

— ANNUAL REPORT 2013-2014 —

BIGGER
BETTER
STRONGER

₹ 1500 CRORES



V-GUARD

The name you can trust

Inspiring Performance



Kochouseph Chittilappilly
Chairman



Cherian Punnoose
Vice Chairman



Mithun K Chittilappilly
Managing Director



Ramachandran V
Director



C.J. George
Director



AK Nair
Director



Ullas K. Kamath
Director



Joshna Mithun
Director



V-GUARD INDUSTRIES LIMITED

**EIGHTEENTH ANNUAL REPORT
2013-2014**

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V-GUARD INDUSTRIES LIMITED

Registered Office: 33/2905 F, Vennala High School Road, Vennala, Kochi-682028
Ph: 0484 3005000; Fax: 0484 3005100; E-mail: mail@vguard.in; Website: www.vguard.in
CIN: L31200KL1996PLC010010

EIGHTEENTH ANNUAL REPORT 2013-14

BOARD OF DIRECTORS

Shri. Kochouseph Chittilappilly	Chairman
Shri. Cherian N Punnoose	Vice Chairman
Shri. Mithun K Chittilappilly	Managing Director
Shri. Ramachandran V	Director – Marketing & Strategy
Shri. C J George	Director
Shri. A K Nair	Director
Shri. Ullas K Kamath	Director
Smt. Joshna Mithun	Director

BOARD COMMITTEES

AUDIT COMMITTEE

Shri. Cherian N Punnoose	Chairman
Shri. Mithun K Chittilappilly	Member
Shri. C J George	Member
Shri. A K Nair	Member

NOMINATION & REMUNERATION COMMITTEE

Shri. C J George	Chairman
Shri. Cherian N Punnoose	Member
Shri. A K Nair	Member
Shri. Kochouseph Chittilappilly	Member

STAKEHOLDERS' RELATIONSHIP/ SHARE TRANSFER COMMITTEE

Shri. C J George	Chairman
Shri. Cherian N Punnoose	Member
Shri. Mithun K Chittilappilly	Member

CHIEF FINANCIAL OFFICER

Shri. A Jacob Kuruvilla

COMPANY SECRETARY

Smt. Jayasree K

AUDITORS

M/s. S R Batliboi & Associates LLP
Chartered Accountants
Kochi-682016

REGISTRAR & SHARE TRANSFER AGENTS

Link Intime India Private Limited
Surya, 35, Mayflower Avenue,
Behind Senthil Nagar, Sowripalayam Road,
Coimbatore-641028
Phone: 0422-2314792
Email: coimbatore@linkintime.co.in

BANKERS

State Bank of India
HDFC Bank Ltd.
The Federal Bank Ltd.
Citi Bank Ltd.
Standard Chartered Bank Ltd
The Dhanlaxmi Bank Ltd.
State Bank of Travancore
South Indian Bank Ltd.
DBS Ltd.
Axis Bank Ltd.
YES Bank Ltd.

LISTED AT

National Stock Exchange of India Ltd.
The Bombay Stock Exchange Ltd.

PLANT LOCATIONS

WIRES & CABLE DIVISION

K G Chavady, Survey No. 569/ 2A, 566/2,
Ettimadai Village, Coimbatore - 641105
6th K M Stone, Moradabad Road, Khasra No. 86,
Village Basai, Kashipur, Udhamasingh Nagar Dist.

PUMP DIVISION

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

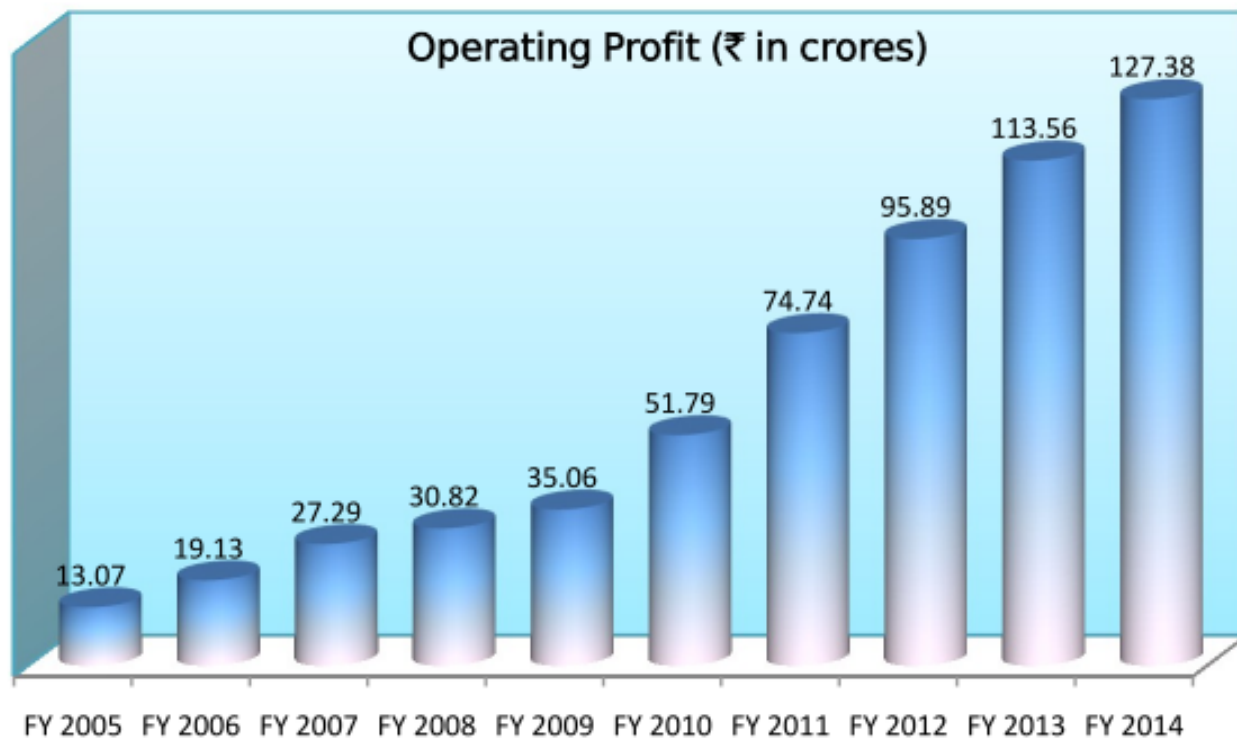
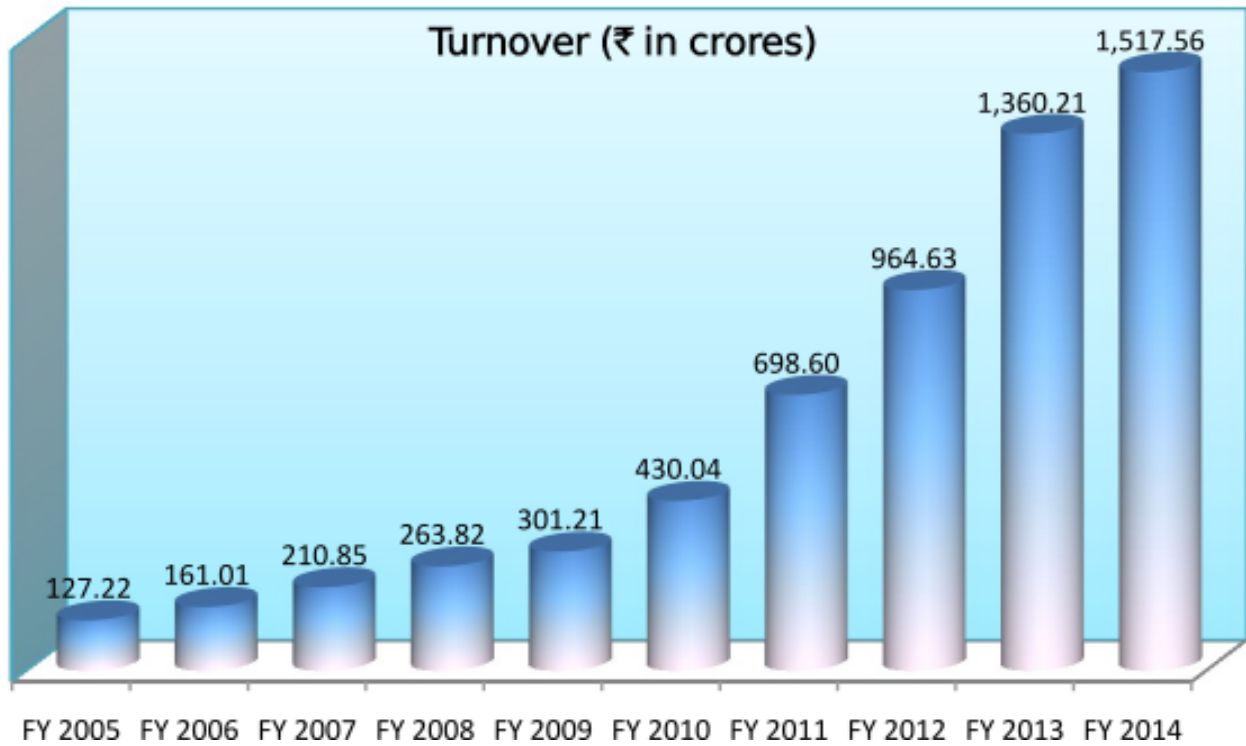
WATER HEATER & FAN DIVISION

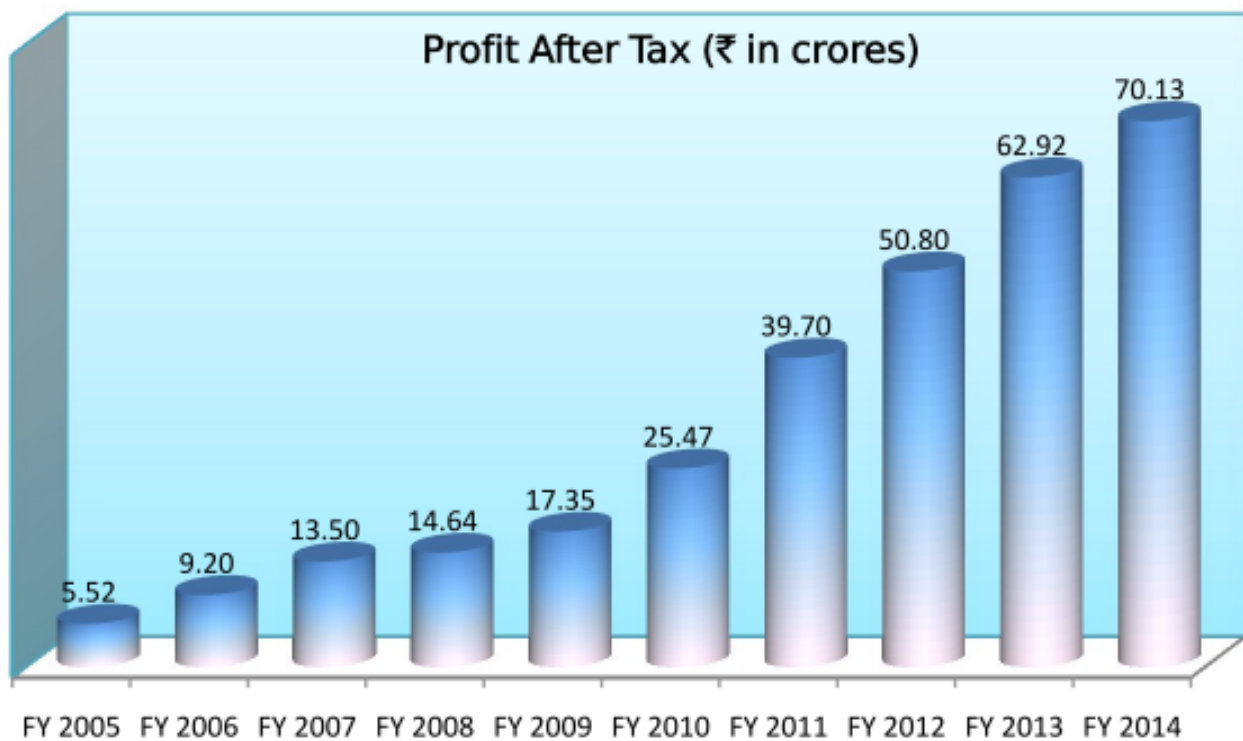
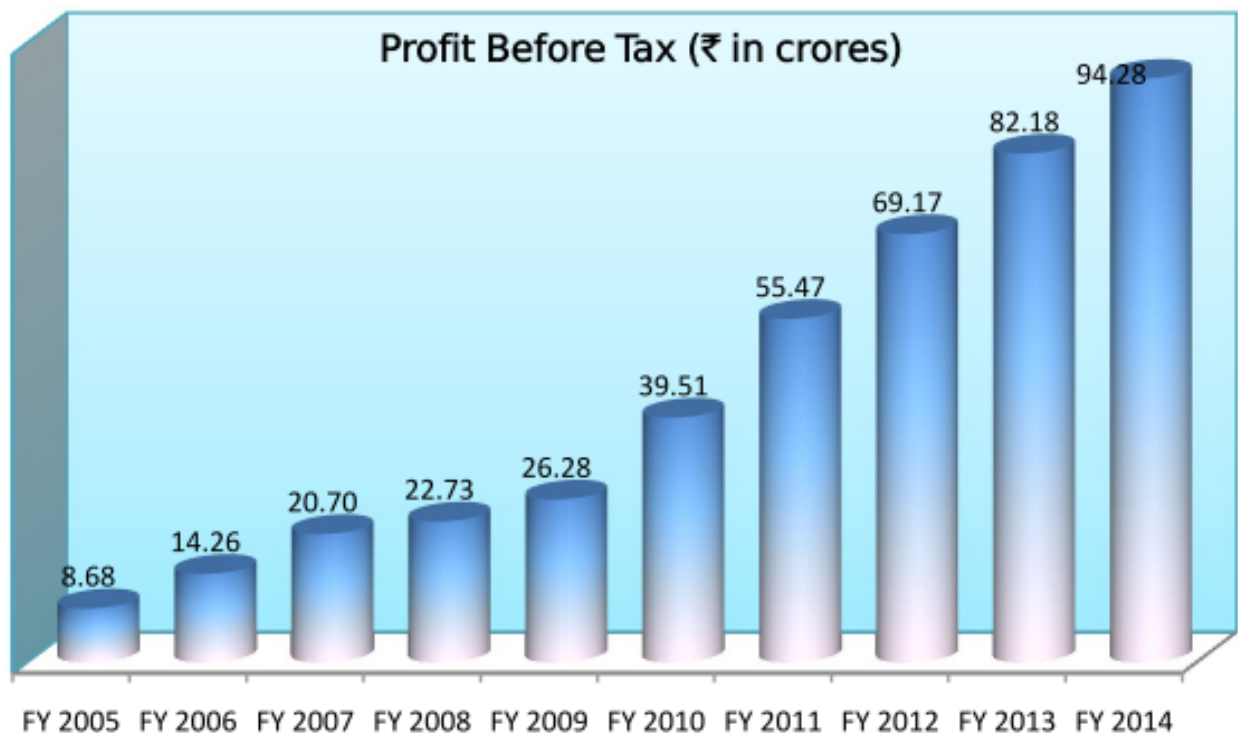
Vill. Bankebada, P.O., Moginand,
Tehsil Nahan, District Sirmour,
Himachal Pradesh - 173030

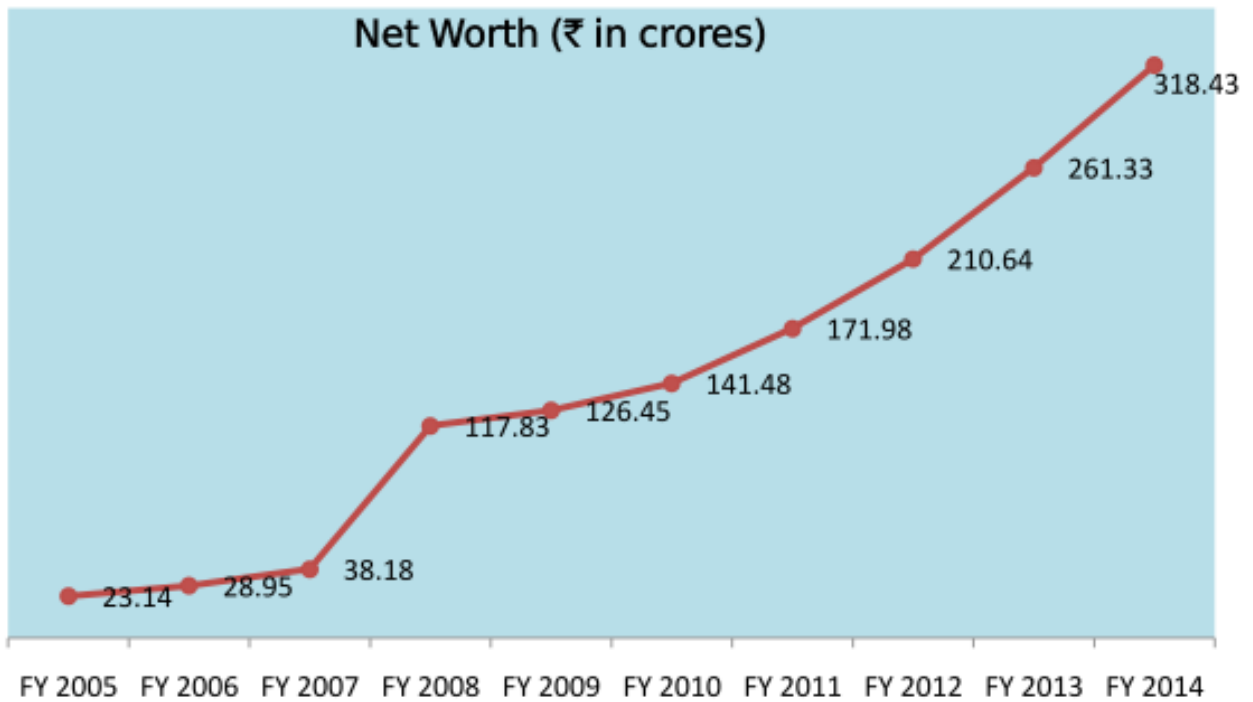
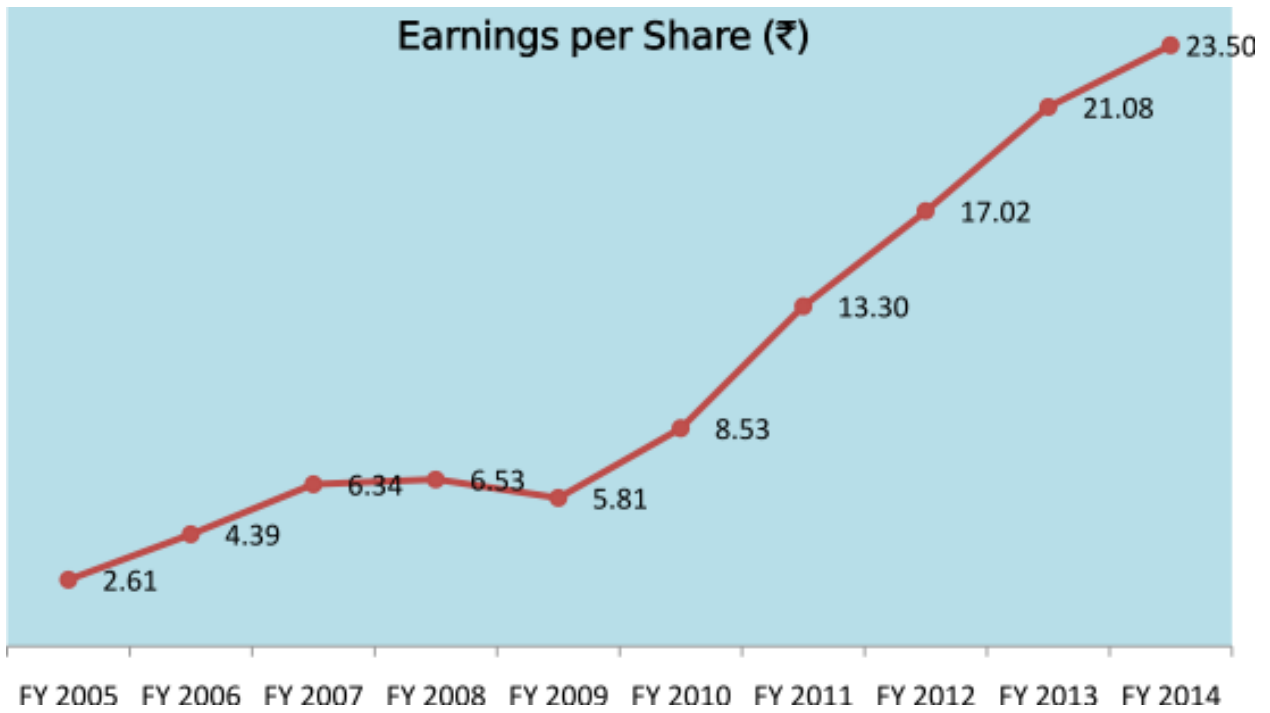
SOLAR WATER HEATER DIVISION

KK 12,13,14,15, SIPCOT Industrial Growth Centre,
Perundurai, Erode (Dt.), Erode - 638 052

A DECADE'S JOURNEY







Chairman's Letter to Shareholders

Dear Shareholders,

This has been a momentous year for V-Guard Industries, crossing a turnover of ₹ 1,500 crore for the first time in our history. Despite a tough operating environment, with consumer spends under pressure, the Company has delivered a growth of 12% year on year in both top line and bottom line while maintaining its margin profile at 8.4% for the full financial year. The revenue contribution from non-South has increased to 30% during the FY14.

The Company's growth moderated in FY14 mainly on account of a weak consumer sentiment and weather related issues. The advent of the monsoon was earlier than usual in 2013 and lasted for longer period, when compared to previous years, especially in Southern India. This had a bearing on demand for some of our products like Pumps and Motors. Growth of certain product category was lower than the previous years, as many parts of the country were free from power cuts starting from the second half of the year up to the general election period.

Despite these challenges, V-Guard has remained committed towards building on its competitive strengths, expanding its network of channel partners and retailers across the country and enhancing our brand recall in the non-South markets through aggressive advertising spends and sales promotions.

Your Company reinforced its presence in the kitchen appliance category during the year by launching mixer grinder to the product category. Both mixer grinder, and induction cook tops launched during FY13 has been well accepted in the market. The category will be strengthened further by adding more products to the folder.

During the year under review, your Company has doubled the capacity for wires at the Kashipur plant in Uttarakhand from 3.3 million coils per annum to 6.6 million coils per annum in two phases at a total cost of ₹ 16.30 crores. The Company has also fully commercialized its state-of-art facility for manufacture of Solar Water Heater at Perundurai and also constructed a central warehouse at Perundurai to cater the requirements of the State of Tamil Nadu. The Management is continuously exploring the possibility of automation in various processes and steps are being implemented which will result in efficiency improvement and cost reduction.

Your Company's Research & Development Department has been approved by Department of Scientific and Industrial Research (DSIR) and subsequent to the approval, the state-of-art R & D Center has been set up by consolidating the R & D activities of various products of the Company.

