remuneration	158.76	117.53	--	--	--	--
Dividend paid	294.15	267.83	--	--	228.35	228.42
Fixed assets purchased	--	--	6.25	--	--	--
<b>Balance at year end:</b>						
Receivable	5.89	--	--	--	--	--
Payable	75.42	41.22	--	--	--	--
Cumulative value of personal guarantees / collateral securities provided	500.00	6,670.00	--	--	--	6,170.00

- Note: (1) No amounts pertaining to the related parties have been written off / written back during the year.
- (2) Actual liability against personal guarantees: Rs. Nil (Previous Year: Rs.2,147.57 lakhs)

II. Related party disclosures under Listing Agreement entered into by the Company with Stock Exchanges:

(Rs. in lakhs)

Particulars	As at 31.03.2010	As at 31.03.2009	Maximum amount outstanding during the year	
			2009-10	2008-09
Loans and advance to subsidiaries	--	--	--	--
Loans and advance to associates	--	--	--	--
Loans and advances in the nature of loans where there is: (i) no repayment schedule or repayment beyond seven years (ii) no interest or interest below section 372A of the Companies Act, 1956	--	--	--	--
Loans and advance to companies / firms in which directors are interested	--	--	--	--
Investments by the loanee in the shares of the Company when there is an existing loan	--	--	--	--

22. Earnings Per Share is computed as follows:

Particulars	2009-10	2008-09
Profit attributable to equity shareholders (A) (Rs. in lakhs)	2,547.26	1,734.65
Weighted average number of equity shares outstanding (B)	298.48	298.48
Basic / Diluted Earnings Per Share (A/B) - In Rs. (Equity shares of Rs.10/- each)	<b>8.53</b>	<b>5.81</b>

23. Break up of Deferred Tax Liability (Net):

(Rs. in lakhs)

Particulars	As on 31.03.2009	For the Year	As on 31.03.2010
<b>Deferred Tax Liability Item:</b>			
Depreciation / Amortisation	525.19	161.46	686.65
<b>Deferred Tax Asset Items:</b>			
Expenditure disallowed under Section 43B of the Income Tax Act	(33.58)	2.35	(31.23)
Provision for doubtful debts & advances	--	(20.30)	(20.30)
Provision for warranty	(49.00)	(13.29)	(62.29)
<b>Net Deferred Tax Liability</b>	<b>442.61</b>	<b>130.22</b>	<b>572.83</b>

24. The year-end foreign currency exposures, which are not hedged by derivative instrument or otherwise, are as follows:

Nature	Currency	Amount	Indian Rupees (In lakhs)
Advances given	US Dollar	206,032	92.57
	Euro	7,907	4.72

25. The amount of unclaimed dividends lying in separate bank accounts as at the Balance Sheet date is Rs.8.50 lakhs (Previous Year: Rs.5.36 lakhs). There is no amount due and outstanding as at the Balance Sheet date to be credited to the Investor Education and Protection Fund.
26. Disclosure under Accounting Standard 29 - Provisions, Contingent Liabilities and Contingent Assets:

(Rs. in lakhs)

Particulars	As at 31.03.2009	Provided during the year	Reversed during the year	As at 31.03.2010
Provision for warranty	143.00	187.54	143.00	187.54

27. Previous year's figures have been re-grouped / re-classified wherever necessary to conform to classification for the year.

Schedules 1 to 21 form an integral part of the accounts.

Signatures to Schedules 1 to 21

For and on behalf of the Board of Directors

Sd/-

**P. G. R. PRASAD**

Chairman

Sd/-

**KOCHOUSEPH CHITILAPPILLY**

Managing Director

Sd/-

**A. JACOB KURUVILLA**

Chief Financial Officer

Sd/-

**JAYASREE K.**

Company Secretary

Place: Kochi

Date : 28<sup>th</sup> May, 2010



## BALANCE SHEET ABSTRACT AND A COMPANY'S GENERAL BUSINESS PROFILE

### I REGISTRATION DETAILS

Registration No. 

0	1	0	0	1	0
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 State Code 

0	9
---	---

Balance Sheet Date 

3	1
---	---

0	3
---	---

1	0
---	---

  
Date Month Year

### II CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)

Public Issue

								N	I	L
--	--	--	--	--	--	--	--	---	---	---

Rights Issue

								N	I	L
--	--	--	--	--	--	--	--	---	---	---

Bonus Issue

								N	I	L
--	--	--	--	--	--	--	--	---	---	---

Private Placement

								N	I	L
--	--	--	--	--	--	--	--	---	---	---

### III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)

Total Liabilities

			2	2	7	7	2	1	7
--	--	--	---	---	---	---	---	---	---

Total Assets

			2	2	7	7	2	1	7
--	--	--	---	---	---	---	---	---	---

#### SOURCES OF FUNDS

Paid-up Capital

			2	9	8	4	7	5
--	--	--	---	---	---	---	---	---

Reserve & Surplus

			1	1	1	6	3	4	9
--	--	--	---	---	---	---	---	---	---

Secured Loans

			7	0	5	1	1	0
--	--	--	---	---	---	---	---	---

Unsecured Loans

			1	0	0	0	0	0
--	--	--	---	---	---	---	---	---

Deferred tax Liability

				5	7	2	8	3
--	--	--	--	---	---	---	---	---

#### APPLICATION OF FUNDS

Net Fixed Assets

			1	1	5	1	8	5	2
--	--	--	---	---	---	---	---	---	---

Investments

				4	5	7	6	9
--	--	--	--	---	---	---	---	---

Net Current Assets

			1	0	7	9	5	9	6
--	--	--	---	---	---	---	---	---	---

Miscellaneous Expenditure

							N	I	L
--	--	--	--	--	--	--	---	---	---

Accumulated Losses

							N	I	L
--	--	--	--	--	--	--	---	---	---

## IV PERFORMANCE OF THE COMPANY (Amount in Rs. Thousands)

Turnover

			4	5	5	5	1	3	5
--	--	--	---	---	---	---	---	---	---

Total Expenditure

			4	1	6	0	0	0	8
--	--	--	---	---	---	---	---	---	---

Profit/Loss Before Tax

				3	9	5	1	2	7
--	--	--	--	---	---	---	---	---	---

Profit/Loss After Tax

				2	5	4	7	2	6
--	--	--	--	---	---	---	---	---	---

Earnings per share in Rs.