You are aware that, V-Guard since its inception is known for providing quality and prompt after sales service. As part of strengthening further the systems of after sale service, new service delivery model is being institutionalized with the support of robust IT solution pan India basis. With this new model of service delivery, the Company is confident of delivering a differentiated customer service and develop it as a competency, which will give competitive edge in the market and will position V-Guard as a most reliable and trusted service provider in the minds of our partners and customers.

Your Company believes that employees are the pillars of growth and organizational success and has taken number of initiatives to increase their engagement in the operations of the Company. Regular trainings are provided to equip them to contribute to the future growth. Major locations of the Company are connected through well-equipped video conferencing facility. The focus is to make your Company a

preferred employer in all the geographies where the Company is present. With a view to retain best talents of the Company and to create the feeling of ownership in their minds, the Company has implemented ESOS 2013 during the year under review and granted options to eligible employees.

The Board of Directors has recommended dividend of ` 4.50 per share for FY14, up from ` 3.50 in the previous year. This amounts to a payout of 22% of profits. V-Guard is committed to creating shareholder value, and the increased dividend reflects our continued focus to deliver on that commitment. It also shows our confidence in successfully executing our strategic plan and enabling a balance between judiciously investing in the business and regular returns to our shareholders.

The existing Board of the Company has been re-constituted by inducting two more Additional Directors - Mr. Ullas K Kamath and Mrs. Joshna Mithun, with effect from 2nd May, 2014. Mr. Ullas K Kamath, who is on the Board of Jyothy Laboratories Ltd., as Joint Managing Director, is a Chartered Accountant and management expert, having immense experience in Finance and Marketing. Mrs. Joshna Mithun, who is on the Board of V-Star Creations Pvt. Ltd., as Executive Director, is a Management professional with specialization in the areas of HR and Finance.

We believe our growth trajectory has bottomed out in FY14 and expect accelerated growth going forward, given the strong outlook for the summer season and low base last year. We will continue making investments in advertising and marketing to enhance brand visibility in order to facilitate further pan-India expansion. Actions are also afoot to add more retailers under the distributors, thereby increasing revenue contribution per distributor and providing significant scope for expansion of returns on existing investments.

I would like to express my sincere thanks and gratitude to all stakeholders including our esteemed shareholders, valued customers, vendors, Banks, Central and various State Governments for the faith reposed by them in the Company.

With Best Wishes

Sd/-

Kochouseph Chittilappilly
Chairman

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DIRECTORS' REPORT

Dear Members,

Your Directors have great pleasure in presenting the Eighteenth Annual Report of the Company on the business and operations together with the audited financial statements for the year ended 31st March, 2014.

1. Financial Results

(` in lakhs)

Particulars	Year ended 31 st March, 2014	Year ended 31 st March, 2013
Revenue from operations (Gross)	153,792.61	138,371.92
Less : Excise Duty	2,036.30	2,350.47
Revenue from operations (Net)	151,756.31	136,021.45
Operating expenditure	139,501.69	125,027.93
Operating profit before Depreciation, Interest, Tax & Exceptional Item	12,254.62	10,993.52
Finance Cost	2,106.31	1,997.06
Depreciation and amortization expense	1,203.86	1,141.10
Other Income	483.88	362.21
Profit Before Tax & Exceptional Item	9,428.33	8,217.57
Exceptional Item	-	-
Profit Before Tax	9,428.33	8,217.57
Tax Expense:		
a) Current Tax	2,250.54	1,562.29
b) Deferred Tax	164.39	363.77
Profit After Tax	7,013.40	6,291.51
Balance in Statement of Profit & Loss brought forward	14,014.84	9,645.53
Profit available for appropriation	21,028.24	15,937.04
Appropriations		
a) Transfer to General Reserve	800.00	700.00
b) Dividend proposed	1,343.13	1,044.66
Tax on Dividend proposed	228.27	177.54
c) Balance carried to Balance Sheet	18,656.84	14,014.84

2. Company's Performance

During the financial year ended 31st March, 2014, the Company achieved 12% growth in its net revenue from operations which grew to ` 1,517.56 crores in 2013-14 from ` 1,360.21 crores in 2012-13. Operating profit before interest, depreciation and tax for the year under review was ` 122.55 crores, as compared to ` 109.94 crores of preceding year, registering a growth of 11%. Profit After Tax for the financial year ended 31st March, 2014 was ` 70.13 crores, higher by 11% than ` 62.91 crores in financial year 2012-13. Growth of each product vertical is detailed under the Section, Management Discussion and Analysis which forms part of the Annual Report.

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) Transfer to Reserves

Your Directors transferred an amount of ` 8.00 crores 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.

b) Final Dividend

Your Directors are pleased to recommend a final dividend of ` 4.50 per share (45% on par value of ` 10/- per share). The final

dividend, if declared as recommended, would involve an outflow of ` 13.43 crores and ` 2.28 crores towards dividend distribution tax, resulting in a total outflow of ` 15.71 crores. 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 19th July, 2014 to 29th July, 2014 both days inclusive.

5. New Projects

The project of doubling the capacity at the Kashipur plant in Uttarakhand from 3.3 million coils per annum to 6.6 million coils per annum in two phases has been completed and commercial production has started. Construction of warehouse at Angamaly and Perundurai has been completed and the work relating to construction of central warehouse at Palakkad has been commenced. With a view to enhance the overall customer service experience, process effectiveness and operational efficiency, a transformation initiative was carried out in the customer service domain and a new service delivery model is being institutionalized with the support of robust IT solution. The new service delivery system being implemented by the Company would become a new benchmark for customer service in the electrical appliance industry.

6. Productivity Improvement & Cost Reduction Activities

Newly Constituted Industrial Engineering Department of the Company is actively engaged in auditing the process across its manufacturing locations as well as warehouses to identify possible opportunities for improving productivity and thereby achieving cost reduction. Standard production norms development, Method improvements, Material Handling systems development and Process Automation are initiated in various locations

with the active support of respective plant management during the year. They are also closely working with selected manufacturing locations for bringing operational excellence in manufacturing by introducing the concepts of Lean manufacturing during the financial year 2014-15.

7. Fixed Deposit

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

8. Board of Directors

The Company had, pursuant to the provisions of clause 49 of the Listing Agreement entered into with Stock Exchanges, appointed Mr. C J George, Mr. A K Nair and Mr. Cherian N Punnoose as Independent Directors of the Company under the category of directors liable to retire by rotation.

As per Section 149(4) of the Companies Act, 2013, which came into effect from 1st April, 2014, every listed public company is required to have at least one-third of the total number of directors as Independent Directors and such directors are not liable to retire by rotation.

The Board of Directors of your Company, in terms of provisions of Sections 149, 150 and 152 of the Companies Act, 2013, are seeking the approval of members for the appointment of all the three Independent Directors to hold office as per the tenure of appointment mentioned in the Notice of the ensuing Annual General Meeting of the Company.

The Board has as per the provisions of Section 161 of the Companies Act, 2013, appointed Mr. Ullas K Kamath and Mrs. Joshna Mithun, as Additional Directors on the Board of the Company with effect from 2nd May, 2014 and they will hold office upto the date of the ensuing Annual General Meeting. The Company has received notices under Section 160 of the Companies Act, 2013, along with the deposit proposing their candidature for the office of Director and your Directors are seeking the approval of members for their appointment.

The details of Directors being recommended for appointment/re-appointment as required in Clause 49 of the Listing Agreement are contained in the Notice convening the ensuing Annual General Meeting of the Company.

Appropriate resolution(s) seeking your approval to the appointment/re-appointment of Directors are also included in the Notice.

9. Employee Stock Option Scheme 2013

During the year under review, the Company has instituted ESOS 2013, with a view to reward the employees of the Company in line with the growth of the Company. The members of the Company accorded their approval by way of special resolution under Section 81(1A) of the Companies Act, 1956, passed on 14th May, 2013, through postal ballot procedure for implementation of ESOS 2013 in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 for issue of options exercisable into not more than 11,20,000 equity shares of the Company.

Under the Scheme, the Company has granted 9,17,322 options to eligible employees which works out to 3.07% of the paid up share capital of the Company as at 31st March, 2014. Details of the options granted and pricing formula and other details are given in the Annexure A to the Directors' Report.

10. Human Resources

Your Company believes in the ability of each of its employees and hence provides ample opportunities to tap into their potential and also invest in their growth and development. Their combined *Experience, Knowledge and Vigour* continue to be our competitive advantage.

Talent Acquisition, Talent Development, and Talent Management have been the key focus areas for benchmarking and further development. In line with this commitment, this year, the Company has strengthened its focus to align the business functionally and build individuals' capability.

With the Vision to be an "Employer of Choice" in its operating geographies, your Company undertook several projects in FY 2013-14 to create building blocks for a world-class organisation. Some of these initiatives are:

- Revamping of Talent Acquisition processes with the best market practices implemented across levels including employment verification, medical check up, and psychometric test.
- Revamping of online Performance Management system.
- Service being the back bone of the Company, it has been strengthened further through introduction of training and certification program covering close to 1000 employees.
- Partnering with outsourcing agency to supplement the manpower requirements in customer service and support services.

The employees are encouraged to live the vision and values adopted by the Company and develop themselves as good corporate citizens. During the year, an Engagement Survey was carried out to assess the engagement level. Based on the findings, a detailed action plan was put in place to further the engagement bar higher in the years ahead. Employee relations continued to be strengthened across all locations through a process of continuous dialogue and openness to find mutually acceptable solutions to issues.

11. Corporate Social Responsibility

Your Company's CSR policy focuses on social sustainability, healthcare initiatives, environment sustainability and inclusive growth. The Company have undertaken various initiatives during the year to sustain the environment and to improve the quality of life of the people in and around its manufacturing units at Chavadi (Coimbatore), Kashipur (Uttarakhand), Perundurai (Tamil Nadu) and Kala Amb (Himachal Pradesh). Community development activities were also undertaken in areas close to our Branch offices and warehouses at Bangalore, Hyderabad,

Vijayawada, Angamaly and Kannadi (Palakkad).

Educational assistance was extended to 200 students belonging to the underprivileged communities through the Rajagiri Outreach Society. Financial assistance was given to 8 schools and educational societies near our Head Office and Warehouses. As part of this program, School Bags, Note Books, umbrellas and writing materials were also distributed to students belonging to below poverty line. Drinking water facility was provided to the children of Govt. schools. Quality improvement programmes were conducted at selected schools for improving the quality of education. Special programmes were organised for parents of the children covered under the educational assistance scheme of the Company. In addition, financial support was extended to the Thomas Chittilappilly Trust that runs an old age home for destitute women and a home for girl children.

Medical assistance was given to cancer/kidney patients from the locality for undergoing treatment at specialist hospitals. To provide quality primary and preventive health care to the underprivileged, as part of its Healthcare initiative, the Company had donated an Ambulance equipped with all essential healthcare equipment, to the Parakkadavu Grama Panchayath, Angamali. This facility is intended for use by the Paliative Care Unit under the Grama Panchayath and will benefit the village community. Financial support was also extended for electrification of Parakkadavu Grama Panchayath area near to our Warehouse at Angamaly. To support the victims of natural calamities, the Company had extended financial help to the disaster relief measures of the Govt. of Uttarakhand, during the year under review.

12. 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 forms part of the Annual Report. A certificate of Statutory Auditor confirming compliance of the Corporate Governance requirements by the Company is attached to the Report on Corporate Governance.

13. 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 given under the head Management Discussion and Analysis Report, which forms part of this Report.

14. Auditors

M/s. S R Batliboi & Associates LLP, Chartered Accountants, Kochi, with firm registration number-101049W, 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. The Board of Directors upon the recommendation of the Audit Committee proposes the re-appointment of M/s. S R Batliboi & Associates LLP, Chartered Accountants, Kochi, as the Statutory Auditors of the Company to hold office from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting as per the provisions of Section 139 of the Companies Act, 2013.

15. Cost Auditors

Your Directors have, with the approval of the Ministry of Corporate Affairs, appointed M/s. Ajeesh & Associates, Cost Accountants, as the Cost Auditors of the Company for the financial year 2013-14 and cost audit report will be filed.

The Board of Directors in their meeting held on 2nd May, 2014, have approved the appointment of M/s. Ajeesh & Associates, Cost Accountants, as the Cost Auditors of the Company for the financial year 2014-15 and also fixed the audit fee payable to them. As per the provisions of Section 148 of the Companies Act, 2013, read with Companies (Audit and Auditors) Rules, 2014, audit fee payable to the Cost Auditors is to be ratified by

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the Members of the Company. Your Directors have proposed a resolution in item no.10 of the Notice for the ensuing Annual General Meeting.

16. Disclosure of Particulars of employees

Particulars of employees required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, form part of this report and are annexed herewith. However, in terms of Section 219(1)(b)(iv) of the Companies Act, 1956, the report and accounts are being sent to the shareholders excluding the aforesaid annexure. Any shareholder interested in obtaining copy of the same may write to the Company at the Registered Office.

17. 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 B to the Directors' Report which forms part of the Annual Report.

18. 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 judgments 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, 2014 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.

19. Response to Auditor's Observations

The Board gives the following clarifications, on the observations of the Auditor's in the Annexure to Auditor's Report to the Members:

Refer Annexure point (xxi). It was detected by the Company that an employee together with few dealers have misappropriated the materials sold by Company and defaulted in related payments. Company has suspended the employee and has fully provided for these receivables amounting to ` 249.96 lakhs as at 31st March, 2014 in the financial statements and has initiated legal actions to recover these amounts.

20. Acknowledgement

The Board wishes to place on record its sincere appreciation to the Company's customers, vendors, Central and State Government bodies, auditors, legal advisors, consultants, registrar and bankers for their continued support to the Company during the year under review. The Directors also wish to place on record their appreciation for the dedicated efforts of the employees at all levels. Finally, the Board expresses its gratitude to the members for their continued trust, co-operation and support.

For and on behalf of the Board of Directors

Sd/-

Kochoseph Chittilappilly
Chairman

Sd/-

Mithun K Chittilappilly
Managing Director

Kochi
2nd May, 2014

Annexure A to the Directors' Report

Information to be disclosed under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999:

Sl. No.	Particulars	ESOS 2013	
		Grant @ ` 485/- per option.	Grant @ ` 10/- per option.
a)	Date of Meeting and approval by shareholders	The ESOS, 2013 was approved by the Shareholders of the Company by passing a special resolution through postal ballot procedure on 14 th May, 2013.	
b)	Options Granted	7,01,184	2,16,138
c)	The pricing formula	The exercise price for the purpose of grant of 7,01,184 nos. of options will be ` 485/-, which is the fair market value of the share on the relevant date.	The exercise price for the purpose of grant of 2,16,138 nos. of options will be ` 10/-
d)	Options Vested	Nil	Nil
e)	Options exercised	NA	NA
f)	The total number of shares arising as a result of exercise of option	NA	NA
g)	Options lapsed	Nil	Nil
h)	Options cancelled	18,153	5,851
i)	Variation of terms of options	NA	NA
j)	Money realized by exercise of options	NA	NA
k)	Total Number of options in force	6,83,031	2,10,287
l)	Employee wise details of options granted to:		
	(i) Senior management personnel including Directors	Mr. Ramachandran V Mr. Antony Sebastian K Mr. A Jacob Kuruvilla Mr. Muralidharan M V Mr. Deepak Augustine	2,59,588 29,923 26,919 30,484 39,864
	(ii) Any other employee who receives a grant in any one year of option amounting to 5% or more option granted during that year.	Except Mr. Ramachandran V shown above, no other employee receives a grant in any one year options amounting to 5% or more option granted during that year.	
	(iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	None	

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m)	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share'.	` 23.47																						
n)	Weighted average Fair Value of Options granted during the year whose:	Grant @ ` 485/- per option.	Grant @ ` 10/- per option.																					
	a) Exercise price equals market price	` 202.26	NA																					
	b) Exercise price is greater than market price	NA	NA																					
	c) Exercise price is less than market price	NA	` 461.24																					
	Weighted average Exercise price of options granted during the year whose:																							
	a) Exercise price equals market price	` 485	NA																					
	b) Exercise price is greater than market price	NA	NA																					
o)	c) Exercise price is less than market price	NA	` 10.00																					
	i) The method of calculation of employee compensation cost.	The Company has calculated the employee compensation cost using the intrinsic value method of accounting to account for options issued.																						
	(ii) Difference between the employee compensation cost so computed (i) above and the employee compensation cost that shall have been recognized if it had used the fair value of the options.	The stock-based compensation cost calculated as per the intrinsic value method for the period from 1 st April, 2013 to 31 st March, 2014 is ` 268.19 lakhs. If the stock-based compensation cost was calculated as per the fair value method prescribed by SEBI, the total cost to be recognized in the financial statements for the period from 1 st April, 2013 to 31 st March, 2014 would be ` 628.62 lakhs.																						
(iii) The impact of this difference on profits and on EPS of the Company.	<table border="0"> <thead> <tr> <th></th> <th style="text-align: right;">` in lakhs</th> </tr> </thead> <tbody> <tr> <td>Profit After Tax as reported</td> <td style="text-align: right;">7,013.40</td> </tr> <tr> <td>Add: Intrinsic value compensation cost</td> <td style="text-align: right;">268.19</td> </tr> <tr> <td>Less: Fair value compensation cost</td> <td style="text-align: right;">628.62</td> </tr> <tr> <td>Adjusted Profit After Tax (Pro forma)</td> <td style="text-align: right;">6,652.97</td> </tr> <tr> <td>Earnings per share (Basic)</td> <td></td> </tr> <tr> <td>As reported</td> <td style="text-align: right;">23.50</td> </tr> <tr> <td>As adjusted (Pro forma)</td> <td style="text-align: right;">22.29</td> </tr> <tr> <td>Earnings per share (Diluted)</td> <td></td> </tr> <tr> <td>As reported</td> <td style="text-align: right;">23.47</td> </tr> <tr> <td>As adjusted (Pro forma)</td> <td style="text-align: right;">22.26</td> </tr> </tbody> </table>			` in lakhs	Profit After Tax as reported	7,013.40	Add: Intrinsic value compensation cost	268.19	Less: Fair value compensation cost	628.62	Adjusted Profit After Tax (Pro forma)	6,652.97	Earnings per share (Basic)		As reported	23.50	As adjusted (Pro forma)	22.29	Earnings per share (Diluted)		As reported	23.47	As adjusted (Pro forma)	22.26
	` in lakhs																							
Profit After Tax as reported	7,013.40																							
Add: Intrinsic value compensation cost	268.19																							
Less: Fair value compensation cost	628.62																							
Adjusted Profit After Tax (Pro forma)	6,652.97																							
Earnings per share (Basic)																								
As reported	23.50																							
As adjusted (Pro forma)	22.29																							
Earnings per share (Diluted)																								
As reported	23.47																							
As adjusted (Pro forma)	22.26																							
p)	Method and assumptions used to estimate the fair value of options granted during the year: The fair value has been calculated using the Black Scholes Option Pricing model. The assumptions used in the model are as follows:																							
	Variables	Grant @ ` 485/- per option.	Grant @ ` 10/- per option.																					
	1. Risk Free Interest Rate	7.46%	7.46%																					
	2. Expected Life (in years)	5.01	5.01																					
	3. Expected Volatility	36.12%	36.12%																					
	4. Dividend Yield	0.72%	0.72%																					
5. Price of the underlying share in market at the time of the option grant (`)	485.35	485.35																						
For and on behalf of the Board of Directors																								
Sd/-		Sd/-																						
Kochouseph Chittilappilly		Mithun K Chittilappilly																						
Chairman		Managing Director																						
Kochi 2 nd May, 2014																								

ANNEXURE B TO THE DIRECTORS' REPORT

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) Rule, 1988

A) Conservation of energy

<p>(a) Energy conservation measures taken</p>	<p>To Conserve energy, the following measures were taken in our manufacturing locations</p> <ol style="list-style-type: none"> 1. Installed 1500 KVAR detuned APFC (Automatic power factor controller) panel in Kashipur Plant at a cost of ` 28 Lakhs to improve the power factor from 0.95 to 0.99. 2. Introduced hydraulic pallet truck at a cost of ` 0.54 Lakhs to load/unload spools thereby avoid usage of Electric Overhead Crane. 3. One 400 KVA servo stabilizer at a cost of ` 4.6 Lakhs was installed to give uniform voltage & to avoid the DG usage while operating Aluminum wire drawing machine. 4. Auto switch was connected to two bore-well pumps individually to avoid dry running and thereby save power. 5. Individual vacuum blowers were used for wiping water from cable surface at extrusion lines so as to avoid using compressed air. 6. Installed 2 nos. of 1000 liters capacity of Solar Water heaters for heating water in newly built Executive and Workmen Quarters of the factory at Perundurai.
<p>(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy.</p>	<ol style="list-style-type: none"> 1. Introduction of CFL/LED lights in place metallic halide lights for shop floor & campus street lighting. 2. Additional investments of ` 1 Lakh for making molds for injected PUF, in 6 & 10 Ltr Pebble Metallica series Electric Water Heaters.
<p>(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.</p>	<ol style="list-style-type: none"> 1. By introduction of APFC panel the savings are ` 6.20 Lakhs (as per actual electricity bills) for FY 2013-14 2. Introduction of hydraulic pallet truck resulted in savings of ` 0.22 Lakhs for FY 2013-14. 3. Servo stabilizer at RBD - Aluminium drawing machine has helped to save ` 5.5 Lakhs for FY 2013-14.

	<ol style="list-style-type: none"> 4. By using auto switch on bore-well pumps we have saved ` 36,000 for FY 2013-14 on power by avoiding dry run. 5. Introduction of vacuum blowers has resulted in savings of ` 9.37 Lakhs for FY 2013-14. 6. By using CFL/LED lamps in place of metal halide lamps, the savings are Rs. 0.33 Lakhs for FY 2013-14. 7. By implementing the aforesaid measures, there has been reduction in the energy consumption that has resulted in the reduction of cost of production of SWH.
(d) Total energy consumption and energy consumption per unit of production as per Form A of Annexure in respect of industries specified in schedule thereto.	NA

B) Technology Absorption:

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

<p>Research and development (R & D)</p> <ol style="list-style-type: none"> 1. Specific areas in which R & D carried out by the company 	<ol style="list-style-type: none"> a) Converted PVC Grades used in House Wiring Cables to RoHS compliant PVC b) Installed VSM module for controlling operation of water pumping system to overhead tank. c) Converted gear box driven mechanical transmission unit at Armouring machine to Electronic drive control. d) Developed new Wire-break sensor for stranding machines. e) Automation of Air Delivery testing system for Ceiling fans and TPW fans. f) Development of computerized quality control system for Ceiling fan manufacturing. g) Research of Ceiling fan blade design improvements. h) R & D was carried out for developing rigid and economy agricultural pumps in open well submersible category. i) Ceiling fan model approved by Bureau of Energy Efficiency for star rating was introduced. j) Developed 50W, energy saving Ceiling fan model with ISI rating. k) Introduced high efficient agricultural pumps in VBTH category with 5% improvement in overall efficiency.
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	<ul style="list-style-type: none"> l) Developed Digital water heater with a feature of intelligent scheduler. m) Developed Robotic MS tank Inspection device. n) Developed standing loss analyzer for Electric Water Heaters. o) Developed 2 new models of electric water heater with more energy saving as compared with existing Steamer model. p) Developed economic design stands with modified tank seat & reflector angles, for domestic Solar Water Heater models. q) Designed and developed new models of Automatic Voltage Stabilizers for Refrigerators, Air-conditioners, Main Line application etc., with new and improved aesthetics and features. r) Developed 500W, 1KW Solar PV Systems. s) Developed Digital Control, Monitoring and Display systems for Electric Water Heaters. t) Designed and developed UPS systems for CFL lighting applications. u) Designed and developed various new models of Sine-wave and Square-Wave Home UPS systems with improved features and Aesthetics. v) After getting the DSIR 'Recognition' during previous year (2012-13) for the 'In-House R & D Centre', the DSIR 'approval' has been received during August, 2013.
<p>2. Benefits derived as a result of the above R & D</p>	<ul style="list-style-type: none"> 1. RoHS PVC is lead-free and therefore environment friendly. 2. The power consumption has reduced as this R&D effort has limited the pump operating time to the required duration. 3. The Armour wire lay length on the cable could be adjusted very finely by having the electronic variac controlling the capstan speed. 4. Avoided manual inspection and reduction of wire scrap were achieved. 5. Fully automatic testing setup for Ceiling and TPW fans reduced the time required for testing by 50% and enabled the man power saving. Also better accuracy in test results obtained. 6. Computerized testing system at Fan production units resulted in improvement in quality of products.

	<ol style="list-style-type: none"> 7. Material grade and shape of blades were changed to ensure longer life and consistent performance. 8. Reduce the standing loss (As per ISI) of Digital Water Heater by 95%. 9. Ensures the quality of MS tank after pre treatment and thereby avoiding manual inspection. 10. Provides accurate test result and reduces the human intervention. 11. Replace Steamer models with new model with more energy saving. 12. Products with better quality at reduced cost were produced. 13. All New Designs and Product Developments in the area of Voltage Stabilizers, UPS, Home and Solar Inverters during the year have resulted in releasing new products into the market, which helped in increasing the Company's Market share and sales. 14. DSIR Approval has enabled the Company, eligible for various financial benefits, like Weighted Tax Benefit on the R & D Expenditure (200%), both revenue and capital expenditure, waiver of duties (excise and customs) on the R & D purchases etc.
<p>3. Future Plan of Action</p>	<p>Our future plans are to:</p> <ol style="list-style-type: none"> 1. Reduce set-up time in bottleneck machines 2. Reduce wire breaks in MMH machine 3. Reduce inventory carrying cost at every plant 4. Introduce conveyor for FG store. 5. Introduce Truck sealing system to avoid pilferage in transit. 6. Introduction of additional heat exchanger in RBD machine. 7. Develop triple layer cross head indigenously. 8. Introduce direct PVC loading on extruder machine from storage area. 9. Introduce new braking system for Extruders 10. Introduce telescopic conveyor for PVC unloading from trucks. 11. Introduce RL choke with controller to limit variation of voltage between phases. 12. Optimise PVC consumption. 13. Introduce more new designs in ceiling Fans.

	<ol style="list-style-type: none"> 14. Development of technology in fans for smoother air flow. 15. Development of Vertical open well agricultural pumps. 16. Study on improving the life span of agricultural pumps. 17. Development of Sewage pumps. 18. New material adaptation for impellers with improved internal finish to provide more efficiency. 19. Redesigning of 3" bore-well domestic pumps with better life. 20. All star rated models of water heaters will be upgraded for achieving the revised standing loss value as per BEE norms. 21. Development of new model of Electric Water Heater. 22. Development of new series of Electric Water Heater for premium range. 23. Develop 500 LPD & 1000 LPD capacity Solar Water Heaters as per MNRE specifications by using bigger diameter vacuum tubes. 24. Develop Solar Water Heaters with MS Epoxy coated inner tank that can resist corrosion and give longer life. 25. Enhance the R & D activities to Design and Develop more 'Solar PV' Products, Higher capacity Home UPS Models, New Aesthetic and feature rich voltage stabilizer models etc. 26. Procure New Test and measurement equipment and upgrade the R & D facilities to Shorten the Development Times and improve the Quality and Reliability of the products. 27. Train the R & D Manpower in latest technologies. 28. Recruit new and experienced talent to enhance R & D Centre's capabilities.
4. Expenditure on R & D	
(a) Capital	~ 97.24 Lakhs
(b) Recurring	~ 436.86 Lakhs
(c) Total	~ 534.10 Lakhs
(d) % of R & D expenditure to total sales	0.35%

Technology absorption, adaptation and Innovations

<p>1. Efforts in brief, made towards technology absorption, adaption and innovation</p>	<ol style="list-style-type: none"> 1. Automation of Packing line 2. Introduction of High frequency spark testers to improve the efficiency of spark tester on insulating line and coiler 3. Optimisation of copper consumption 4. Introduction of new battery operated electric stacker for FG transfer. 5. Introduction of easy wire setting system in 36 bobbin wire Armouring machine by installing an in-house designed open wire-plate to insert & guide the wires. 6. The converging die and sector roller stand at stranding machine is modified to suit the process. 7. Optimisation of dimensions of Cable. 8. Introduction of cable measurement system for better measurement of wall thickness. 9. Introduction of superior grade imported emulsion - coolant in Annealer section of MMH machine. 10. Improve the metallization methods and techniques used in decorative Ceiling fan. 11. R&D was carried out to change the entire design of VBTH series of pump in order to improve life of the product while working in sandy areas as well. 12. As a part of innovation, developed a new circuit for digital model water heater. 13. Hydraulic pre - pinching method was adapted in rolling operation of Solar Water Heater inner tanks.
<p>2. Benefits derived as a result of the above efforts e.g. product improvement ,cost reduction, product development, import substitution etc</p>	<ol style="list-style-type: none"> 1. By automation of packing line, packing manpower requirement has reduced by 50%. 2. By using state-of-art spark testers, better insulation quality was assured. 3. By optimizing copper consumption, ` 56 Lakhs savings was achieved. 4. Introduction of battery operated electric stacker has resulted in manpower reduction. 5. By using the newly designed plate, armour quality is assured as well as setup reduction is also achieved. The setup time is reduced in wire armouring process by 10%. 6. The wire breaks were eliminated because of this design change.

	<p>7. By optimizing the cable dimensions & PVC consumption, we are able to save ` 85.62 Lakhs per annum.</p> <p>8. With new cable measurement system, better control on insulation thickness was achieved.</p> <p>9. Superior Coolant at Annealer has improved the surface quality of wire.</p> <p>10. Introduced new concept of coloured metallization in ceiling fan industry. The concept helped placing differentiated products in the market.</p> <p>11. The improved pump design received better acceptance in the market.</p> <p>12. The efforts will facilitate intelligent scheduling, touch screen control and wireless remote control.</p> <p>13. Quality of rolling has been improved resulting in improvement of quality of linear welding.</p>
<p>3. In case of Imported technology (Imported during the last 5 Year reckoned from the beginning of the financial year), following information may be furnished.</p>	
<p>a) Technology Imported</p>	<p>High frequency Spark Tester from Beta Laser mike, USA and Sikora, Germany, were installed in insulating lines and coilers</p> <p>Diameter controller Unit from Sikora Germany was installed at Insulating Line</p> <p>Machine accessories from Liembach Germany were integrated in high-speed Insulating lines.</p> <p>Bearings procured from Germany were fixed in MMH as part of the machine overhauling program.</p>
<p>b) Year of Import</p>	<p>2013-14</p>
<p>c) Has technology being fully absorbed</p>	<p>Yes</p>
<p>d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plan of action,</p>	<p>NA</p>

C) Foreign Exchange earnings and outgo:

Foreign exchange earned	` 207.95 Lakhs
Foreign exchange used	` 9366.57 Lakhs

For and on behalf of the Board of Directors

Sd/-

Kochouseph Chittilappilly
Chairman

Sd/-

Mithun K Chittilappilly
Managing Director

Kochi
2nd May, 2014

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REPORT ON CORPORATE GOVERNANCE

The Company's report on Corporate Governance for the year ended 31.03.2014 as required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges is presented as under:

I. CORPORATE GOVERNANCE PHILOSOPHY

Your Company believes that good governance practices, internal control systems, transparent operational activities and proper risk management system are essential for sustainable business. The Company focuses on enhancement of long term shareholder value without compromising on ethical standards and corporate social responsibilities.

The Board of Directors play a significant role in implementation of good Corporate Governance practices. It oversees how the management serves and protects the long term interest of all stakeholders. The Company believes that an active, well informed and independent Board is necessary to ensure the highest standards of Corporate Governance. The practices followed by the Company are detailed herein below.

II. BOARD OF DIRECTORS

A. Composition of the Board

The Board of the Company has been constituted in a manner which ensures optimum mix of Executive and Non-Executive Directors. As on 31st March, 2014, the Board of the Company consists of six Directors of which three are Non-Executive Independent Directors. The composition of the Board is in compliance with the requirements of Clause 49(I)(A) of the Listing Agreement executed with the Stock Exchanges. Mr. Kochouseph Chittilappilly, Executive Director is the Chairman of the Company. During the year under review, Mr. Ramachandran Venkataraman has been appointed in the executive Director category w.e.f. 01st June, 2013 and designated as Director-Marketing and Strategy of the Company. The Board appointed Mr. Ullas K Kamath and Mrs. Joshna Mithun as Additional Directors of the Company, in the independent and non-executive categories respectively, effective from 2nd May, 2014. With the said appointments, the total strength of the Board of the Company has become eight Directors, of which three directors are in the executive category, one director in the non-executive category and the remaining four directors in the independent category.

As per the declarations received from the Directors dated 31st March, 2014, none of the Directors is 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 membership in more than 10 committees or are acting as Chairman in more than 5 Committees in terms of Clause 49 of the Listing Agreement.

B. Meetings & Attendance

During the year 2013-14, the Board met six times i.e. on 15th May, 2013, 18th July, 2013, 22nd October, 2013, 20th January, 2014, 20th March, 2014 and 31st March, 2014. The maximum interval between any two meetings was well within the maximum gap of four months. The Board Meetings of the Company are generally held at the Registered Office of the Company.

The names, position and categories of Directors, their attendance at the Board Meetings held during the year and at the last Annual General Meeting, and also the number of Directorships and Committee positions held by them are given below:

Name & Position of the Director	Category	No. of shares held as on 31.03.2014	Attendance at		Directorships and Chairmanship / Membership of Board / Committees in other Companies as on 31.03.2014		
			Board Meeting	Last AGM	Director	Committee Member	Committee Chairman
Mr. Kochouseph Chittilappilly Chairman	Promoter and Executive Director	73,66,518	6	Yes	2	Nil	Nil
Mr. Cherian N Punnoose Vice Chairman	Non Executive Independent Director	Nil	5	Yes	Nil	Nil	Nil
Mr. Mithun K Chittilappilly Managing Director	Executive Director	50,89,818	6	Yes	Nil	Nil	Nil
Mr. C J George# Independent Director	Non Executive Independent Director	Nil	4	No	6	2	1
Mr. A K Nair Independent Director	Non Executive Independent Director	Nil	6	Yes	6	2	1
Mr. Ramachandran Venkataraman**	Executive Director	Nil	5	Yes	Nil	Nil	Nil

*Dr. George Sleeba, Director resigned from the Board w.e.f. 31st May, 2013. He attended the Board Meeting held on 15th May 2013.

** Mr. Ramachandran Venkataraman has been appointed in the executive director category w.e.f. 01st June, 2013 and designated as Director – Marketing and Strategy of the Company.

Mr. C J George attended the Board meeting held on 20th March, 2014 through video conferencing. Resume of Directors seeking appointment and reappointment is appended in the Notice of the ensuing Annual General Meeting, forming part of this Annual Report.

Mr. Mithun K Chittilappilly, Managing Director of the Company is the son of Mr. Kochouseph Chittilappilly, Chairman. Mrs. Joshna Mithun, who has been appointed as an Additional Director, effective from 2nd May, 2014, is the wife of Mr. Mithun K Chittilappilly, Managing Director. None of the other Directors are having inter-se relationship.

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Other Directorships do not include 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/Transfer Committee only, as per the requirements of Clause 49(I)(C). The membership or Chairmanship of Board Committees of Private Limited Companies that are neither a subsidiary nor a holding Company of a Public Company, Foreign Companies and Companies under Section 25 of the Companies Act, 1956 are excluded for the purpose.

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. Information provided to the Board Members

The Board agenda with proper explanatory notes is prepared and circulated well in advance to all the Board members. All statutory and other matters of significant importance including information as mentioned in Annexure 1 A to Clause 49 of the Listing Agreement are tabled before the Board to enable it to discharge its responsibility of strategic supervision of the Company. The Board also reviews periodical compliances of all laws, rules and regulations. At the Board Meeting, members have full freedom to express their opinion and decisions are taken after detailed deliberations.

E. Code of Conduct for Directors and Senior Management

The Company has strong transparent and ethical governance in practices for prevention of Insider Trading in the shares and securities of the Company for its Directors and designated employees. In compliance with Clause 49 of Listing Agreement, the Company has adopted a Code of Conduct for Directors and Senior Management personnel of the Company, which is uploaded in the Company's website www.vguard.in.

III. COMMITTEES OF THE BOARD

The Board has constituted four sub-committees, which are Audit Committee, Stakeholders' Relationship and Share Transfer Committee (formerly known as Shareholders Grievance/Transfer Committee), Nomination and Remuneration Committee (formerly known as Compensation Committee) and Corporate Social Responsibility Committee. Each Committee of the Board functions according to the terms of reference as approved by the Board. Meeting of each sub-committee is convened by the respective Committee Chairman. The composition and terms of reference of these sub-committees including the number of meetings held during the financial year and the related attendance are given below:

A. AUDIT COMMITTEE

The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreement entered into with the Stock Exchanges read with Section 292A of the Companies Act, 1956.

The Committee assists the Board in ensuring correctness of the Company’s financial reporting and disclosure processes, internal controls, risk management policies and processes, appointment and/or reappointment of Statutory and Internal Auditors and associated matters.

The Company’s Audit Committee consists of four Directors, of which three are Non-Executive Independent Directors. Mr. Cherian N Punnoose, Chartered Accountant, is the Chairman of the Audit Committee and has an expert knowledge in finance and accounting and all the other members of the Committee are also financially literate. The Company Secretary acts as the secretary to the Audit Committee. The composition of the Audit Committee as on 31st March, 2014 is as under:-

Name	Category	Position
Mr. Cherian N Punnoose	Non-Executive Independent	Chairman
Mr. C J George	Non-Executive Independent	Member
Mr. A K Nair	Non-Executive Independent	Member
Mr. Mithun K Chittilappilly	Executive	Member

(i) Meetings & Attendance during the year

During the financial year 2013-14, the Committee members met four times i.e on 15th May, 2013, 18th July, 2013, 22nd October, 2013 and 20th January, 2014 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 31st March, 2014 was reviewed by the Committee in its meeting held on 02nd May, 2014. Attendance of Committee members at the Audit Committee meetings held during the financial year 2013-14 is as follows:-

Name	No. of meetings held	No. of meetings attended
Mr. Cherian N Punnoose	4	4
Mr. C J George	4	1
Mr. A K Nair	4	4
Mr. Mithun K Chittilappilly	4	4

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 are disclosed.

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2. Recommending to the Board, 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. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Section 217(2AA) of the Companies Act, 1956.
 - b. Any changes in accounting policies and practices.
 - c. Major accounting entries involving estimates based on the exercise of judgment by management.
 - d. Qualifications in the audit report.
 - e. Significant adjustments arising out of audit.
 - f. The going concern assumption.
 - g. Compliance with Accounting Standards.
 - h. Compliance with Stock Exchanges and legal requirements concerning financial statements.
 - i. 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, performance of Statutory and Internal auditors, and 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. Review of functioning of Whistle Blower Mechanism adopted by the Company.

14. To consider the appointment of Chief Financial Officer
15. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

B. STAKEHOLDERS' RELATIONSHIP AND SHARE TRANSFER COMMITTEE

The members in their meeting held on 02nd May 2014 renamed the existing Shareholders' Grievance and Share Transfer Committee to Stakeholders Relationship and Share Transfer Committee. The Company has constituted the 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, issue of duplicate share certificates, transmission and dematerialization of equity shares.

(i) Composition:

The Committee consists of two Non-Executive Independent Directors and one Whole-time Director as members. The composition of the Stakeholders Relationship and Share Transfer Committee as on 31st March, 2014 is as follows:

Name	Category	Position
Mr. C J George	Non-Executive Independent	Chairman
Mr. Mithun K Chittilappilly	Executive	Member
Mr. Cherian N Punnoose	Non - Executive Independent	Member

(ii) Terms of reference:

The terms of reference of Stakeholders Relationship and Share Transfer Committee are as follows:

- a) 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.
- b) Overseeing and reviewing matters connected with the transfer of shares and its approval, splitting up of share holding, approving demat requests and issue of duplicate share certificates.
- c) Oversee the performance of the Registrar and Transfer Agents, and recommend measures for overall improvement in the quality of investor services.
- d) 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 2013-14, the Committee met four times i.e. on 02nd September 2013, 01st October 2013, 7th December 2013, 13th February 2014, Attendance of the members at the meetings held during the financial year 2013-14 is as follows:

Name	No. of meetings held	No. of meetings attended
Mr. C J George	4	4
Mr. Mithun K Chittilappilly	4	4
Mr. Cherian N Punnoose	4	Nil

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(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.	Nature of Complaints received	Opening as on 01.04.2013	No. of complaints received during the year	No. of complaints resolved during the year	No. of complaints pending as on 31.03.2014
1	Non credit of shares	Nil	Nil	Nil	Nil
2	Non receipt of refund order	Nil	Nil	Nil	Nil
3	Non receipt of Dividend	Nil	22	20	02
	Total	Nil	22	20	02

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

As per the SEBI Circular dated 24th 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	Aggregate no. of Shareholders
Opening Balance as on 01-04-2013	1,665	15
No of shareholders who approached for the transfer and the shares transferred during the year 2013-14	-	-
Closing balance as on 31-03-2014	1,665	15

Note: The voting rights on these shares (1,665 shares) lying in the Demat Suspense Account shall remain frozen till the rightful owners of such shares claim the shares.

(vi) Prevention of Insider Trading:

As per the SEBI (Prohibition of Insider Trading) Regulations 1992, the Compliance Officer and Company Secretary are responsible for setting forth policies, procedures, monitoring adherence to the rules for the preservation of price sensitive information, monitoring of trades and implementation of the Code of Conduct for trading in Company's securities under the overall supervision of the Board. Accordingly, the Company has introduced a comprehensive code of conduct for prevention and regulation of insider trading in the Company's shares by insiders. All the Directors on the Board, employees at senior management level at all locations and other employees who have access to unpublished price sensitive information of the Company are governed by this Code.

(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.

C. NOMINATION AND REMUNERATION COMMITTEE

The members in their meeting held on 02nd May 2014 renamed the existing Compensation Committee to Nomination and Remuneration Committee. The Committee consists of three Non Executive Independent Directors and an Executive Director. The broad terms of reference of Compensation 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 Nomination and Remuneration Committee as on 31st March, 2014 is as follows:

Name	Category	Position
Mr. C J George	Non-Executive Independent	Chairman
Mr. Cherian N Punnoose	Non-Executive Independent	Member
Mr. A K Nair	Non-Executive Independent	Member
Mr. Kochouseph Chittilappilly	Promoter and Executive	Member

(ii) Meetings and Attendance during the year:

The members of Nomination and Remuneration Committee met 2 times i.e. on 15th May, 2013 and 11th June, 2013 during the financial year 2013-14. Attendance of the members at the meetings held during the financial year 2013-14 is as follows:

Name	No. of meetings held	No. of meetings attended
Mr. C J George	2	2
Mr. Cherian N Punnoose	2	2
Mr. A K Nair	2	2
Mr. Kochouseph Chittilappilly	2	2

(iii) Remuneration/Compensation Policy

The remuneration/compensation policy of the Company is broadly based on the following criteria:

- a. Job responsibilities
- b. Key performance areas of the Directors/Employees
- c. Industry trend

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(iv) Details of Remuneration paid / payable to the Directors during the financial year 2013-14 are as follows:

(₹ in lakhs)

Name	Salary	Perquisites	Commission	Sitting fees	Total
Mr. Cherian N Punnoose	-	-	5.21	1.00	6.21
Mr. Mithun K Chittilappilly	29.70	9.33	49.18	-	88.21
Mr. Ramachandran Venkataraman*	112.88	-	49.18	-	162.06
Mr. Kochouseph Chittilappilly	50.82	0.30	73.78	-	124.90
Dr. George Sleeba**	4.95	0.94	4.17	-	10.06
Mr. A K Nair	-	-	-	1.05	1.05
Mr. C J George	-	-	-	0.70	0.70
Total	198.35	10.57	181.52	2.75	393.19

*Mr. Ramachandran Venkataraman was appointed as a Whole-time Director of the Company effective from 1st June, 2013 for a period of three years. He is paid performance incentive at the rate of 0.50% of the net profit of the Company computed in accordance with the provisions of the Companies Act, 1956. Agreement dated 1st June, 2013, executed with Mr. Ramachandran Venkataraman, covers the terms and conditions of his appointment. During the year under review Mr. Ramachandran Venkataraman has been granted 2,59,588 options under ESOS 2013.

**Dr. George Sleeba, Director resigned from the Board w.e.f. 31st May, 2013.

No notice or severance fee is payable to any Director.

The Non-Executive Directors are paid sitting fees for attending the meetings of the Board and sub-committees and Mr. Cherian N Punnoose, Vice Chairman of the Board is paid commission on the net profits of the Company with the approval of the shareholders.

Also, refer Note 26.3 of the financial statements as at and for the year ended 31st March, 2014 which forms part of this Annual Report.

D. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Board of Directors in its meeting held on 20th March 2014 constituted a Corporate Social Responsibility Committee in compliance with provisions of Section 35 of the Companies Act, 2013 read with Corporate Social Responsibility Rules, 2014.

The committee was entrusted the following tasks:

- Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Companies Act, 2013.
- Recommend the amount of expenditure to be budgeted for the activities referred to in clause (a) above
- Monitor the Corporate Social Responsibility Policy of the company from time to time.

(i) Composition

The composition of the Corporate Social Responsibility Committee as on 31st March, 2014 is as follows:

Name	Category	Position
Mr. Kochouseph Chittilappilly	Promoter & Executive	Chairman
Mr. Cherian N Punnoose	Non-Executive Independent	Member
Mr. Mithun K Chittilappilly	Executive	Member

(ii) Meetings and Attendance during the year:

A meeting of the members of Corporate Social Responsibility Committee was held on 20th March, 2014. Attendance of the members at the meeting held during the financial year 2013-14 is as follows:

Name	No. of meetings held	No. of meetings attended
Mr. Kochouseph Chittilappilly	1	1
Mr. Cherian N Punnoose	1	1
Mr. Mithun K Chittilappilly	1	1

IV. GENERAL BODY MEETINGS

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

Financial year ended	Date	Time	Venue
31.03.2013	23.07.2013	10.00 a.m	The Renai Cochin, Palarivattom P.O, Kochi - 682025
31.03.2012	25.07.2012	10.00 a.m	IMA House, Behind Jawaharlal Nehru Stadium, Jawaharlal Nehru Stadium Road, Kaloor, Palarivattom P.O., Cochin - 682025
31.03.2011	25.07.2011	04.00 p.m	Hotel International, Veekshanam Road, Kochi - 682035

Special Resolutions passed at the last three AGMs:

17th Annual General Meeting held on 23rd July, 2013

- (i) To pay commission to Mr. Cherian N Punnoose, Vice-Chairman of the Board, as per the provisions of Sections 198, 309, 310 of the Companies Act, 1956 and Article 129 of the Articles of Association, an amount not exceeding 1% of the Net Profit of the Company, for a period of 3 financial years commencing from 01st November, 2012 to 31st October, 2015.