									9
--	--	--	--	--	--	--	--	--	---

Dividend % (Final dividend)

							3	0	%
--	--	--	--	--	--	--	---	---	---

## V GENERIC NAMES OF THREE PRINCIPAL PRODUCT/SERVICES OF THE COMPANY (As per monetary terms)

Item Code (ITC No.)

8	5	3	6	3	0	0	9	2	0
---	---	---	---	---	---	---	---	---	---

V	O	L	T	A	G	E		S	T	A	B	I	L	I	Z	E	R	S				
---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---	---	---	---	--	--	--	--

B	E	L	O	W		1	0	0	0		V	O	L	T	S							
---	---	---	---	---	--	---	---	---	---	--	---	---	---	---	---	--	--	--	--	--	--	--

8	5	3	5	4	0	0	2	9	0
---	---	---	---	---	---	---	---	---	---

V	O	L	T	A	G	E		S	T	A	B	I	L	I	Z	E	R	S				
---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---	---	---	---	--	--	--	--

A	B	O	V	E		1	0	0	0		V	O	L	T	S							
---	---	---	---	---	--	---	---	---	---	--	---	---	---	---	---	--	--	--	--	--	--	--

			8	4	1	3	7	0	0
--	--	--	---	---	---	---	---	---	---

O	T	H	E	R		C	E	N	T	R	I	F	U	G	A	L		P	U	M	P	S
---	---	---	---	---	--	---	---	---	---	---	---	---	---	---	---	---	--	---	---	---	---	---

		8	5	4	4	2	0	2	2
--	--	---	---	---	---	---	---	---	---

P	V	C		I	N	S	U	L	A	T	E	D		C	A	B	L	E	S			
---	---	---	--	---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	--	--	--

For and on behalf of the Board of Directors

Sd/-

**P. G. R. PRASAD**

Chairman

Sd/-

**KOCHOUSEPH CHITILAPPILLY**

Managing Director

Sd/-

**A. JACOB KURUVILLA**

Chief Financial Officer

Sd/-

**JAYASREE K.**

Company Secretary

Place: Kochi

Date : 28<sup>th</sup> May, 2010



**ELECTRONIC CLEARING SERVICE (ECS MANDATE FORM)****(For shares held in physical form)**

1. First Shareholder's Name :
2. Shareholder's Folio No. :
3. Particulars of Bank Account :
  - a) Bank Name :
  - b) Branch Name :
  - c) Account No. : SB ☐ Current ☐ Cash Credit ☐  
(tick whichever is applicable)
  - e) Ledger folio No. of the Bank A/c :  
(as Appearing on the cheque book)
  - f) 9 Digit code no. of the Bank & :  
Branch appearing on the MICR  
cheque issued by the Bank

**Important:**

1. Please attach the photocopy of a cheque leaf or a blank cancelled cheque leaf issued by your Bank relating to your above account for verifying the accuracy of the code numbers.

I, hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete or incorrect information, I would not hold the Company responsible.

**Signature of First Shareholder**

Date:





**V-GUARD INDUSTRIES LIMITED**

**V-GUARD**

**V-GUARD INDUSTRIES LIMITED**

Registered Office: 33/2905 F, Vennala High School Road, Vennala, Kochi-682028

**PROXY FORM**

**Fourteenth Annual General Meeting – 26<sup>th</sup> July, 2010**

Regd.FolioNo./DP Client ID

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

I/We..... of  
.....in the district of .....being a member(s) 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/us  
on my /our behalf at the Fourteenth Annual General Meeting of the company to be held on Monday  
the 26th Day of July, 2010 at 10.00 AM at Hotel International, Veekshnam Road, Cochin- 682035 and  
at any adjournment thereof.

Signed this..... day of.....2010

Affix  
Revenue  
Stamp

Signature:

Note: The proxy in order to be effective must be returned so as to reach the company at the above  
address not less than 48 hours before the time for holding the aforesaid meeting and should  
be duly stamped, completed and signed.



**V-GUARD INDUSTRIES LIMITED**

Registered Office: 33/2905 F, Vennala High School Road, Vennala, Kochi-682028

**ATTENDANCE SLIP****Fourteenth Annual General Meeting – 26<sup>th</sup> July, 2010**

Regd. Folio No./DP Client ID

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

No. of Shares held

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

For Physical Shareholders only

Name & Address of the Shareholder	Regd. Folio No.	No. of Shares held

I hereby record my presence at the Fourteenth Annual General Meeting of the Company at 10.00 a.m. at Hotel International, Veekshanam Road, Kochi-682035 on Monday, the 26<sup>th</sup> July, 2010

If Shareholder, please sign here	If proxy, please sign here

Members are requested to fill up the attendance slip and hand it over at the venue. Members are requested to bring their copy of Annual Report to the meeting, as no copies will be distributed at the venue.