16th Annual General Meeting held on 25th July, 2012

NIL

15th Annual General Meeting held on 25th July, 2011

NIL

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Special resolution passed through postal ballot

Shareholders of the Company passed a special resolution under Section 81(1A) of the Companies Act, 1956, on 14th May, 2013, by way of Postal Ballot procedure for issue of stock options to the employees under the Employee Stock Option Scheme (ESOS) 2013, in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

The Board of Directors in their meeting held on 25th March, 2013 had appointed Mr. M D Selvaraj, Practicing Company Secretary to act as the scrutinizer for conducting the Postal Ballot. The Company had also offered e-voting facility to its members enabling them to cast their votes electronically. The Company has signed an agreement with Central Depository Services Limited (CDSL) to enable its members to cast their votes electronically pursuant to Clause 35B of the Listing Agreement.

The postal ballot process was carried out as per the procedure laid down in terms of Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011. Mr. M D Selvaraj had carried out the scrutiny of all the postal ballots received up to close of working hours on 11th May, 2013 and submitted the report thereon on 13th May, 2013 addressed to the Chairman of the Company. Based on the scrutinizer's report, the Chairman declared the result of voting exercise on 14th May, 2013.

Details of the voting done by the shareholders are as follows:

	No. of Postal Ballot Forms	No. of Shares of ` 10/- each
Total postal ballot covers & emails sent	21,205	2,98,47,520
Less:		
Postal covers returned by Postal Authorities	252	35,296
Bounced E-mails		
Members who have not exercised their voting rights (including e-voting)	450 19,841	61,728 90,07,140
Total no. of members who have exercised their voting rights (including e-voting)	662	2,07,43,356
Less: Invalid vote	60	73,867
Members who have exercised their voting rights including e-voting (Valid Votes)	602	2,06,69,489
Members who have voted against the resolution (including e-voting)	52	1,49,062
Members who have voted for the resolution (including e-voting)	550	2,05,20,427

The special resolution was passed with majority of 99.28% of the total votes polled in favour of the resolution.

VI. OTHER DISCLOSURES

(i) Related Party Transactions

Details of transactions with related parties for the year are disclosed in Note 26.3 of the financial statements as at 31st March, 2014 which forms part of this Annual Report. 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. Further, the related party transactions of the Company have been reviewed by the Audit Committee on a quarterly basis.

(ii) Disclosure of Risk Management

The Audit Committee regularly reviews the risk assessment and control process in the Company and is satisfied that the process is appropriate to the Company needs. The Board also periodically reviews the risk assessment and mitigation procedures laid down by the Company.

A detailed note on Risk Management is included in the Management Discussion and Analysis Report which forms part of this Annual Report.

(iii) Management Discussion And Analysis

Management Discussion and Analysis has been done by the Directors of the Company and the same forms part of this Annual Report.

(iv) Details of non-compliance / Penalties / Strictures

The Company has not been penalized, nor have the Stock Exchanges, SEBI or any statutory authority imposed any strictures, during the last three years, on any matter relating to capital markets.

There were no outstanding GDRs/ADRs/Warrants or any convertible instruments as at and for the year ended 31st March, 2014.

(v) Plant locations

The details of manufacturing/plant locations and registered office are given in the page no. 4 of the Annual Report.

VII. GENERAL INFORMATION TO SHAREHOLDERS

(i) Date, Venue and Time of the 18th Annual General Meeting

Date	29 th July, 2014
Venue	Hotel “The Renai Cochin”, Palarivattom P.O., Kochi – 682025
Time	04.00 p.m.

(ii) Dates of Book Closure

The Register of Members and Share Transfer Books will remain closed from 19th July, 2014 to 29th July, 2014 (both days inclusive).

(iii) Board Meetings & Financial Calendar

The financial year of the Company starts from 01st April of a year and ends on 31st March of the following year.

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Calendar of Board Meetings to adopt the accounts (tentative and subject to change) for the financial year 2014-2015

For the quarter ending 30 th June, 2014	:	29 th July, 2014
For the quarter ending 30 th September, 2014	:	31 st October, 2014
For the quarter ending 31 st December, 2014	:	16 th January, 2015
For the year ending 31 st March, 2015 (Audited results for the year)	:	28 th April, 2015

(iv) Dividend

A final Dividend of 45% i.e. ₹ 4.50 per equity share is recommended by the Board of Directors at their meeting held on 02nd May, 2014 which is subject to the approval of the shareholders at the ensuing Annual General Meeting and if approved will be payable on or after 29th July, 2014 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 National Electronic Clearing Service (NECS) to its members. Under this system of payment of dividend, the shareholders will receive the credit 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 NECS facility are requested to give the NECS mandate in the prescribed form to the Company's Registrar and Share Transfer Agent, Link Intime India Private Limited, Surya, 35, Mayflower Avenue, Behind Senthil Nagar, Sowripalayam Road, Coimbatore-641 028 latest by 14th July, 2013.

(v) Unpaid Dividend Amount

As per the provisions of Section 205 A read with Section 205 C 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.

Members who have not encashed their Dividend Warrants within the validity period may write to the Company at its Registered Office or to Link Intime India Private Limited, the Registrar & Share Transfer Agents of the Company for obtaining payment through demand drafts.

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

Financial Year	Dividend Date of per share (₹)	Declaration of Dividend	Due date of transfer to IEPF
2007-08	2.50	14 th July, 2008	13 th July, 2015
2008-09	2.50	27 th July, 2009	26 th July, 2016
2009-10	3.00	26 th July 2010	25 th July 2017
2010-11	3.50	25 th July, 2011	24 th July, 2018
2011-12	3.50	25 th July, 2012	24 th July, 2019
2012-13	3.50	23 rd July, 2013	22 nd July, 2020
2013-14	4.50	19 th July, 2014	18 th July, 2021

(vi) Listing on Stock Exchanges & Stock Codes

Shares of the Company are quoted on the National Stock Exchange of India Limited (NSE) and the BSE Limited since 13th March, 2008. Listing fees for the financial year 2014-15 have been paid to both the Stock Exchanges. The Stock codes of the Company at the Stock Exchanges are as follows:

BSE Limited : Scrip Code 532953

The National Stock Exchange of India Limited : Symbol VGUARD/ Series: EQ

Company's ISIN : INE951I01019

(vii) Custodial Fees

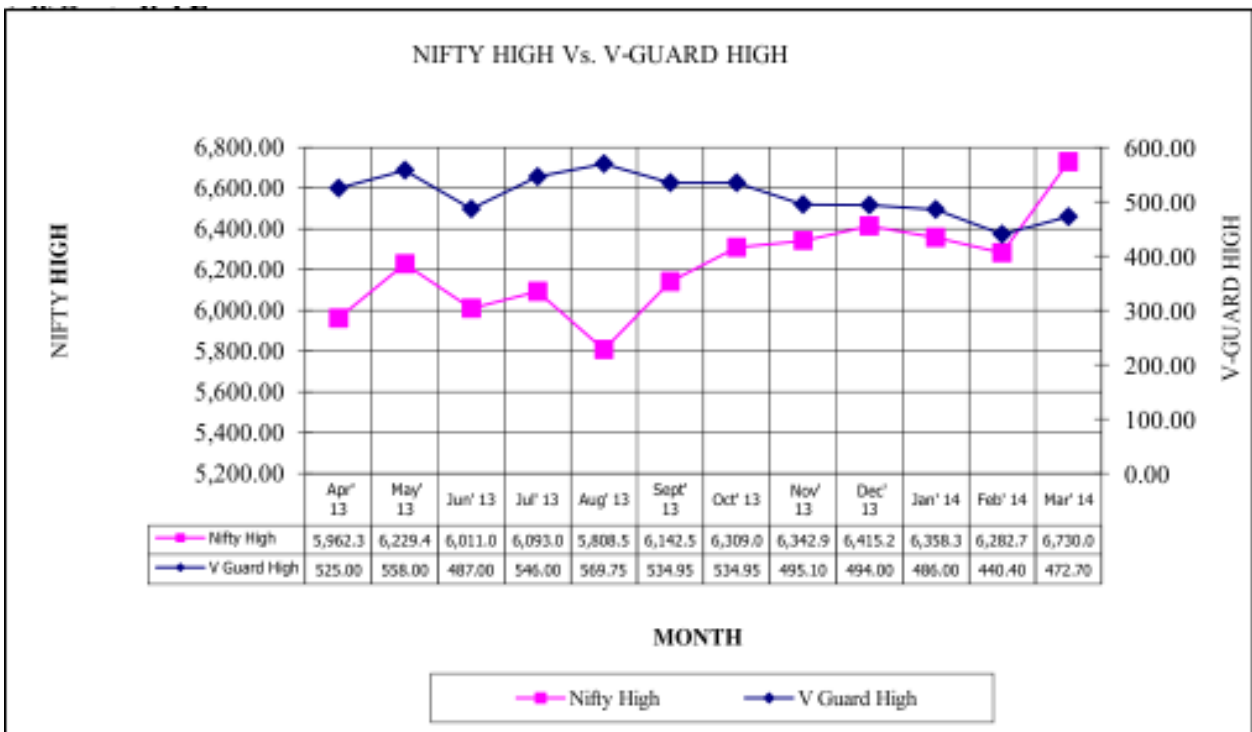
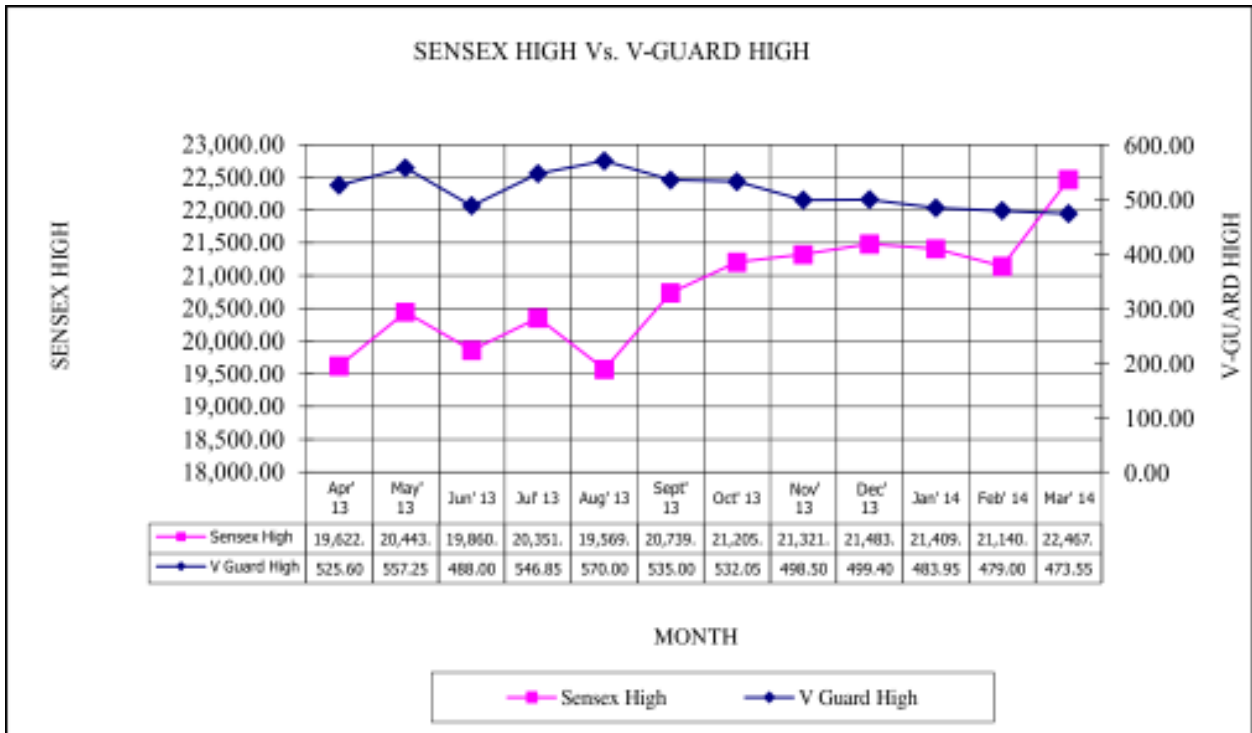
The Company has paid the custodial fees to the NSDL and CDSL as per the SEBI Circular CIR/MRD/DP/05 2011 dated 27th April, 2011 for the year 2014-15.

(viii) Stock Market Data

Monthly high and low quotations during each month during the last financial year 2013-14 as well as the volume of shares traded at the National Stock Exchange of India Limited and BSE Limited are as follows:

Month	NSE			BSE		
	High (₹)	Low (₹)	Volume (₹ in Lakhs)	High (₹)	Low (₹)	Volume (₹ in Lakhs)
Apr' 13	525.00	425.10	21,17,448	525.60	426.00	3,24,543
May' 13	558.00	443.95	23,76,175	557.25	444.10	3,42,895
Jun' 13	487.00	435.50	5,82,508	488.00	436.30	58,538
Jul' 13	546.00	460.90	13,80,215	546.85	455.70	10,23,065
Aug' 13	569.75	450.00	7,44,370	570.00	485.00	2,46,229
Sept' 13	534.90	482.00	2,94,211	535.00	480.00	1,08,661
Oct' 13	534.95	464.00	4,21,746	532.05	457.00	55,529
Nov' 13	495.10	460.00	2,81,797	498.50	468.00	31,645
Dec' 13	494.00	457.00	2,61,144	499.40	467.00	37,465
Jan' 14	486.00	425.00	5,18,507	483.95	421.00	72,121
Feb' 14	440.40	418.00	1,71,146	479.00	416.10	18,134
Mar' 14	472.70	405.50	8,43,909	473.55	403.05	1,57,188

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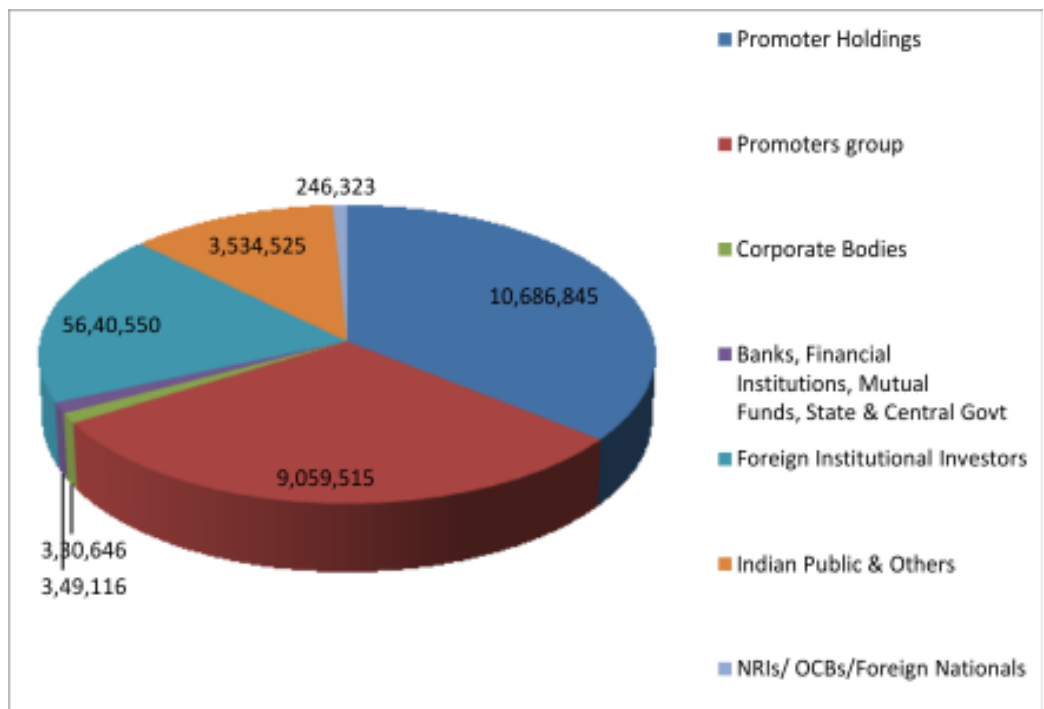


(ix) Shareholding Pattern: Distribution of shareholding as on 31st March, 2014

Shares	Shareholders		Shareholding	
	No. of shareholders	% of shareholders	No. of shares	% of shareholding
1 - 500	18,258	95.5016	15,04,192	5.0396
501 - 1000	428	2.2387	3,35,928	1.1255
1001 - 2000	183	0.9572	2,64,525	0.8863
2001 - 3000	70	0.3661	1,78,972	0.5996
3001 - 4000	31	0.1622	1,10,504	0.3702
4001 - 5000	39	0.2040	1,72,266	0.5772
5001 - 10000	51	0.2668	3,50,382	1.1739
10001 and above	58	0.3034	2,69,30,751	90.2278
Total	19,118	100.00	2,98,47,520	100.00

(x) Category of shareholders as at 31st March, 2014

Category	No of shares	% of the total no. of shares
Promoters Holdings	1,06,86,845	35.80
Promoters Group	90,59,515	30.35
Corporate Bodies	3,30,646	1.11
Banks, Financial Institutions, Mutual Funds, State & Central Govt	3,49,116	1.17
Foreign Institutional Investors	56,40,550	18.90
Indian Public & Others	35,34,525	11.84
NRIs/OCBs/Foreign Nationals	2,46,323	0.83
Total	2,98,47,520	100.00



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(xi) Shares held in physical and Dematerialised form

The shares of the Company are in compulsory demat segment and are available for trading in the depository systems of both National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). As on 31st March, 2014, 2,96,61,797 out of 2,98,47,520 equity shares of the Company, forming 99.38% of the Company's paid up capital is held in the dematerialized form. The status of shares held in dematerialised and physical forms as on 31st March, 2014 are given below. The Company's shares are liquid and actively traded on the NSE and BSE.

Particulars	No. of shares	Percentage
Shares held in Dematerialised form	2,96,61,797	99.38
Shares held in Physical form	1,85,723	0.62
Total	2,98,47,520	100.00

(xii) Registrar & Share Transfer Agents and Share Transfer Systems

Link Intime India Private Limited
Surya, 35, Mayflower Avenue, Behind Senthil Nagar, Sowripalayam Road,
Coimbatore - 641 028 Phone: 0422-2314792,
Email: coimbatore@linkintime.co.in

Trading in equity shares of the Company through recognized Stock Exchanges can be done only in dematerialized form. In case of shares held in physical form, the transferred share certificates duly endorsed are dispatched within 15 days from the date of receipt of documents, provided documents are valid and complete in all respects. In compliance of the provisions of Listing Agreement, the share transfer system of the Company is audited every six months by a Practicing Company Secretary and a certificate to that effect is issued by him. The Company holds Share Transfer Committee Meetings as may be required for approving the share transfer, transmission and rematerialisation of equity shares.

(xiii) Means of Communications

The Company regularly intimates information like the quarterly/half yearly/annual 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 newspapers, Business Line (English) and Mangalam (Malayalam).

The Company organizes investor conference calls to discuss its financial results every quarter where investor queries are answered by the executive management of the Company.

(xiv) Address for Correspondence

Jayasree K
Company Secretary
V-Guard Industries Limited
33/2905 F, Vennala High School Road, Vennala, Kochi-682 028
E-mail: jayasree@vguard.in Ph: 0484 - 300 5000

(xv) Website

The Website of the Company, www.vguard.in contains comprehensive information about the Company, Directors, products, branch details, distributor locator, media details, service helpline details, etc. It serves to inform the shareholders by providing key information like shareholding pattern, financial results, shareholder information, other developments etc.

(xvi) Whistle Blower Policy

The Company has laid down a Whistle Blower Policy for the employees wherein a mechanism has been established for the employees to report to the management about unethical behavior, actual or suspected fraud or violation of the Company's code of conduct. The Whistle Blower Policy has been circulated amongst the employees. No employee is denied the opportunity to meet the Audit Committee members of the Company.

(xvii) Details of compliance with mandatory requirements and adoption of non-mandatory requirements of Clause 49 of the Listing Agreement

The Company has complied with all the mandatory requirements as mandated under Clause 49 of the Listing Agreement. A certificate from the Statutory Auditors of the Company to this effect has been included in this report. Besides mandatory requirements, the Company has adopted two non-mandatory requirements of Clause 49 of the Listing Agreement:

- ❖ Nomination and Remuneration Committee constituted to consider and recommend the remuneration of the Directors and senior management officials and also implementation and administration of ESOP; and
- ❖ Whistle Blower Policy established for the employees.

The Company has opted not to disclose the other non-mandatory disclosures stipulated in the Listing Agreement.

CEO/CFO Certification

Mr. Mithun K Chittilappilly, Managing Director and Mr. A Jacob Kuruvilla, Chief Financial Officer has 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 02nd May, 2014.

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.

For and on behalf of the Board of Directors

Sd/-

Mithun K Chittilappilly
Managing Director

Kochi
2nd May, 2014

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, for the year ended on March 31, 2014, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination 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 **S.R. BATLIBOI & ASSOCIATES LLP**

ICAI Firm registration number: 101049W

Chartered Accountants

per **Aditya Vikram Bhauwala**

Partner

Membership No.: 208382

Place: Bangalore

Date: June 17, 2014

MANAGEMENT DISCUSSION & ANALYSIS

1. Economic Review & Outlook

2013-14 was the second successive year in which the Indian economy delivered sub-5% growth after several years of global outperformance. The economic situation was further impacted by persistently high levels of inflation, driven by double digit food inflation, resulting in interest rate hikes. The operating environment for the industrial sector remained challenging with factory output, as measured by the Index of Industrial Production, declining for the first time in a decade. The first half of the year saw a sharp depreciation in the value of the Indian rupee to historical lows. However, the Government's strong intervention through control of gold imports as well as a revival of export growth and foreign investments resulted in a bounce back in the currency. Foreign investors also drew comfort from the tight control exercised on the fiscal deficit situation, further indicating that the weakness in economic momentum had bottomed out in the second half of the year.

Going forward, the formation of a stable Government is very positive news on the economic front, implying greater decisiveness and a focused reform mandate. Following a period of transition in 2014-15, when GDP growth is being expected at 5.5-6%, a supportive policy framework could take India's economic growth to higher levels thereafter, in line with our vast potential. Independent estimates currently foresee GDP growth exceeding 6% in 2015-16. The INR is seen to stabilize in the ₹ 59-62 band supported by capital flows that could further improve the quality of the Government's fiscal situation.

Thus, with political risks behind us at present, and growth, inflation, currency, macro risks closer to bottoming out, investor interest in India could build up. Underlying this will be expectations of a continuing reforms process, improving the climate for investments, environmental clearances and better coordination between Central and State Governments. Some specific measures that could signify strong intent could be fast tracking of the Delhi-Mumbai Industrial Corridor, signifying improved outlook for manufacturing and

exports; expediting GST, creating a common countrywide market; supportive mechanism for SMEs, allowing accelerated job creation; smoothening the procedures under the mining sector that is imperative to industrial growth; and agricultural reforms to improve productivity in a sector that employs over half the country's workforce.

With a supportive structural and policy framework in place, India would be well-positioned to deliver on its long-term potential in-turn creating secular demand expansion for consumption goods including durables that support our country's improving aspirations in the medium to long run.

2. Sector Overview

The consumer durables industry bears direct relation with the overall economic environment and disposable incomes. The slowdown in GDP growth over the past two years together with high interest rates and inflation has led to increased pressure on disposable incomes and consumer spending, thereby adversely affecting the demand for durables. Further, the depreciation of the rupee in the first half of the fiscal year led to an increase in the imported raw material and forced players to take price hikes across categories. This further impacted consumption demand.

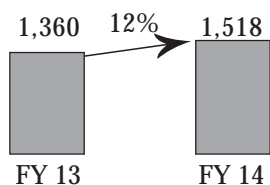
The festive season (Diwali, Onam) which is the peak season for consumer durables companies and accounts for majority of the sales in the year, was not very encouraging and was a reflection of the dampened consumer sentiment.

However, the formation of a stable Government has revived hopes of a strong recovery and should augur well for the industry. The onset of the summer season has also seen an uptick in demand for durables like AC's, refrigerator, inverters etc. The long term prospects of the consumer durables and household appliances industry are robust and expected to see significant growth due to lower penetration, increasing incomes, and growing urbanization. The need for comfort and convenience in urban households will result in change in perception of durables and appliances from luxury to necessity, driving rapid growth.

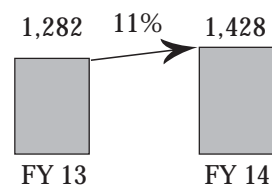
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3. Review of Operations

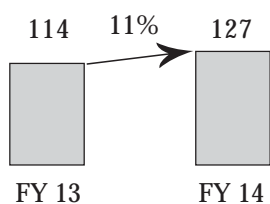
Total Income (₹ Crore)



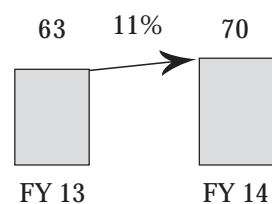
Expenditure (₹ Crore)



EBITDA (₹ Crore)



PAT (₹ Crore)



Key ratios (%)	FY14	FY13
EBITDA Margin	8.4%	8.3%
Net Margin	4.6%	4.6%
Gross Margin	26.1%	25.5%
Ad Expenditure (incl. promotions)/Total Revenues	3.9%	4.3%
Staff Cost/ Total Operating Income	5.6%	5.2%
EPS (₹)	23.47	21.08
Key Ratios	31 March 2014	31 March 2013
Inventory (days)	82	90
Debtor (days)	51	53
Creditor (days)	57	59
Working Capital Turnover (days)	76	84
RoE (%)	22%	24%
RoCE (%)	25%	23%
Debt / Equity (x)	0.3	0.6

In the backdrop of a tough operating environment with consumer spends under pressure, the Company delivered a growth of 12% year on year in both top line and bottom line while maintaining our EBITDA margins at 8.4%. The Company's growth moderated in FY14 mainly on account of dampening consumer sentiment and weather related issues.

In FY13, monsoons advanced earlier than usual, and according to Indian Meteorological Department (IMD), overall rainfall was 6% above the long term average. In Southern India, overall rainfall was 15% higher than the average. This impacted sales of pumps and Digital UPS. Power cuts were also fewer in the second half of the year, leading up to the general election in May 2014, which adversely impacted demand for certain product categories. Further, high base-effect for certain products which had grown at exceptional rates in FY13, also contributed to the muted growth.

Despite the challenges faced by the Company in the current year, V-Guard has remained committed towards building on its competitive strengths, expanding its network of channel partners and retailers across the country and enhancing brand recall in the non-South markets through aggressive ad spends and sales promotions.

During the year gone by, the Company made investments to the tune of ` 60 crore or 3.9% of revenues on advertising and promotions. Most of the expenditure was targeted on the IPL platform in FY14 where the Company was able to reach to a large audience and create a strong visibility for our brand. Ad spends are to be maintained at 3.5-4% of revenues in FY15 as well.

Further, the Company continued to make significant investments in expanding its distribution network and currently has a network of over 407 distributors, 4,344 channel partners and 25,000 retailers at the end of FY14 as compared to 301 distributors, 3,548 channel partners and 15,000 retailers in FY13.

These investments have translated into significant market share gains in the non-South geographies. Non-South markets have recorded a growth of 34% year on year in FY14 on the back of strong brand recall that has been

created. Uttar Pradesh, Rajasthan, Punjab and National Capital Region (NCR) are the key contributors to the strong growth. Non-South markets now account for 30% of the total revenues as compared to 25% in FY13 and 16% in FY10, a significant achievement in towards diversifying the Company's revenue stream.

Southern markets reported muted growth on account of the extended monsoon season, improved power situation and internal disturbances in Andhra Pradesh. However, with the improvement in the political climate, power cuts returning and expectations of a normal summer season, growth is expected to reemerge going into FY15.

On the operational front, EBITDA margins were maintained at 8.4% for the full year as compared to 8.3% recorded in the previous financial year, even in the light of a suppressed economic climate and higher contribution from the non-South markets. Going forward, the Company plans to increase the no. of retailers under the distributors, thereby increasing revenue contribution per distributor. Revenue per distributor for FY14 in the South stood at ` 2 crore versus ` 6 crore in the non-South. The plan is to significantly increase revenue per distributor in the non-South, which will drive revenue growth and provide significant operating leverage. Further, the Company already has a unified pricing pan-India for the wires segment, which it expects to replicate the same across all other product categories.

The balance sheet continues to be robust with a debt-equity ratio of 0.3x as on 31st March 2014. Debt to the tune of ` 57 crore has been repaid during the financial year gone by. Cash generated from operations has been robust at ` 111 crore for FY14 as compared to ` 10.5 crore for the full year FY13, driven by an 8 day improvement in the working capital cycle to 76 days. Inventory days have improved by 8 days while debtor days have seen an improvement of 2 days. The Company will continue with its vendor financing and bill discounting initiatives and also increase the proportion of channel financing, and is looking for an improvement in net working capital cycle by 5 days every year. This will further improve its ROCE and ROE going forward.

4. Segment-wise Review

Segment	Products	FY2014 (` cr.)	Contri- bution (%)	FY2013 (` cr.)	Contri- bution (%)	YoY growth (%)
Electronics	Stabilizers	266.4	17.6%	237.8	17.5%	12.0%
	Standalone UPS	36.3	2.4%	48.3	3.6%	-24.9%
	Digital UPS	147.7	9.7%	173.3	12.7%	-14.7%
	Segment Total	450.4	29.7%	459.4	33.8%	-1.9%
Electricals	Pumps	202.2	13.3%	205.3	15.1%	-1.5%
	House wiring cable	475.7	31.3%	373.5	27.5%	27.4%
	LT cable	70.9	4.7%	72.8	5.4%	-2.7%
	Electric water heater	135.8	8.9%	110.3	8.1%	23.0%
	Fan	102.4	6.7%	79.7	5.9%	28.5%
	Other Products	41.0	2.7%	26.8	2.0%	52.9%
	Segment Total	1027.8	67.7%	868.4	63.8%	18.4%
Others	Solar water heater	39.3	2.6%	32.5	2.4%	21.1%
	Segment Total	39.3	2.6%	32.5	2.4%	21.1%
	GRAND TOTAL	1517.6	100.0%	1360.2	100.0%	11.6%

a. Voltage Stabilizers

This is V-Guard's flagship product where it enjoys market leadership position. The segment grew 12% year on year to ` 266 crore in FY14, contributing to 17.6% of total revenues. In terms of usage, AC stabilizers accounted for 37% of the sales, refrigerators another 32% while the fast-growing LCD/LED segment accounted for 23%.

The growth came mainly on account of expansion into the non-South markets. The product bears direct correlation with the sales of white goods. Sales of room ACs and other white goods has been weak in the last few quarters, as customer sentiment turned weak and persistently high inflation impacted customer spending power. Moreover, the rupee depreciation and new energy efficiency norms implied that consumer durable manufacturers (especially room AC players) had to take price hikes leading to further decline in demand for their products. In a striking contrast to previous

years, the festive season (Diwali, Onam) was also lackluster. All these factors adversely impacted the demand for stabilizers.

The per capita use of consumer durables is extremely low in India, especially in rural India. This throws up an opportunity for the stabilizer segment to grow at a faster pace in future. The onset of summer has seen a slight pick-up in demand in the sales of durables. Expectations of stable weather patterns will result in strong growth for the segment in FY15, driven by expansion in the non-South markets.

b. House wiring cables

Despite a slowdown in construction activity during the year on account of the unfavorable economic climate and sand mining ban, the house wiring cables division recorded a growth of 27.4% year on year to ` 476 crore. Its contribution to total revenues increased from 27% in FY13 to 31.30% in FY14, continuing to be the largest product segment in the Company's

portfolio. The growth was led by expansion into the non-South markets where the Company has seen a strong acceptance for the product. This can be corroborated by the fact that the Company has done away with discounts for this product in the non-South markets and adopted a unified pricing policy.

This product is 100% manufactured in-house. The Company has undertaken the expansion of the Kashipur plant this year and augmented capacities by 80% given the robust demand for the product. The total capital expenditure was to the tune of ` 16.30 crores spread over the last two years.

Given the shortage of housing and increasing urbanization, there will be strong demand for residential housing all across the country, especially in Tier 2 and Tier 3 cities. This presents an enormous opportunity and the Company is confident of capitalizing on this demand and sustaining its growth trajectory to emerge amongst the Top 2 players in the segment.

c. L T cables

Most of the sales in this segment are B2B in nature and are directly linked to the growth of allied industries like construction, power etc. Given the weak industrial sentiment prevailing at the moment, demand for L T cables is witnessing a slowdown over past few years. The Company clocked a turnover of ` 71 crore during the year under review and declining 2.7% over the previous year. The Company has adopted a prudent sales approach with a focus on higher margin variants, restricting sales only to a niche of clientele. Currently, the capacity utilization at the factory in Coimbatore is low on account of the slowdown in industrial capex. With the formation of a strong, stable government at the Centre, industrial activity is expected to pick-up. This will augur well for the industry as a whole, and will help the Company expand its utilizations driving growth in sales and margins.

d. Pumps and Motors

The early onset of monsoon and its severity impacted the sales demand for pumps in FY14

on account of higher water levels. Revenues in the segment stood at ` 202 crore in FY14 as against ` 205 crore in FY13. The performance had to be measured against a high base in FY13 wherein a strong summer and weak monsoon bolstered sales of the product. The contribution of this product to total revenues was 13.3% in FY14 as compared to 15.1% in FY13.

This is one of the established segments for the Company. It enjoys premium pricing over competition in the Southern markets. Over the years discounts to dealers/distributors have been reduced in the non-South regions as the Company has gained increased visibility and translated into market share gains.

Going into FY15, the Company expects a normal summer season to translate into strong growth momentum, also providing an impetus to overall Company-level margins.

e. Fans

The fans segment crossed revenues of ` 100 crore in FY14, delivering a growth of 29% in FY14 from ` 80 crore in FY13. The contribution from Ceiling fans and TPW segment remained same at 58% and 38% respectively during both FY14 and FY13. This has been a good performance in light of a weak summer season and slowdown in the housing market, the key drivers of growth for the fan industry.

This has been a transition year for the product category as the Company concentrated on selling the product primarily in the Southern states and Eastern India while exiting from non-profitable regions. Further, the focus has been on improving the product mix through differentiated models and better designs. This has enabled the Company to improve the margin profile in this segment which turned positive in Q4 this year. The Company is confident of sustaining the growth trajectory in FY15 and improving margins further.

f. Electric Water Heaters

The electric water heater segment saw a growth of 23% year on year to ` 136 crore in FY14. This was driven by the introduction of a new premium variant during the course of the year,

'Pebbles', which received a terrific response and helped improve overall margins in the segment. The Company is winning market share in this product category with strong performance in non-South markets.

This is another product category which will benefit from the strong housing demand. The Company will focus on increasing the number of star-rated models and improving energy efficiency which will in turn help sustaining the growth momentum and increase market share.

g. Solar Water Heaters

During the year the Company undertook the consolidation of its solar water plant to Perundurai in Tamil Nadu. The segment grew 21% year on year to ` 39 crore. The Company recognises the Government grants and subsidies relating to revenue when there is reasonable assurance that the Company will comply with the conditions attached to them. The Company has one of the best ratings under the Ministry of New and Renewable Energy (MNRE) scheme.

With technological advancements, the payback on solar water heaters is constantly reducing and will attract significant demand in the light of rising power tariffs. Further, the Company will stand to benefit from the impetus given by the Government to promote environmentally friendly and energy efficient products. The Company believes that this segment has enormous potential and is aiming to become the leader in the segment over the next few years.

h. Digital UPS (Inverters)

After recording a phenomenal growth in FY13, infrequent power cuts resulted in weak digital UPS sales in FY14. The revenues in the segment saw a 15% decline year on year in FY14 to ` 148 crore. The power availability significantly improved, especially in the Southern part of the country. Energy deficit reduced in most states on account of an increase in electricity supply as well as a reduction in demand, largely due to better generation from hydroelectric power plants on the back of a strong monsoon and State Governments ensuring uninterrupted power

supply in view of the forthcoming elections. This led to a reduction in the market for the entire digital UPS market as a whole. Conversely, deficit levels were exceptionally high in most states in FY13 further exaggerating the subdued performance.

However, with the onset of the summer season in Q4 FY14, power cuts resumed in some parts of the country leading to a slight uptick in sales volumes of the segment. Going forward, the Company expects energy deficit rates to rise over the coming years, with the economic environment turning more favorable, boosting energy demand and leading to power shortages. Hence, the product segment will continue to be one of the key growth drivers for the Company.

i. Standalone UPS Systems (Desktop)

The Company recorded a turnover of ` 36 crore in this segment during the year under review, as compared to ` 48 crore in the preceding year. With the increased penetration of laptops, tablets, smart phones etc, the demand for PC's has fallen and consequently the demand for the offline UPS segment has been diminishing. However, this is a legacy product for the Company and the capital employed in this segment is extremely low given that supply is completely outsourced.

j. New Product Categories

The new product categories like switchgears, induction cooktops and mixer grinders have received a good response. The combined revenue increased 53% on a small base to ` 41 crore in FY14. The Company is present in the domestic switchgear segment and it saw revenue expansion from ` 12 crore in FY13 to ` 17 crore in FY14. The segment is controlled by a few large players and has a market size of ` 2,000 crore. Consumers trust in the V-Guard brand and adherence to all the minimum requirements like ISI, is aiding sales in this segment as quality and safety are given utmost importance by customers. Given the barriers to entry and technology required to manufacture the product, the Company is

already reporting profitable growth despite low volumes. The product is supported by an excellent distribution network given its overlap with the wire segment. In the coming year, the Company will look to ramp up vendors to ensure timely supply of the product.

In the induction cooktop business, the Company has grown from ` 15 crore in FY13 to ` 22 crore in FY14, a growth of 46% year on year. The strong growth comes despite huge issues in the market with all large players not able to grow with the preceding Government liberalizing the supply of subsidies LPG after restricting it in FY13. However, there has been improvement in demand for this product in the last few months and the Company believes induction cooktop market will return to its normal growth trajectory. The growth potential is enormous in this segment given the high cost of LPG, supply shortage, low electricity consumption by induction cook tops, flameless cooking etc.

Appliances as a category have inherent strength if one can showcase a wide range of products. Hence, in FY14, the Company entered into the mixer grinders segment. The Company expects to leverage the channel synergies from the induction cooktop segment where it has already delivered initial success. Only after both the kitchen businesses, that is, the mixer grinders and induction cooktops attain some scale, the Company will assess the addition of another premium kitchen appliance product to the portfolio, given huge channel synergies.

Over the next two years, the Company is looking to scale all these three categories two-fold. The sales of the products have been restricted to South India and will be extended to the non-South geographies on the attainment of certain scale.

5. Outlook

Industry Drivers

- ❖ Strong demand from housing construction activity all across the country with increased penetration in Tier 2, 3 and 4 cities.
- ❖ Easy access to credit and a rising middle class population with increasing levels of

disposable income will fuel the demand for the industry.

Distribution Network

- ❖ Current network of over 407 distributors, 4,344 channel partners and 25,000 retailers.
- ❖ To increase more retailers below these distributors going forward, thereby increasing revenue contribution per distributor, providing significant scope for expansion of returns on existing investments.

Advertising Expenditure

- ❖ Continued investments in advertising and marketing to enhance brand visibility will continue in order to facilitate pan-India expansion.
- ❖ Advertisement spends to be maintained between 3.5-4% of revenues, with disproportionate spending to expand non-South markets.

Financial Performance

- ❖ Expecting topline growth of 20% in FY15 through expansion into the non-South markets.
- ❖ Growth to be driven by Electric Water Heater, Pump and Digital UPS segments and consolidation in House-wiring Cable and Stabilizer segments.
- ❖ EBITDA margins to inch upwards between 8.5-9% in FY15.

6. Strengths, Opportunities and Threats

Strengths

- ❖ Strong brand franchise in South India, ranked among the Top 3 players across product segments.
- ❖ Competitive positioning in its flagship product – stabilizers is very strong given its unique outsourcing model.
- ❖ Strong thrust on quality, efficient after-sales service and effective marketing.
- ❖ Established and well-entrenched distribution and dealer network setup across the country.

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- ❖ Diversified product portfolio with presence across highly scalable categories.
- ❖ Asset light production model with healthy balance sheet and strong cash generation.

Opportunities

- ❖ According to a McKinsey Global Institute (MGI), the number of middle class households will increase more than four-fold nation wide from 32 million to 147 million in 2030 driven by rapid urbanization.
- ❖ Rising per-capita disposable incomes of the urban segment to significantly boost consumer discretionary expenditure.
- ❖ Large growth potential in the non-South market across product categories which accounts for only 29% of the business at present.
- ❖ New product categories like switchgears, induction cooktops and mixer grinder offer promising growth prospects.

Threats

- ❖ Seasonality in revenues since sales of several product categories dependent on summer months.
- ❖ Impacted by weakness in economic cycle and slowdown in demand for consumer durables.
- ❖ Slowdown in the real estate market could impact sales of several product segments.
- ❖ Volatility in raw material prices could impact margins in case cost escalations cannot be passed on to consumers.
- ❖ Increase in competitive intensity with the entry of MNC players.
- ❖ Expanding into new markets, where success requires understanding different cultures and consumer behaviour.

7. Risk Mitigation

V-Guard has embedded a risk management system which ensures an integrated approach to managing current and emerging risks to the

business. Comprehensive processes are charted out to identify, assess and control the organization's and individual product's risk exposures.

The monthly product review meetings acts as a forum where the performance and the anticipated risks and opportunities of each product category is examined in detail. A quarterly risk review meeting makes a more focused study on the risks each product has faced during the quarter/is expected to face going forward and suggest mitigation measures. Findings of the product risk groups are then put up before the next level Risk Management Committee, headed by the Managing Director and comprising of other senior management personnel. The Committee reviews reports of the Product Risk Groups, deliberate on the organisation wide risks and also review and monitor the Enterprise Risk Management system. The findings and mitigation measures decided in the committee is then presented before the Audit committee and Board of Directors.

The risk management system in place in the organisation assist management to understand and manage the uncertainties better and helps insure the organisation from various risks.

8. Audit & Internal Control System

The Company has formulated internal control procedures for each activity in the operations to ensure efficient utilisation of resources of the Company and maker and checker system is in place to ensure that control measures put in place are adhered to. Adequate control measures are also established to safeguard the assets of the Company. The Company has established an in-house internal audit department which carries out an extensive audit of all locations of the Company including the statutory compliance.

9. Human Resources

A detailed note on Human Resources is included in the Directors' Report forming part of this Annual Report.

INDEPENDENT AUDITOR'S REPORT**To the Members of V-Guard Industries Limited***Report on the Financial Statements*

We have audited the accompanying financial statements of V-Guard Industries Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with General Circular 8/2014 dated April 4, 2014 issued by the Ministry of Corporate Affairs. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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 March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, 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.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

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- (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 8/2014 dated April 4, 2014 issued by the Ministry of Corporate Affairs;
- (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **S.R. Batliboi & Associates LLP**
ICAI Firm Registration Number: 101049W
Chartered Accountants

Sd/-
per **Aditya Vikram Bhauwala**
Partner
Membership Number: 208382

Place: Kochi
Date : May 2, 2014

Annexure referred to in paragraph 1 under the heading “Report on Other Legal and Regulatory Requirements” of our report of even date**Re: V-Guard Industries Limited (‘the Company’)**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets were physically verified by the management during the year in accordance with a planned programme of verifying them once in two years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed by the management no material discrepancies were noticed on such verification.
- (c) There was no disposal of a substantial part of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. Inventories lying with outside parties have been confirmed by them as at year end.
- (c) The Company is maintaining proper records of inventory. Discrepancies noted on physical verification of inventories were not material and have been properly dealt with in the books of accounts.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 (‘the Act’). Accordingly, the provisions of clauses 4(iii) (a) to (d) of the Companies (Auditor’s Report) Order, 2003 (as amended) (‘the Order’) are not applicable to the Company and hence not commented upon.
- (iii) (e) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clauses 4(iii) (e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, as well as taking into consideration the management representation that certain items of inventories are of specialized nature for which alternative quotations are not available, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
- (v) (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.

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- (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 Act, related to the products manufactured by the Company and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (in lakhs)	Period to which the amount relates	Forum where dispute is pending
Central Sales Tax Act	Central Sales tax	64.88*	1998-99	Commercial Tax Office, Tamil Nadu
Tamil Nadu Value Added Tax Act	Value added tax	59.70	2008-09	High Court of Madras
Andhra Pradesh Value Added Tax Act	Value added tax	14.10	2006-07 to 2009-10	Deputy Commissioner (CT), Hyderabad Rural
Karnataka Value Added Tax	Value added tax	2.37	2011-12	Appellate Tribunal
Jharkhand Value Added Tax	Value added tax	2.30	2009-10	Commercial Taxes Tribunal
Andhra Pradesh Value Added Tax	Value added tax	0.75	2005-06	Additional Deputy Commissioner Commercial Taxes
Income Tax Act, 1961	Income tax	4.53	AY 2008-09	Deputy Commissioner Income tax
Income Tax Act, 1961	Income tax	17.00	AY 2009-10	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income tax	128.46	AY 2010-11	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income tax	8.40	AY 2011-12	Commissioner of Income Tax (Appeals)

* Of the above ` 2.60 lakhs has been paid under protest.

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution or bank. The Company did not have any outstanding dues in respect of debentures during the year.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has given guarantee for loans taken by others from banks or financial institutions, the terms and conditions whereof, in our opinion, are not prima-facie prejudicial to the interest of the Company.
- (xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through public issue during the year.
- (xxi) *We were informed by the management that during the year under audit, the Company has initiated an investigation against an employee and certain dealers in connection with alleged misappropriation of funds/assets of the Company pertaining to certain sale transactions. Pending completion of the investigation, the Company has suspended the employee and has fully provided for such outstanding receivables, as ascertained by management, amounting to ₹ 249.96 lakhs as at March 31, 2014.*

For **S.R. Batliboi & Associates LLP**
ICAI Firm Registration Number: 101049W
Chartered Accountants

Sd/-
per **Aditya Vikram Bhauwala**
Partner
Membership Number: 208382

Place: Kochi
Date : May 2, 2014

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BALANCE SHEET AS AT 31st MARCH, 2014

(` in lakhs)

	Particulars	Notes	As at 31st March 2014	As at 31st March 2013
A.	EQUITY AND LIABILITIES			
1.	Shareholders' funds			
	(a) Share capital	3	2,984.75	2,984.75
	(b) Reserves and surplus	4	28,858.50	23,148.31
			31,843.25	26,133.06
2.	Non-current liabilities			
	(a) Long-term borrowings	5	3,100.07	3,204.17
	(b) Other long-term liabilities	6	1,173.41	1,057.71
	(c) Deferred tax liabilities (net)	26.6	954.46	790.07
	(d) Long-term provisions	7	406.68	340.81
			5,634.62	5,392.76
3.	Current liabilities			
	(a) Short-term borrowings	8	6,818.41	12,539.14
	(b) Trade payables	9	17,525.58	16,293.48
	(c) Other current liabilities	10	2,908.39	3,008.19
	(d) Short-term provisions	11	2,765.83	2,119.69
			30,018.21	33,960.50
	TOTAL		67,496.08	65,486.32
B.	ASSETS			
1.	Non-current assets			
	(a) Fixed assets			
	(i) Tangible assets	12 (A)	15,820.73	13,131.85
	(ii) Intangible assets	12 (B)	799.33	689.18
	(iii) Capital work-in-progress		341.06	736.01
	(iv) Intangible assets under development	12 (C)	4.94	139.87
			16,966.06	14,696.91
	(b) Long-term loans and advances	13	900.05	1,862.74
	(c) Other non current assets	18 (B)	0.50	11.13
			17,866.61	16,570.78
2.	Current assets			
	(a) Inventories	14	25,254.86	24,857.22
	(b) Trade receivables	15	21,210.40	19,879.86
	(c) Cash and bank balances	16	276.70	1,496.67
	(d) Short-term loans and advances	17	2,877.62	2,677.66
	(e) Other current assets	18 (A)	9.89	4.13
			49,629.47	48,915.54
	TOTAL		67,496.08	65,486.32
	Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date
For S.R. Batliboi & Associates LLP
 Firm registration number: 101049W
 Chartered Accountants
 Sd/-
 per **Aditya Vikram Bhauwala**
 Partner
 Membership No. : 208382

Place : Kochi
 Date : 2nd May, 2014

For and on behalf of the Board of Directors of
V-Guard Industries Limited

Sd/-
Koouseph Chittilappilly
 Chairman

Sd/-
Jacob Kuruvilla
 Chief Financial Officer

Place : Kochi
 Date : 2nd May, 2014

Sd/-
Mithun K. Chittilappilly
 Managing Director

Sd/-
Jayasree K
 Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2014

(` in lakhs)

	Particulars	Notes	For the year ended 31st March, 2014	For the year ended 31st March, 2013
1.	Income			
	Revenue from operations (gross)		153,792.61	138,371.92
	Less: excise duty		2,036.30	2,350.47
	Revenue from operations (net)	19	151,756.31	136,021.45
2.	Other income	20	483.88	362.21
3.	Total income (1+2)		152,240.19	136,383.66
4.	Expenses			
	(a) Cost of raw materials consumed	21.a	49,424.16	41,324.39
	(b) Purchase of traded goods	21.c	63,537.82	68,408.28
	(c) (Increase) in inventories of finished goods, work- in-progress and traded goods	21.d	(791.82)	(8,448.72)
	(d) Employee benefits expense	22	8,481.34	7,010.14
	(e) Finance costs	23	2,106.31	1,997.06
	(f) Depreciation and amortisation expense	12 (A) and 12 (B)	1,203.86	1,141.10
	(g) Other expenses	24	18,850.19	16,733.84
	Total expenses		142,811.86	128,166.09
5.	Profit before tax (3 - 4)		9,428.33	8,217.57
6.	Tax expenses			
	(a) Current tax expense [net of reversal : Nil pertaining to previous year (31st March 2013 - ` 235.50 lakhs)]		2,250.54	1,562.29
	(b) Deferred tax	26.6	164.39	363.77
			2,414.93	1,926.06
7.	Profit for the year (5 - 6)		7,013.40	6,291.51
8.	Earnings per equity share (basic and diluted):	26.4		
	(Nominal value of equity share - ` 10) (31st March, 2013 - ` 10)			
	Basic earning per share		23.50	21.08
	Diluted earning per share		23.47	21.08
	Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For **S.R. Batliboi & Associates LLP**

Firm registration number: 101049W

Chartered Accountants

Sd/-

per **Aditya Vikram Bhauwala**

Partner

Membership No. : 208382

Place : Kochi

Date : 2nd May, 2014

For and on behalf of the Board of Directors of

V-Guard Industries Limited

Sd/-

Kochouseph Chittilappilly

Chairman

Sd/-

Jacob Kuruvilla

Chief Financial Officer

Place : Kochi

Date : 2nd May, 2014

Sd/-

Mithun K. Chittilappilly

Managing Director

Sd/-

Jayasree K

Company Secretary

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2014

(` in lakhs)

	Particulars	For the year ended	
		31st March, 2014	31st March, 2013
A.	Cash flow from operating activities		
	Net profit before tax	9,428.33	8,217.57
	Non-cash adjustments to reconcile profit before tax to net cash flows		
	Depreciation and amortisation	1,203.86	1,141.10
	(Profit) / loss on sale / writeoff of fixed assets	33.97	(8.83)
	Interest expense	2,106.31	1,997.06
	Interest income	(193.84)	(195.91)
	Trade and other receivables, loans and - advances written off	58.17	44.35
	Liabilities / provisions no longer required written back	(18.47)	(2.76)
	Provision for doubtful trade and other receivables, loans and advances	314.92	137.98
	Dividend income	-	(0.36)
	Employee stock compensation expense	268.19	-
		3,773.11	3,112.63
	Operating profit before working capital changes	13,201.44	11,330.20
	Movements in working capital:		
	Adjustments for (increase) / decrease in operating assets:		
	Inventories	(397.64)	(9,115.13)
	Trade receivables	(1,703.62)	(5,280.30)
	Short-term loans and advances	(199.98)	(525.87)
	Long-term loans and advances	242.28	(315.21)
	Other current assets	(2.06)	(1.02)
	Adjustments for increase / (decrease) in operating liabilities:		
	Trade payables	1,250.55	6,676.10
	Other current liabilities	97.71	373.13
	Other long-term liabilities	115.70	151.33
	Short-term provisions	296.94	281.38
	Long-term provisions	65.87	33.78
		(234.25)	(7,721.81)
	Cash generated from operations	12,967.19	3,608.39
	Income tax paid (net of refunds)	(1,887.10)	(2,556.08)
	Net cash flow from operating activities (A)	11,080.09	1,052.31
B.	Cash flow from investing activities		
	Purchase of fixed assets, including capital work-in-progress and capital advances	(3,298.62)	(2,589.66)
	Proceeds from sale of fixed assets	59.02	26.48
	(Increase) / decrease in margin money and other bank deposits	250.77	(169.08)
	Purchase of current investments	-	(600.00)
	Proceeds from sale/maturity of current investments	-	600.36
	Interest received		
	- From banks, on loans and advances, etc.	190.14	196.14
	Net cash flow used in investing activities (B)	(2,798.69)	(2,535.76)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2014

in lakhs)

	Particulars	For the year ended 31st March, 2014		For the year ended 31st March, 2013	
C.	Cash flow from financing activities				
	Proceeds from long-term borrowings	821.30		1,930.00	
	Repayment of long-term borrowings	(774.83)		(353.84)	
	Net Increase / (decrease) in short term borrowings	5,720.73)		4,018.35	
	Interest paid	(2,364.77)		(1,895.15)	
	Dividends paid on equity shares	(1,044.66)		(1,044.66)	
	Tax on equity dividend paid	(177.54)		(169.47)	
	Net cash flow from / (used in) financing activities (C)		(9,261.23)		2,485.23
	Net Increase / (decrease) in cash and cash equivalents (A+B+C)		(979.83)		1,001.78
	Cash and cash equivalents at the beginning of the year		1,191.41		189.63
	Cash and cash equivalents at the end of the year		211.58		1,191.41
	Components of cash and cash equivalents				
	(a) Cash on hand		4.19		5.02
	(b) Balances with banks				
	(i) In current accounts		181.00		1,161.77
	(ii) In EEFC accounts		-		2.51
	(iii) In unpaid dividend account *		26.39		22.11
			211.58		1,191.41
	* The Company can utilize these balances only towards settlement of respective unpaid dividends				
	Summary of significant accounting policies		2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date
For **S.R. Batliboi & Associates LLP**

Firm registration number: 101049W

Chartered Accountants

Sd/-

per **Aditya Vikram Bhauwala**

Partner

Membership No. : 208382

Place : Kochi

Date : 2nd May, 2014

For and on behalf of the Board of Directors of
V-Guard Industries Limited

Sd/-

Kochoseph Chittilappilly

Chairman

Sd/-

Jacob Kuruvilla

Chief Financial Officer

Place : Kochi

Date : 2nd May, 2014

Sd/-

Mithun K. Chittilappilly

Managing Director

Sd/-

Jayasree K

Company Secretary

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1. Corporate information

V-Guard Industries Ltd ('V-Guard' or 'the Company') is a public company domiciled in India and is engaged in the manufacturing, trading and selling of a wide range of products including Voltage Stabilizers, PVC Cables, Pumps and Motors, Electric Water Heaters, Digital UPS, Fans, L.T.Cable, UPS, Solar Water Heaters, Switchgears, Induction Cooktops, etc.

V-Guard has its manufacturing facilities located at K.G. Chavady, Coimbatore, Tamil Nadu; at Kashipur, Utharakhand; at Kala Amb, Himachal Pradesh and at SIPCOT Industrial growth center, Perundurai, Tamil Nadu.

The Company's shares are listed in Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956 read with General Circular 8/2014 dated April 4, 2014 issued by the Ministry of Corporate Affairs. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

2.1 Summary of significant accounting policies

a) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

b) Tangible fixed assets

Fixed assets, are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. Machinery spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular are capitalised and depreciated over the useful life of the principal item of the relevant assets. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

Capital work-in-progress:

Fixed assets which are not ready for their intended use are carried at cost, comprising direct cost, related incidental expenses and attributable interest on borrowings.

c) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the Statement of Profit and Loss in the year in which the expenditure is incurred.

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Company uses a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. If the persuasive evidence exists to the affect that useful life of an intangible asset exceeds ten years, the Company amortizes the intangible asset over the best estimate of its useful life. Such intangible assets and intangible assets not yet available for use are tested for impairment annually, either individually or at the cash-generating unit level. All other intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

Research and development expenses

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the Company can demonstrate all the following:

- (i) The technical feasibility of completing the intangible asset so that it will be available for use or sale,
- (ii) Its intention to complete the asset,
- (iii) Its ability to use or sell the asset,
- (iv) How the asset will generate future economic benefits,
- (v) The availability of adequate resources to complete the development and to use or sell the asset and
- (vi) The ability to measure reliably the expenditure attributable to the intangible asset during development.

Following the initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized on a straight line basis over the period of expected future benefit from the related project, i.e., the estimated useful life of ten years. Amortization is recognized in the statement of profit and loss. During the period of development, the asset is tested for impairment annually.

d) Depreciation and amortisation

Depreciation has been provided under the straight-line method as per the rates prescribed in Schedule XIV to the Companies Act, 1956 which approximates the useful lives of the assets estimated by the management except in respect of Moulds, Patterns and Dies, which are depreciated over their useful of 5 years, as estimated by the Management. The Company has used the following rates to provide depreciation on its fixed assets.

Asset Category	Rates (SLM)
Factory buildings	3.34 %
Non factory buildings	1.63 %
Plant and equipments	4.75 % to 10.34 %
Furniture and fixtures	6.33 %
Vehicles	9.50 %
Office equipments	4.75 %
Computers	16.21 %

Assets costing less than ₹ 5,000 each are fully depreciated in the year of capitalisation.

Leasehold land is amortised over the duration of the lease, i.e., 99 years, on a straight line basis. Leasehold improvements and leased assets are depreciated over the lease term or the estimated useful life, whichever is shorter.

Intangible assets are amortised over their estimated useful life as follows:

Asset Category	Useful life (in years)
Software	5 years
Trademark	10 years

The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation method is revised to reflect the changed pattern.

e) Leases

Where the Company is lessee

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

f) Borrowing costs

Borrowing cost includes interest and amortization of ancillary costs incurred in connection with the arrangement of borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

g) Impairment of tangible and intangible assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable

amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

h) Government grants and subsidies

Government grants and subsidies relating to revenue are recognised when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants / subsidy will be received. Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire capital assets are presented by deducting them from the carrying value of the assets. The grant is recognised as income over the life of a depreciable asset by way of a reduced depreciation charge.

Other government grants and subsidies are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis.

i) Inventories

Raw materials, packing materials and stores and spares are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost of raw materials, components and stores and spares is determined on a weighted average basis.

Work-in-progress and finished goods are valued at lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost is determined on a weighted average basis.

Traded goods are valued at lower of cost and net realizable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

j) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

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Sale of goods

Revenue from sale of goods is recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer, net of returns and trade discounts. The Company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the Company. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.

Interest

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the statement of profit and loss.

k) Foreign currency translation

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.

Exchange differences

Exchange differences arising on settlement / conversion of foreign currency monetary assets and liabilities are recognized as income or expense in the Statement of Profit and Loss in the period in which they arise.

Forward exchange contracts entered into to hedge foreign currency risk of an existing asset / liability

The premium or discount arising at the inception of forward exchange contract is amortized and recognized as an expense / income over the life of the contract. Exchange differences on such contracts are recognized in the Statement of Profit and Loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward exchange contract is also recognized as income or as expense for the period.

l) Retirement and other employee benefits

Employee benefits include provident fund, gratuity and compensated absences.

Defined contribution plans

Retirement benefit in the form of provident fund is a defined contribution plan. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service.

Defined benefit plans

For defined benefit plan in the form of gratuity, the cost of providing benefits is determined based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur.

Short-term employee benefits

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

Long-term employee benefits

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains / losses are immediately taken to the statement of profit and loss and are not deferred. The Company presents the leave as a current liability in the balance sheet, as the Company believes that it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

m) Income taxes

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

In the situations where the Company is entitled to a tax holiday under the Income-tax Act, 1961 enacted in India, no deferred tax (asset or liability) is recognized in respect of timing differences which reverse during the tax holiday period, to the extent the Company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognized in the year in which the timing differences originate. However, the Company restricts recognition of deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.

At each reporting date, the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

n) Employee stock compensation cost

Employees (including senior executives) of the Company receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

In accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, the cost of equity-settled transactions is measured using the intrinsic value method and recognized, together with a corresponding increase in the "Employee Stock options outstanding account" in reserves. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognized in the statement of profit and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

o) Segment reporting

Identification of segments

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

Allocation of common costs

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items

Unallocated items include general corporate income and expense items which are not allocated to any business segment.

Segment accounting policies

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

p) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

q) Provisions and contingent liabilities

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

r) Provision for warranty

The estimated liability for product warranties is recorded when products are sold. These estimates are established using historical information on the nature, frequency and average cost of warranty claims and management estimates regarding possible future incidence based on corrective actions on product failures. The timing of outflows will vary as and when warranty claim will arise. The estimate of such warranty related costs is revised annually.

s) Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments/deposits with an original maturity of three months or less.

Note 3: Share Capital

Particulars	As at 31st March, 2014		As at 31st March, 2013	
	Number of Shares	(` in lakhs)	Number of Shares	(` in lakhs)
(a) Authorised: Equity Shares of ` 10/- each with voting rights	35,000,000	3,500.00	35,000,000	3,500.00
(b) Issued, Subscribed and fully paid up: Equity Shares of ` 10/- each with voting rights	29,847,520	2,984.75	29,847,520	2,984.75

(a) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	Opening balance	Changes during the year	Closing balance
Equity Shares with voting rights			
Year ended 31st March, 2014			
Number of shares	29,847,520	-	29,847,520
Amount (` in lakhs)	2,984.75	-	2,984.75
Year ended 31st March, 2013			
Number of shares	29,847,520	-	29,847,520
Amount (` in lakhs)	2,984.75	-	2,984.75

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(b) Terms / rights attached to equity shares:

The Company has issued only one class of equity shares having a face value of ` 10 per share. Each holder of equity share is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31st March, 2014, the amount of per share dividend recommended for distribution to equity shareholders is ` 4.50 (31 March 2013: ` 3.50).

In the event of liquidation of the Company, the equity share holders will be entitled to receive remaining assets of the Company, after settling the dues of preferential and other creditors as per priority. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Details of shareholders holding more than 5% shares in the Company:

Class of shares / name of shareholder	As at 31st March, 2014		As at 31st March, 2013	
	Number of Shares held	% holding in that class of shares	Number of Shares held	% holding in that class of shares
Equity shares with voting rights:				
Mr. Kochouseph Chittilappilly	7,366,518	24.68%	7,366,518	24.68%
Ms. Sheela Kochouseph	3,320,327	11.12%	3,320,327	11.12%
Mr. Arun K Chittilappilly	3,969,697	13.30%	3,969,697	13.30%
Mr. Mithun K Chittilappilly	5,089,818	17.05%	4,830,805	16.18%

As per records of the Company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

Note 4: Reserves and surplus

(` in lakhs)

Particulars		As at 31st March, 2014	As at 31st March, 2013
(a)	Securities premium account		
	Balance as per last financial statements	5,244.46	5,244.46
	Add : Additions during the year	-	-
	Less : Utilised / transferred during the year	-	-
	Closing balance	5,244.46	5,244.46
(b)	General reserve		
	Balance as per last financial statements	3,889.01	3,189.01
	Add: Transferred from surplus in Statement of Profit and Loss	800.00	700.00
	Closing balance	4,689.01	3,889.01
(c)	Surplus in Statement of Profit and Loss		
	Balance as per last financial statements	14,014.84	9,645.53
	Add: Profit for the year	7,013.40	6,291.51
	Less: Appropriations		
	Proposed final equity dividend [amount per share ` 4.50 (31st March, 2013: ` 3.50)]	(1,343.13)	(1,044.66)
	Tax on proposed equity dividend	(228.27)	(177.54)
	Transfer to general reserve	(800.00)	(700.00)
	Net surplus in the Statement of Profit and Loss	18,656.84	14,014.84

Note 4: Reserves and surplus (Contd.)

(` in lakhs)

Particulars	As at	As at
	31st March, 2014	31st March, 2013
(d) Employees stock options outstanding		
Gross employee stock compensation for options granted in earlier years	-	-
Add: Gross compensation for stock options granted during the year	1,026.66	-
Less: Compensation on Employees stock option scheme cancelled during the year	(27.79)	-
Less: Transferred to securities premium on exercise of stock options	-	-
Less : Deferred Employee stock compensation expense	(730.68)	-
Closing balance	268.19	-
Total	28,858.50	23,148.31

Note 5: Long-term borrowings

(` in lakhs)

Particulars	As at	As at
	31st March, 2014	31st March, 2013
(a) Non current term loans		
From banks - secured	3,090.51	3,186.54
From others - secured	9.56	17.63
	3,100.07	3,204.17
(b) Current term loans		
From banks - secured	908.65	756.33
From others - secured	7.99	9.73
	916.64	766.06
	4,016.71	3,970.23
Less: Amount disclosed under the head "other current liabilities" (Note 10)	(916.64)	(766.06)
Total	3,100.07	3,204.17

(i) Details of terms of repayment and security provided in respect of secured borrowings:

(` in lakhs)

Particulars	Terms of repayment and security	As at 31st March, 2014		As at 31st March, 2013	
		Non current	Current	Non current	Current
From banks					
State Bank of India	Term loan was 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 113.293 cents of land at High School Road, Vennala, 1306 cents of land at K.G Chavadi, Coimbatore, 12.52 cents of land at Mettupalayam Road, Coimbatore; and	-	-	13.99	136.00

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Note 5: Long-term borrowings (Contd.)

(i) Details of terms of repayment and security provided in respect of secured borrowings: (Contd.)

(` in lakhs)

Particulars	Terms of repayment and security	As at 31st March, 2014		As at 31st March, 2013	
		Non current	Current	Non current	Current
	(c) extension of charge over Plant and Machinery in Trading Division and Solar Water Heater Division and factory building of Solar Water Heater Division. The loan is further secured by the joint guarantee from the promoters. The loan has been fully repaid as on 31st March 2014. Interest rate was in the range of 12.70% p.a. to 13.25% p.a.				
State Bank of Travancore	Term loan is secured by way of (a) first charge on the whole of the movable fixed assets including its movable plant and machinery, machinery spares, tools and accessories and other movables, both present and future, pertaining to Solar Water Heater Factory in plot no.KK-12-15 of SIPCOT at Perundurai, the godown in block No.609/1 at Adaragunchi Village, Hubli and the godown in survey No:237/2/2 in Parakkadavu village, Puliyanam P.O, Angamaly; (b) Creation of equitable mortgage by depositing title deeds and lease deed of 1 acre and 22 guntas of land, 34.66 acres of land and 74.93 ares of land at Hubli, Perundurai and Angamaly respectively along with godown and bulding thereon. The loan amount is repayable in 20 equal quarterly installments of ` 58.75 Lakhs each and ` 16.50 Lakhs each commencing on 30.06.2012 and 30.06.2013 respectively for loans taken for facilities at Hubli and Perundurai and in 20 equal quarterly installments of ` 31 Lakhs each commencing 31.12.2014 for loan taken for facility at Angamaly. Interest rate is 12% p.a. for loan amount of ` 1,505 lakhs and 11.75% p.a for loan amount of ` 620 lakhs.	1225.95	363.00	1369.00	301.00

Note 5: Long-term borrowings (Contd.)

(i) Details of terms of repayment and security provided in respect of secured borrowings: (Contd.)

(` in lakhs)

Particulars	Terms of repayment and security	As at 31st March, 2014		As at 31st March, 2013	
		Non current	Current	Non current	Current
South Indian Bank	Term loan is secured by way of (a) hypothecation of Plant & Machinery / Assets acquired out of bank finance as primary security; and (b) equitable mortgage on (i) 710.46 cents of land with godown and office building at Thenkurissi Village, Palakkad; (ii) 102 cents of land in Chinakakanni Village at Guntur Dist., AP as collateral security. The loan amount is to be repaid in 60 monthly installments (59 monthly installments of ` 18.50 Lakhs and last installment of ` 8.50 lakhs). Interest rate is 12.25% p.a.	656.00	222.00	878.00	222.00
Axis Bank Ltd.	The term loan was secured by hypothecation of the vehicle financed. The loan has been fully repaid as on 31.03.2014. Interest rate was 11.56% p.a.	-	-	3.31	1.22
Axis Bank Ltd.	The term loan is secured by hypothecation of the vehicle financed. Repayment term is in 60 equated monthly installments of ` 0.40 lakhs from 15.04.2012 to 15.03.2017. Interest rate is 10.69% p.a.	8.56	3.65	12.24	3.30
Dhanalaxmi Bank Ltd.	The term loan was secured by hypothecation of the vehicle financed. The loan has been fully repaid as on 31.03.2014. Interest rate was 9.03% p.a.	-	-	-	2.81
Development Bank of Singapore (DBS)	Term Loan drawn in two tranches, is secured by exclusive charge on the Plant & Machinery at Kashipur and also other fixed assets acquired out of bank finance. Repayable in 20 equal quarterly installments commencing at the end of 12 months from date of first drawdown (i.e 28.03.2014). Interest rate is 10.70% p.a for the first drawdown of ` 1,000 lakhs and 11.20% for the second drawdown of ` 600 lakhs.	1200.00	320.00	910.00	90.00
	Total A	3,090.51	908.65	3,186.54	756.33

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Note 5: Long-term borrowings (Contd.)

(i) Details of terms of repayment and security provided in respect of secured borrowings: (Contd.)

(` in lakhs)

Particulars	Terms of repayment and security	As at 31st March, 2014		As at 31st March, 2013	
		Non current	Current	Non current	Current
From others					
BMW India Financial Services Private Limited	The term loan is secured by hypothecation of the vehicle financed. Repayment term is 60 equated monthly installments of ` 0.78 lakhs from 01.05.2011 to 01.04.2016. Interest rate is 9.60% p.a.	9.56	7.99	17.63	7.31
Cisco Systems Capital India Private Limited	The term loan was secured by the assets, viz., high end network equipment, purchased from CISCO. Repayment term is 12 installments of ` 2.48 lakhs payable quarterly in advance from 10.09.2010 to 10.06.2013. Interest rate was 10% p.a. compounded monthly. The loan has been fully repaid as on 31.03.2014	-	-	-	2.42
	Total B	9.56	7.99	17.63	9.73
	Total (A+B)	3,100.07	916.64	3,204.17	766.06

Note 6: Other long - term liabilities

(` in lakhs)

Particulars		As at 31st March, 2014	As at 31st March, 2013
(a)	Trade / Security Deposits received	1,173.41	1,057.71
	Total	1,173.41	1,057.71

Note 7: Long-term provisions

(` in lakhs)

Particulars		As at 31st March, 2014	As at 31st March, 2013
(a)	Provision - others		
	(i) Provision for warranty (Refer Note 26.8)	406.68	340.81
	Total	406.68	340.81

Note 8: Short-term borrowings

(` in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
(a) Loans from banks		
(i) Secured (Refer Note 1 below)		
Cash credit accounts	4,318.41	2,153.83
Working capital demand loan	2,500.00	5,500.00
(ii) Unsecured		
Working capital demand loan	-	2,500.00
Commercial paper (Refer Note 2 below)	-	2,385.31
Total	6,818.41	12,539.14

Notes: (1) Details of security for the secured short-term borrowings:

(` in lakhs)

Particulars	Nature of Security	As at 31st March, 2014	As at 31st March, 2013
Dhanalakshmi Bank Ltd.	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 and book debts. The third pari passu charge on all fixed assets of the Company, including immovable properties were released during the current year. The short term fund carries interest varying from 10% to 11.5% p.a.	127.53	694.43
HDFC Bank Ltd.		-	1,000.00
Federal Bank Ltd.		1,397.54	1,293.85
Standard Chartered Bank		98.73	108.27
State Bank of India		2,669.70	2,544.54
Citibank		2,524.91	2,012.74
Total		6,818.41	7,653.83

(2) Commercial Papers are issued at discount and payable at face value on maturity date as mentioned hereunder:

	Issue Date	Maturity Date
HDFC Bank Ltd. (Face Value: ` 2,500 lakhs issued @ 9.75% per annum)	22nd November, 2012	20th May, 2013

Note 9: Trade payables

(` in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
(a) Acceptances (See note below)	10,130.08	9,489.52
(b) Other than Acceptances:		
- Dues to Micro and Small Enterprises (Refer Note 25.2)	1,093.30	1,658.91
- Others	6,302.20	5,145.05
Total	17,525.58	16,293.48

Note:

Acceptances include ` 483.45 lakhs (31st March, 2013: ` 415.16 lakhs) for the bills discounted with Small Industries Development Bank of India which are secured by a second charge by way of hypothecation of all the movable fixed assets. Further the facility is secured by the guarantee given by one of the promoters.

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Note 10: Other current liabilities

(` in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
(a) Current maturities of long-term borrowings (Refer Note (i) below)	916.64	766.06
(b) Interest accrued but not due on borrowings	21.24	190.65
(c) Unpaid dividends (unpresented dividend warrants)	26.39	22.11
(d) Other payables:		
(i) Statutory remittances (Contributions to PF and ESIC, withholding taxes, excise duty, VAT, etc.)	1,454.14	1,505.23
(ii) Contractually reimbursable expenses	121.16	31.31
(iii) Advances from customers	144.54	98.95
(iv) Capital creditors	134.30	312.95
(v) Others	89.98	80.93
Total	2,908.39	3,008.19

Note (i): Current maturities of long-term borrowings (Refer Note 5(i) Long-term borrowings for details):

(` in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
(a) Term loans		
From Banks - Secured	908.65	756.33
From Others - Secured	7.99	9.73
Total	916.64	766.06

Note 11: Short-term provisions

(` in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
(a) Provision for employee benefits		
(i) Provision for leave benefits	289.80	241.54
(b) Other provisions		
(i) Provision for warranty (Refer Note 26.8)	904.63	655.95
(ii) Proposed equity dividend	1,343.13	1,044.66
(iii) Provision for tax on proposed dividend	228.27	177.54
Total	2,765.83	2,119.69

Note 12 (A) : Tangible fixed assets (in lakhs)

	Tangible assets										Total	
	Freehold land	Leasehold land	Buildings	Plant and equipments	Furniture and fixtures	Vehicles	Office equipments	Computers				
Cost or valuation												
At April 1, 2012	1,824.81	463.96	5,256.33	5,780.11	287.57	257.40	246.19	689.78			14,806.15	
Additions	8.83	-	1,284.91	796.40	84.48	76.29	147.77	74.10			2,472.78	
Disposals	(2.21)	-	-	(20.73)	(0.15)	(17.76)	(4.94)	(0.17)			(45.96)	
Other adjustments: - Borrowing costs (refer note i below)	-	-	23.75	-	-	-	-	-			23.75	
At March 31, 2013	1,831.43	463.96	6,564.99	6,555.78	371.90	315.93	389.02	763.71			17,256.72	
Additions	84.71	-	1,269.22	1,999.14	49.61	-	111.61	145.80			3,660.09	
Disposals	-	-	-	(66.89)	(0.73)	(104.89)	(0.90)	(0.47)			(173.88)	
Other adjustments: - Borrowing costs (refer note ii below)	-	-	43.60	38.11	-	-	-	-			81.71	
At March 31, 2014	1,916.14	463.96	7,877.81	8,526.14	420.78	211.04	499.73	909.04			20,824.64	
Depreciation												
At April 1, 2012	-	10.70	420.03	2,285.12	111.07	69.37	58.71	262.49			3,217.49	
Charge for the year	-	4.69	125.34	580.00	59.90	28.59	24.21	112.96			935.69	
Disposals	-	-	-	(19.97)	(0.02)	(6.88)	(1.41)	(0.03)			(28.31)	
At March 31, 2013	-	15.39	545.37	2,845.15	170.95	91.08	81.51	375.42			4,124.87	
Charge for the year	-	4.69	155.99	595.77	36.21	22.75	25.42	119.10			959.93	
Disposals	-	-	-	(28.72)	(0.24)	(51.64)	(0.08)	(0.21)			(80.89)	
At March 31, 2014	-	20.08	701.36	3,412.20	206.92	62.19	106.85	494.31			5,003.91	
Net Block												
At March 31, 2013	1,831.43	448.57	6,019.62	3,710.63	200.95	224.85	307.51	388.29			13,131.85	
At March 31, 2014	1,916.14	443.88	7,176.45	5,113.94	213.86	148.85	392.88	414.73			15,820.73	

Notes:

- (i) The borrowing cost capitalised during the year ended 31st March 2013 of ` 23.75 lakhs pertains to cost incurred and capitalised in Capital Work-in-Progress (CWIP) in the year ended 31st March 2012 and transferred to fixed assets from CWIP.
- (ii) The borrowing cost capitalised during the year ended 31st March, 2014 amounted to ` 89.05 lakhs and is included as follows:
- Other adjustment in Tangible fixed assets - ` 81.71 lakhs
 - Included in capital work-in-progress - ` 7.34 lakhs

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Note 12 (B) : Intangible assets

(` in lakhs)

Particulars	Computer software	Trademark	Total
Gross block			
At April 1, 2012	384.32	1,062.07	1,446.39
Purchase / additions	178.39	-	178.39
At March 31, 2013	562.71	1,062.07	1,624.78
Purchase / additions	354.08	-	354.08
At March 31, 2014	916.79	1,062.07	1,978.86
Amortisation			
At April 1, 2012	28.01	702.18	730.19
Charge for the year	97.44	107.97	205.41
At March 31, 2013	125.45	810.15	935.60
Charge for the year	135.96	107.97	243.93
At March 31, 2014	261.41	918.12	1,179.53
Net block			
At March 31, 2013	437.26	251.92	689.18
At March 31, 2014	655.38	143.95	799.33

Note 12 (C) : Intangible assets under development

Intangible assets under development as at March 31, 2014 and as at March 31, 2013 relates to a computer software being developed for the Company.

Note 13: Long-term loans and advances

(` in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
(a) Capital advances		
Unsecured, considered good	93.83	450.80
Doubtful	20.00	20.00
	113.83	470.80
Less: Provision for doubtful advances	(20.00)	(20.00)
	93.83	450.80
(b) Security Deposit		
Unsecured, considered good	400.65	389.21
(c) Loans and advances to employees		
Unsecured, considered good	60.89	57.01
Doubtful	-	2.59
	60.89	59.60
Less: Provision for doubtful loans and advances	-	(2.59)
	60.89	57.01
(d) Balances with statutory / government authorities		
Unsecured, considered good	2.45	273.68
(e) Advance Income Tax (net of provisions)	320.83	684.27
(f) Loans and advances to related parties (Refer note 26.3)		
Unsecured, considered good	-	1.25
(g) Prepaid Expenses - Unsecured, considered good	21.40	6.52
Total	900.05	1,862.74

Note 14: Inventories (At lower of cost and net realisable value)

(` in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
(a) Raw Materials [includes in transit ` 73.9 lakhs, (31st March, 2013: ` 136.63 lakhs)] (refer note 21.b)	2,013.48	2,457.82
(b) Work-in-Progress (refer note 21.e)	1,545.09	1,515.71
(c) Finished Goods (other than those acquired for trading) (refer note 21.e)	6,501.23	5,376.96
(d) Stock-in-Trade [includes in transit ` 534.75 lakhs (31st March 2013: ` 475.41 lakhs)] (refer note 21.e.)	13,917.67	14,279.50
(e) Stores and Spares [includes in transit ` 19.03 lakhs (31st March 2013 : ` 35.75 lakhs)]	1,036.45	997.24
(f) Packing Materials [includes in transit ` 0.01 lakh (31st March 2013 : ` 1.37 lakhs)]	240.94	229.99
Total	25,254.86	24,857.22

Note 15: Trade receivables

(` in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
Trade Receivables outstanding for a period exceeding six months from the date they were due for payment (Refer note 25.1)		
Secured, considered good	4.55	12.85
Unsecured, considered good	55.96	95.42
Doubtful	541.01	276.65
	601.52	384.92
Less: Provision for doubtful trade receivables	(541.01)	(276.65)
	60.51	108.27
Other trade receivables (Refer note 25.1)		
Secured, considered good	1,228.68	1,095.10
Unsecured, considered good	19,921.21	18,676.49
Doubtful	50.55	-
	21,200.44	19,771.59
Less: Provision for doubtful trade receivables	(50.55)	-
	21,149.89	19,771.59
Total	21,210.40	19,879.86

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Note 16: Cash and bank balances

(` in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
Cash and cash equivalents		
Balances with banks		
(i) On current accounts	181.00	1,161.77
(ii) On EEFC accounts	-	2.51
(iii) On unpaid dividend accounts	26.39	22.11
Cash on hand	4.19	5.02
Total (A)	211.58	1,191.41
Other bank balances		
- Deposits with original maturity for more than 12 months	1.40	11.13
- Deposit with original maturity for more than 3 months but less than 12 months	10.13	12.56
- Margin money deposit	54.09	292.70
Total (B)	65.62	316.39
(A + B)	277.20	1,507.80
Less: Amount disclosed under non-current assets (refer note 18B)	(0.50)	(11.13)
	276.70	1,496.67
Margin money deposits with carrying amount of ` 54.09 lakhs (31st March 2013 - ` 292.70 lakhs) are subject to first charge against the Letter of Credit obtained.		

Note 17: Short-term loans and advances

(` in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
(a) Security deposits		
Unsecured, considered good	28.41	19.79
(b) Loans and advances to employees		
Unsecured, considered good	81.48	71.09
(c) Loans and advances to related parties		
Unsecured, considered good (Refer note 26.3)	1.25	1.80
(d) Prepaid expenses		
Unsecured, considered good	277.70	271.53
(e) Balances with government authorities		
Unsecured, considered good	204.83	249.93
(f) Advance to suppliers		
Unsecured, considered good	2,146.65	1,993.05
(g) Others		
Unsecured, considered good	137.30	70.47
Total	2,877.62	2,677.66

Note 18: Other assets

(` in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
(A) Current assets - Unsecured, considered good		
(i) Insurance claims receivable	0.92	1.87
(ii) Interest receivable / accrued	5.96	2.26
(iii) Unamortized premium on foreign exchange forward contracts	3.01	-
	9.89	4.13
(B) Non current assets		
Non - current bank balances (refer note 16)	0.50	11.13
	0.50	11.13
Total	10.39	15.26

Note 19: Revenue from operations

(` in lakhs)

Sl. No.	Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
(a)	Sale of products (Refer Note (i) below)	152,624.34	137,207.01
(b)	Other operating revenues (Refer Note (ii) below)	1,168.27	1,164.91
		153,792.61	138,371.92
(c)	Less: Excise duty #	2,036.30	2,350.47
	Total	151,756.31	136,021.45

Excise duty on sales amounting to ` 2,036.30 lakhs (31st March, 2013: ` 2,350.47 lakhs) has been reduced from sales in the Statement of Profit and Loss and excise duty on (increase) / decrease in stock amounting to ` 34.25 lakhs (31st March 2013: ` (5.26) lakhs) has been considered as expense / (income) in note 24 of financial statements.

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Note 19: Revenue from operations (Contd.)

(` in lakhs)

Notes	Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
(i)	Sale of products comprises:		
	<u>Manufactured goods</u>		
	PVC insulated cables	47,319.49	37,617.20
	LT power & control cables	7,779.56	8,107.36
	Solar water heater	3,678.71	3,058.54
	Pump	2,277.59	2,194.00
	Others	4,127.35	3,430.82
	Total - sale of manufactured goods	65,182.70	54,407.92
	<u>Traded goods</u>		
	Stabilizer	26,615.22	23,767.05
	Pump	18,055.60	18,440.56
	Digital UPS	14,693.95	17,272.75
	Water Heater	10,692.68	8,450.23
Electric Fan	9,131.85	7,057.47	
Others	8,252.34	7,811.03	
Total - sale of traded goods	87,441.64	82,799.09	
Total - sale of products	152,624.34	137,207.01	
(ii)	Other operating revenues comprises:		
	Service charges	42.81	36.56
	Sale of scrap	1,098.54	973.53
	Government subsidy (Refer Note below)	26.92	154.82
	Total	1,168.27	1,164.91

Note: The Company recognized government subsidy as income amounting to ` 26.92 lakhs (31st March 2013, ` 154.82 lakhs) for sale and installation of Solar Water Heating systems at various premises across India under Jawaharlal Nehru National Solar Mission (JNNSM).

Note 20: Other income

(` in lakhs)

Sl. No.	Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
(a)	Interest income (Refer Note (i) below)	193.84	195.91
(b)	Other non-operating Income (net of expenses directly attributable to such income) (Refer Note (ii) below)	290.04	166.30
	Total	483.88	362.21

Note 20: Other income (Contd.)

(` in lakhs)

Notes	Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
(i)	Interest Income comprises:		
	From banks on deposits	13.85	28.85
	On loans and advances	11.76	10.05
	On overdue trade receivables	168.23	157.01
	Total	193.84	195.91
(ii)	Other non-operating income comprises:		
	Mould hire charges	41.73	39.54
	Liabilities / provisions no longer required written back	18.47	2.76
	Miscellaneous income	229.84	124.00
	Total	290.04	166.30

Note 21.a: Cost of raw materials consumed

(` in lakhs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Inventory at the beginning of the year	2,457.82	2,400.17
Add: Purchases	48,979.82	41,382.04
	51,437.64	43,782.21
Less: Inventory at the end of the year	2,013.48	2,457.82
Cost of materials consumed	49,424.16	41,324.39
Details of materials consumed		
(i) Copper	35,046.57	27,880.86
(ii) PVC	4,493.39	3,383.70
(iii) Aluminium	2,734.57	2,961.36
(iv) Other items	7,149.63	7,098.47
Total	49,424.16	41,324.39

Note 21.b: Details of inventory - raw materials

(` in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
Copper	590.20	950.18
Aluminium	148.77	365.18
PVC	191.08	127.48
Other items	1,083.43	1,014.98
Total	2,013.48	2,457.82

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Note 21.c: Details of purchase of traded goods

(` in lakhs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Stabilizer	18,495.95	15,697.64
Pump	14,145.04	15,138.56
Digital UPS	8,920.34	17,654.92
Electric Fan	8,164.01	6,269.46
Water Heater	7,642.06	6,247.32
Others	6,170.42	7,400.38
Total	63,537.82	68,408.28

Note 21.d (Increase) / decrease in inventories of finished goods, work-in-progress and traded goods

(` in lakhs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
<u>Inventories at the end of the year:</u>		
Finished goods	6,501.23	5,376.96
Work-in-progress	1,545.09	1,515.71
Stock-in-trade	13,917.67	14,279.50
Total (A)	21,963.99	21,172.17
<u>Inventories at the beginning of the year:</u>		
Finished goods	5,376.96	3,700.51
Work-in-progress	1,515.71	1,454.23
Stock-in-trade	14,279.50	7,568.71
Total (B)	21,172.17	12,723.45
<u>(Increase)/decrease in inventories:</u>		
Finished goods	(1,124.27)	(1,676.45)
Work-in-progress	(29.38)	(61.48)
Stock-in-trade	361.83	(6,710.79)
Net (increase) / decrease (B - A)	(791.82)	(8,448.72)

Note 21.e: Details of inventory - finished goods, work - in - progress and traded goods

(` in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
Finished goods		
PVC Insulated Cables	3,787.71	2,871.04
LT Power & Control Cables	1,074.25	1,211.60
Pump	362.19	415.72
Solar Water Heater	287.42	373.85
Other items	989.66	504.75
Total	6,501.23	5,376.96
Work-in-progress		
PVC Insulated Cables	977.76	916.44
LT Power & Control Cables	271.62	216.70
Pump	156.83	213.96
Other items	138.88	168.61
Total	1,545.09	1,515.71
Traded goods		
Stabilizer	4,998.11	3,325.39
Pump	2,697.08	2,312.54
Digital UPS	2,046.95	4,636.57
Electric fan	2,048.77	1,477.51
Water heater	1,342.02	1,039.23
Others	784.74	1,488.26
Total	13,917.67	14,279.50

Note 22: Employee benefits expense

(` in lakhs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
(a) Salaries and wages (refer note 26.7)	7,561.64	6,436.41
(b) Contributions to provident and other funds	341.51	243.28
(c) Employee stock option scheme	268.19	-
(d) Gratuity expense (refer note 26.1)	64.03	104.03
(e) Staff welfare expenses	245.97	226.42
Total	8,481.34	7,010.14

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Note 23: Finance Costs

(` in lakhs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
(a) Interest expense on:		
(i) Borrowings	2,001.91	1,901.82
(ii) Others		
- Interest on deposits from distributors	104.40	95.24
Total	2,106.31	1,997.06

Note 24: Other expenses

(` in lakhs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Stores and spare parts consumed/sold	1,406.37	980.83
Consumption of packing materials	1,125.28	1,006.77
Power and fuel	834.46	801.73
Rent	758.16	508.13
Repairs and maintenance - buildings	69.26	59.23
Repairs and maintenance - machinery	157.95	173.05
Repairs and maintenance - others	398.56	355.50
Insurance	58.99	83.63
Rates and taxes	397.43	391.98
Communication	197.80	175.96
Travelling and conveyance costs	1,248.37	1,141.94
Printing and stationery	57.35	60.08
Freight and forwarding charges	1,480.11	1,309.34
Sales commission	351.39	391.83
Cash discount	1,203.04	890.64
Advertisement and business promotion expenses	5,980.91	5,801.33
Donations and contributions	76.21	76.77
Legal and professional	189.13	138.97
Payments to statutory auditors (refer note (i) below)	30.54	20.97
Trade and other receivables, loans and advances written off	58.17	44.35
Net loss on foreign currency transactions and translation	49.29	11.07
Loss on fixed assets sold / scrapped / written off, net	33.97	-
Provision for doubtful trade and other receivables, - loans and advances, net	314.92	137.98
Increase / (decrease) of excise duty on inventory	34.25	(5.26)
Warranty expenses	1,432.31	1,187.42
Miscellaneous expenses	905.97	989.60
Total	18,850.19	16,733.84

Note 24: Other expenses (Contd.)

(` in lakhs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
(i) Payments to Statutory Auditors comprises:		
Statutory Audit Fees	14.50	13.00
Tax Audit Fees	1.75	1.25
Limited Review Fees	4.00	3.00
Fees for Other Services	1.20	0.75
Reimbursement of Expenses *	5.78	0.67
Service Tax	3.31	2.30
Total	30.54	20.97

* including ` 4.02 lakhs relating to year ended March 31, 2013 for reimbursement of expenses

Note 25: Additional information to the financial statements

(` in lakhs)

Note	Particulars	As at 31st March, 2014	As at 31st March, 2013
25.1	Contingent liabilities and commitments (to the extent not provided for)		
	(i) Contingent liabilities		
	(a) Claims against the Company not acknowledged as debt	262.82	8.82
	(b) Guarantees (see Note 2 below)	3,501.14	1,050.00
	(c) Direct tax matters under dispute / pending before Commissioner of Income Tax	158.39	149.99
	(d) Indirect tax matters for demands raised by sales tax / VAT department pending before various appellate authorities	144.10	160.08
	(e) Letters of credit opened with banks	1,915.34	2,126.56
	(f) Others	6.82	6.82
	Total	5,988.61	3502.27
	(ii) Commitments		
	(a) Estimated amount of contracts remaining to be executed on capital account and not provided for:	417.36	1,288.57
	Total	417.36	1,288.57
	<p>(1) The Company is involved in taxation and other disputes, lawsuits, proceedings etc. including commercial matters that arise from time to time in the ordinary course of business. Management is of the view that such claims are not tenable and will not have any material adverse effect on the Company's financial position and results of operations.</p> <p>(2) The Company has arranged Channel Finance Facilities for its customers from various banks. As per the terms of these facilities, should the customers default in making payment, after exhausting other modes of recovery the bankers have recourse on the Company which varies from 25% to 100% of the respective sanctioned limit as on the balance sheet date. Total amount guaranteed by the Company towards such recourses under the Channel Financing Facilities amounted to ` 3,227.49 lakhs as at 31st March 2014 (31st March, 2013 - ` 1,050 lakhs) and is included under Guarantees above. The total trade receivables who have availed the facilities as at 31st March 2014 were ` 4,500.33 lakhs (31st March, 2013 - ` 2,022 lakhs).</p>		

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25.2	Disclosures required under section 22 of the Micro, Small and Medium Enterprises Development Act, 2006			
		(₹ in lakhs)		
	Particulars	As at 31st March, 2014	As at 31st March, 2013	
	(i) Principal amount and interest due there on remaining unpaid to any supplier as at the end of the accounting year: Principal amount due to micro and small enterprises Interest due on above	1,093.30 0.04 1,093.34	1,658.91 0.17 1,659.08	
	(ii) The amount of interest paid by the buyer in terms of section 16 of the MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day	-	-	
	(iii) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but with out adding interest specified under the MSMED Act, 2006.	2.66	10.36	
	(iv) The amount of interest accrued and remaining unpaid at the end of the accounting year	-	-	
	(v) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006	-	-	
	Note: Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the management.			
25.3	Disclosure as per clause 32 of the listing agreements with the stock exchanges The Company has not given any loans and advances in the nature of loans to subsidiaries, associates or others, and there are no investments in the shares of the Company by such parties.			
25.4	Foreign exchange forward contracts and unhedged foreign currency exposures <i>Details on hedged foreign currency exposures</i> The company has entered in to foreign exchange forward contracts to hedge import trade payables in foreign currency, the details of which are given below:			
	As at 31st March, 2014		As at 31st March, 2013	
	Payable	Payable in foreign currency	Payable	Payable in foreign currency
	(₹ in lakhs)	\$ in lakhs	(₹ in lakhs)	\$ in lakhs
	650.95	10.76	-	-

Details on unhedged foreign currency exposures

The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

As at 31st March, 2014		As at 31st March, 2013	
Trade receivable / Advances	Trade receivable / Advances in foreign currency	Trade receivable / Advances	Trade receivable / Advances in foreign currency
(` in lakhs)	\$ in lakhs	(` in lakhs)	\$ in lakhs
53.13	0.90	50.37	0.90
	€ in lakhs		€ in lakhs
-	-	51.49	0.70
Payable	Payable in foreign currency	Payable	Payable in foreign currency
(` in lakhs)	\$ in lakhs	(` in lakhs)	\$ in lakhs
340.12	5.62	275.41	5.07

(` in lakhs)

	Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
25.5	Value of imports calculated on CIF basis		
	Stock in trade	7,219.83	7,857.33
	Raw materials	1,530.63	588.17
	Stores, spares and packing materials	416.55	260.54
	Purchase of fixed assets	184.82	51.37
	Total	9,351.83	8,757.41
25.6	Expenditure in foreign currency (on accrual basis)		
	Advertisement	1.11	-
	Travelling	7.94	42.63
	Others	5.69	-
	Total	14.74	42.63
25.7	Details of consumption of imported and indigenous items	(` in lakhs)	%
	<u>Imported</u>		
	Raw materials	1,366.25	3%
		(499.23)	(1%)
	Stores, spares and packing materials	582.04	23%
		(227.93)	(11%)
	Total	1,948.29	4%
		(727.16)	(2%)
	<u>Indigenous</u>		
	Raw materials	48,057.91	97%
		(40,825.16)	(99%)
	Stores, spares and packing materials	1,949.61	77%
		(1,759.67)	(89%)
	Total	50,007.52	96%
		(42,584.83)	(98%)
	Note: Figures / percentages in brackets relates to the previous year		
25.8	Earnings in foreign exchange (on accrual basis)		
	Export of goods calculated on FOB basis	207.95	11.30

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25.9	Net dividend remitted in foreign exchange		
	Year of remittance (ending on)	31st March, 2014	31st March, 2013
	Period to which it relates	1st April 2012 to 31st March, 2013	1st April, 2011 to 31st March, 2012
	Number of non-resident shareholders	668	512
	Number of equity shares held on which dividend was due	319,755	263,898
	Amount remitted in ` lakhs	11.19	9.24
	Amount remitted in foreign currency*	Nil	Nil
* The Company has deposited the dividends payable to non-resident shareholders into their Rupee account with various banks in India and hence the amounts remitted in foreign currency during the years to non-resident shareholders on account of dividend is shown as nil.			

Note 26: Disclosures under accounting standards

Note	Particulars			
26.1	Employee Benefit Plans			
	<u>Defined Contribution Plan</u>			
	The Company mainly makes Provident Fund (PF) and Employee's state insurance (ESI) contributions to a defined contribution plan for qualifying employees. Under the Scheme, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company has recognised ` 335.29 lakhs (year ended 31 March, 2013: ` 237.11 lakhs) towards PF contributions (included in note 22(b)) and ` 73.70 lakhs (year ended 31st March, 2013: ` 75.17 lakhs) towards ESI contributions (included in note 22(e)) in the statement of profit and loss. The contributions payable to this plan by the Company is at the rate specified in the rules of the scheme.			
	<u>Defined Benefit Plan - Gratuity</u>			
	The following table sets out the funded status of the gratuity scheme and the amount recognised in the financial statements:			
	(` in lakhs)			
		Particulars	For the Year ended 31 March, 2014	For the Year ended 31 March, 2013
		Components of employer expense:		
		Current service cost	74.02	52.65
		Interest cost	37.90	28.25
		Expected return on plan assets	(48.47)	(36.28)
		Past service cost	-	-
		Actuarial losses/(gains)	0.58	59.41
		Total expense recognised in the Statement of Profit and Loss	64.03	104.03
		Actual contribution and benefit payments for year:		
	Actual benefit payments	16.65	16.23	
	Actual contributions	15.07	218.78	
	Net asset / (liability) recognised in the Balance Sheet:			
	Present value of defined benefit obligation	572.01	476.16	
	Fair value of plan assets	653.53	606.64	
	Funded status [Surplus / (Deficit)]	81.52	130.48	
	Unrecognised past service costs	-	-	
	Net asset / (liability) recognised in the Balance Sheet	81.52	130.48	

Note 26: Disclosures under accounting standards (Contd.)

(` in lakhs)

	Particulars	For the Year ended 31 March, 2014	For the Year ended 31 March, 2013
	Change in defined benefit obligations (DBO) during the year:		
	Present value of DBO at beginning of the year	476.16	336.55
	Current service cost	74.02	52.65
	Interest cost	37.90	28.25
	Actuarial (gains) / losses	0.58	74.94
	Past service cost	-	-
	Benefits paid	(16.65)	(16.23)
	Present value of DBO at the end of the year	572.01	476.16
	Change in fair value of assets during the year:		
	Plan assets at beginning of the year	606.64	352.27
	Expected return on plan assets	48.47	36.28
	Actual company contributions	15.07	218.78
	Actuarial gain / (loss)	-	15.54
	Benefits paid	(16.65)	(16.23)
	Plan assets at the end of the year	653.53	606.64
	Composition of the plan assets is as follows:		
	Insurer Managed Assets	653.53	606.64

	Particulars	For the Year ended 31 March, 2014	For the Year ended 31 March, 2013
	Actuarial assumptions:		
	Discount rate	9.25%	8.10%
	Expected return on plan assets	8.00%	8.00%
	Actual return on plan assets	8.75%	9.25%
	Salary Escalation	8.00%	7.00%
	Attrition	Marketing-15% & Non-Marketing-7%	Marketing-15% & Non-Marketing-7%
	Mortality Table	Indian Assured Lives Mortality (2006-08) modified Ultimate	Indian Assured Lives Mortality (2006-08) modified Ultimate
	Performance percentage considered	NA	NA
	Estimate of amount of contribution in the immediate next year (` in lakhs)	52.00	150.00

The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The plan assets are maintained with Life Insurance Corporation of India (LIC).

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Note 26: Disclosures under accounting standards (Contd.)

(` in lakhs)

Experience Adjustments:					
Gratuity	2013-14	2012-13	2011-12	2010-11	2009-10
Present value of DBO	572.01	476.16	336.55	164.62	142.74
Fair value of plan assets	653.53	606.64	352.27	182.70	179.04
Funded status [Surplus / (Deficit)]	81.52	130.48	15.72	18.08	36.30
Experience gain / (loss) adjustments on plan liabilities	(8.35)	(25.11)	(122.08)	Not Available	Not Available
Experience gain / (loss) adjustments on plan assets	-	15.53	10.35	Not Available	Not Available

26.2

Segment Information

The Company has identified business segments as its primary segment and geographic segments as its secondary segment. Business segments are primarily (a) Electronic Products, (b) Electrical / Electro Mechanical Products and (c) Others. Revenues and expenses directly attributable to segments are reported under each reportable segment. Expenses which are not directly identifiable to each reportable segment have been allocated on the basis of associated revenues of the segment. All other expenses which are not attributable or allocable to segments have been disclosed as unallocable expenses. Assets and liabilities that are directly attributable or allocable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as unallocable. Fixed assets that are used interchangeably amongst segments are not allocated to primary and secondary segments.

A. Primary business segment

(` in lakhs)

Particulars	For the year ended 31st March, 2014				
	Business Segments			Eliminations	Total
	Electronics	Electrical / Electro Mechanical	Others		
Revenues	45,041.64 (45,935.02)	102,782.73 (86,838.62)	3,931.94 (3,247.81)	- (-)	151,756.31 (136,021.45)
Inter-segment revenue	- (-)	- (-)	- (-)	- (-)	- (-)
Total	45,041.64 (45,935.02)	102,782.73 (86,838.62)	3,931.94 (3,247.81)	- (-)	151,756.31 (136,021.45)
Segment results	5,790.41 (5,353.81)	5,921.74 (4,936.94)	3.00 (135.34)	- (-)	11,715.15 (10,426.09)
Unallocable expenses (net)					2,286.82 (2,208.52)
Profit Before Taxes					9,428.33 (8,217.57)
Tax expense					2,414.93 (1,926.06)
Net profit for the year					7,013.40 (6,291.51)

Note: Figures in brackets relates to the previous year



Note 26: Disclosures under accounting standards (Contd.)

(` in lakhs)

	Particulars	For the year ended 31st March, 2014			
		Business Segments			Total
		Electronics	Electrical / Electro Mechanical	Others	
Segment assets	14,804.42 (15,722.69)	39,235.40 (35,344.26)	3,322.85 (3,799.16)	57,362.67 (54,866.11)	
Unallocable assets				10,133.41 (10,620.21)	
Total assets				67,496.08 (65,486.32)	
Segment liabilities	2,475.40 (2,859.19)	6,387.61 (5,083.05)	329.76 (489.86)	9,192.77 (8,432.10)	
Unallocable liabilities				26,460.06 (30,921.16)	
Total liabilities				35,652.83 (39,353.26)	
Other information					
Capital Expenditure (allocable)	13.95 (11.08)	1,709.74 (775.04)	365.39 (423.70)	2,089.08 (1,209.82)	
Capital Expenditure (unallocable)				1,476.92 (1,232.92)	
Total Capital Expenditure				3,566.00 (2,442.74)	
Depreciation and Amortisation (allocable)	2.20 (0.17)	559.84 (564.93)	76.69 (41.97)	638.73 (607.07)	
Depreciation and Amortisation (unallocable)				565.13 (534.03)	
Total Depreciation and Amortisation				1,203.86 (1,141.10)	
Other Significant Non-cash Expenses (allocable)	150.81 (46.60)	419.14 (88.09)	13.16 (3.29)	583.11 (137.98)	
Other Significant Non-cash Expenses (unallocable)				- (-)	
Total Other Significant Non-cash Expenses				583.11 (137.98)	
Note: Figures in brackets relates to the previous year					

B. Geographical segment

	India	Others	Total
Revenue	151,548.36 (136,010.15)	207.95 (11.30)	151,756.31 (136,021.45)
Assets	67,484.75 (65,483.78)	11.33 (2.54)	67,496.08 (65,486.32)
Capital expenditure incurred	3,566.00 (2,442.74)	- -	3,566.00 (2,442.74)
Note: Figures in brackets relates to the previous year			

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Note 26: Disclosures under accounting standards (Contd.)

Note	Particulars					
26.3	Related Party Transactions					
(a)	Details of Related Parties:					
	Description of Relationship	Names of Related Parties				
	Key Management Personnel (KMP)	Mr. Kochouseph Chittilappilly - Chairman (w.e.f 1st November, 2012 and Vice Chairman upto 31st October 2012) Mr. P.G.R. Prasad - Chairman (up to 31st october, 2012) Mr. Cherian Punnoose - Vice Chairman (w.e.f 1st November, 2012) Mr. Mithun K. Chittilappilly - Managing Director (w.e.f 1st April, 2012) and Son of Mr. Kochouseph Chittilappilly Mr. Ramachandran Venkataraman - Director (w.e.f 1st June 2013) Dr. George Sleeba - Joint Managing Director (upto 31st May 2013)				
	Relatives of KMP with whom transactions have taken place during the year	Ms. Sheela Kochouseph - Wife of Mr. Kochouseph Chittilappilly Mr. Arun K. Chittilappilly - Son of Mr. Kochouseph Chittilappilly Mr. C. T. John - Brother of Mr. Kochouseph Chittilappilly				
	Company in which KMP / Relatives of KMP can exercise significant influence	M/s. Wonderla Holidays Limited M/s. V-Star Creations Private Limited M/s. Veegaland Developers Private Limited M/s. K Chittilappilly Foundation M/s. Thomas Chittilappilly Trust				
	Note: Related parties have been identified by the Management.					
(b)	Details of related party transactions during the year ended 31st March, 2014 and balances outstanding on that date:					
	(` in lakhs)					
	Name of the Related Party	Nature of Transaction	For the year ended 31st March, 2014	Balance Outstanding on 31st March, 2013	For the year ended 31st March, 2013	Balance Outstanding on 31st March, 2013
	Mr. Kochouseph Chittilappilly	Rent Paid	22.43	-	18.15	-
		Dividend Paid	257.83	-	257.83	-
		Remuneration	51.12	-	46.48	-
		Commission	73.78	73.78	63.50	63.50
		Advance rent	-	1.25	-	3.05
		Purchase of Land	77.50	-	-	-
		Guarantees and Collateral Securities given by the related party	-	483.45	-	149.99
	Mr. Mithun K Chittilappilly	Dividend Paid	171.22	-	168.25	-
		Remuneration	39.03	-	35.66	-
		Commission	49.18	49.18	42.33	42.33
	Mr. Arun K Chittilappilly	Dividend Paid	138.94	-	138.94	-

Note 26: Disclosures under accounting standards (Contd.)

Note (b)	Details of related party transactions during the year ended 31st March, 2014 and balances outstanding on that date: (Contd.)				
(` in lakhs)					
Name of the Related Party	Nature of Transaction	For the year ended 31st March, 2014	Balance Outstanding on 31st March, 2013	For the year ended 31st March, 2013	Balance Outstanding on 31st March, 2013
Mrs. Sheela Kochouseph	Dividend Paid	116.21	-	124.81	-
	Guarantees and Collateral Securities given by the related party	-	-	-	149.99
Mr. P.G.R Prasad	Commission	-	-	3.53	-
Mr. Cherian Punnoose	Sitting Fees	1.00	-	0.90	-
	Commission	5.21	5.21	2.08	2.08
Mr. Ramachandran Venkatraman*	Remuneration	112.88	-	-	-
	Commission	49.18	23.28	-	-
Dr. George Sheeba*	Remuneration	5.89	-	34.31	-
	Commission	4.17	-	25.00	25.00
Mr.C.T. John	Dividend Paid	0.02	-	0.05	-
M/s Thomas Chittilapilly Trust	Donation	10.00	-	37.50	-
M/s K Chittilapilly Foundation	Donation	30.00	-	-	-
<p>* Includes transactions up to/from the date when they were considered as KMP of the Company.</p> <p>Notes:</p> <p>1. The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Company as a whole.</p> <p>2. Of the total employee stock compensation expense recognised during the year ` 57.56 lakhs (March 31, 2013 - Nil) is relating to shares granted to Key Management Personnel. None of the shares granted during the year had been vested or were exercised during the year.</p>					
26.4	Earnings Per Share		For the year ended 31st March, 2014	For the year ended 31st March, 2013	
The following reflects the profit and share data used in the basic and diluted EPS computations					
Net Profit for the year (` in lakhs)			7,013.40	6,291.51	
Weighted average number of equity shares			29,847,520	29,847,520	
Basic earnings per share (in `)			23.50	21.08	
Net Profit for the year (` in lakhs)			7,013.40	6,291.51	
Weighted average number of equity shares			29,886,513	29,847,520	
Diluted earnings per share (in `)			23.47	21.08	
Weighted average number of equity shares in calculating basic EPS			29,847,520	29,847,520	
Effect of dilution:- Stock option granted under ESOS			38,993	-	
Weighted average number of equity shares in calculating diluted EPS			29,886,513	29,847,520	

Note 26: Disclosures under accounting standards (Contd.)

Note			
26.5	Employee Stock Compensation (Contd.)		
	Particulars	RSU	Share options
	Dividend Yield (%)	0.72%	0.72%
	Expected Volatility	36.12%	36.12%
	Risk-free interest rate	7.46%	7.46%
	Weighted average share price (in `)	10	485
	Exercise price (in `)	10	485
	Expected life of options granted in years	5.01	5.01
	<p>The expected life of the stock is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.</p> <p>The Company measures the cost of ESOS using the intrinsic value method. Had the company used the fair value model to determine compensation, its profit after tax and earnings per share as reported would have changed to the amounts indicated below:</p>		
	(` in lakhs)		
	Particulars	For the year ended 31st March, 2014	
	Profit after tax as reported	7,013.40	
	Add: ESOS cost using the intrinsic value method	268.19	
	Less: ESOS cost using the fair value method	628.62	
	Proforma profit after tax	6,652.97	
	Earnings Per Share (in `)		
	Basic		
	- As reported	23.50	
	- Proforma	22.29	
	Diluted		
	- As reported	23.47	
	- Proforma	22.26	
26.6	Deferred tax (liability) / asset		
	(` in lakhs)		
	Particulars	As at 31st March, 2014	As at 31st March, 2013
	<u>Tax effect of items constituting deferred tax liability</u>		
	On difference between book balance and tax balance of fixed assets	(1,258.65)	(966.19)
	<u>Tax effect of items constituting deferred tax liability</u>	(1,258.65)	(966.19)
	<u>Tax effect of items constituting deferred tax assets</u>		
	Provision for doubtful debts / advances	201.07	94.03
	Disallowances under Section 43B of the Income Tax Act, 1961	103.12	82.09
	Tax effect of items constituting deferred tax assets	304.19	176.12
	Net deferred tax (liability) / asset	(954.46)	(790.07)

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Note 26: Disclosures under accounting standards (Contd.)

(` in lakhs)

Note	Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013		
26.7	Details of research and development expenditure (refer note below)				
	Materials	56.97	63.06		
	Employee benefits expense	363.25	208.30		
	Travelling and conveyance costs	9.96	17.49		
	Fixed Assets	97.24	102.86		
	Others	6.68	-		
	Total	534.10	391.71		
	Note: The Company has received recognition from Department of Scientific and Industrial Research (DSIR) vide letter dt March 04, 2013 for the inhouse R&D units.				
26.8	Details of provisions				
	The Company has made provision for warranties based on its assessment of the amount it estimates to incur to meet such obligations, details of which are given below:				
			(` in lakhs)		
	Particulars	As at 1st April, 2013	Additions	Utilisation / Reversal	As at 31st March, 2014
	(a) Provision for Warranty	996.76 (755.95)	974.59 (692.45)	660.04 (451.64)	1,311.31 (996.76)
	Note: - Figures in brackets relate to the previous year.				
	Of the above, the following amounts are expected to be incurred within a year:				
					(` in lakhs)
	Particulars		As at 31st March, 2014	As at 31st March, 2013	
	Provision for Warranty		904.63	655.95	
27	Previous year figures				
	Previous year figures have been regrouped / reclassified, wherever necessary, to conform to this year's classification.				

As per our report of even date
For **S.R. Batliboi & Associates LLP**
Firm registration number: 101049W
Chartered Accountants
Sd/-
per **Aditya Vikram Bhauwala**
Partner
Membership No. : 208382

Place : Kochi
Date : 2nd May, 2014

For and on behalf of the Board of Directors of
V-Guard Industries Limited

Sd/-
Kochouseph Chittilappilly
Chairman

Sd/-
Jacob Kuruvilla
Chief Financial Officer

Place : Kochi
Date : 2nd May, 2014

Sd/-
Mithun K. Chittilappilly
Managing Director

Sd/-
Jayasree K
Company Secretary



V-GUARD INDUSTRIES LIMITED

Registered Office: 33/2905 F, Vennala High School Road, Vennala, Kochi-682028
Ph: 0484 3005000; Fax: 0484 3005100; E-mail: mail@vguard.in; Website: www.vguard.in
CIN: L31200KL1996PLC010010

National Electronic Clearing Service (NECS) 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. :
 - d) Account Type : SB Current Cash Credit
(✓ 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

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

Date:

Signature of First holder

Note

1. Please attach the photocopy of a cheque or a blank cancelled cheque issued by your Bank relating to your above account for verifying the accuracy of the code numbers.
2. Members who are holding shares in physical form and have not opted for NECS facility earlier are requested to fill up the enclosed mandate form and forward the same to Link Intime India Private Limited, Surya, 35, Mayflower Avenue, Behind Senthil Nagar, Sowripalayam Road, Coimbatore - 641 028 latest by 14th July, 2014.
3. Members who have already availed the NECS facility may intimate Link Intime India Private Limited in the aforesaid address of any change in the Bank account details already furnished latest by 14th July, 2014.
4. Members who have received the soft copy of the Annual Report may kindly take a print out of the NECS mandate and dispatch the same to the aforesaid address latest by 14th July, 2014.

NOTES

V-Guard product range



Stabilizers



Water Heaters



Fans



Wires



Power & Control Cables



UPS



Solar Water Heaters



Digital UPS, Inverters
& Battery



Pumps & Motors



Switch Gears



Mixer Grinder



Induction Cooktop



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E-mail: mail@vguard.in | Web: www.vguard.in

CIN:L31200KL1996PLC010010