



ELEVENTH ANNUAL REPORT 2006-2007

BOARD OF DIRECTORS

1. MR. KOCHOUSEPH CHITTILAPPILLY
Chairman and Managing Director
2. MRS. SHEELA KOCHOUSEPH
Director
3. MR. K. VIJAYAN
Director
4. MR. R. KRISHNA IYER, FCA
Director
5. MR. MITHUN K. CHITTILAPPILLY
Director

REGISTERED OFFICE

44/875, Little Flower Church Road,
Kaloor, Cochin - 682 017

AUDITORS

M/S. S.B. BILLIMORIA AND COMPANY
Chartered Accountants
Wilmount Park Business Centre,
Warriam Road, Cochin - 682 016

LEGAL ADVISOR

Mr. Chacko George, M.A., B.L.,
Senior Advocate, High Court Jn.,
Ernakulam, Cochin - 682 031

BANKERS

STATE BANK OF INDIA,
Commercial Branch,
Kaloor, Ernakulam .

DHANALAKSHMI BANK LTD,
Industrial Finance Branch
M.G. Road, Ernakulam

CITI BANK,
Padma Jn., Ernakulam

STANDARD CHARTERED BANK,
Willingdon Island, Cochin - 1

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NOTICE

Notice is hereby given that the Eleventh Annual General Meeting of the members of V-Guard Industries Pvt. Limited will be held at the Conference Hall, 44/636, Sastha Temple Road, Kaloor, Kochi-682017 on Monday the 16th July, 2007, at 11.00 AM to transact the following:-

Ordinary Business

1. To consider and adopt the audited Balance Sheet as at 31st March 2007 and the Profit and Loss Account of the company for the year ended on that date together with the Report of the Directors and the Auditors thereon.

Special Business

2. Appointment of Statutory Auditors

To consider and if thought fit, to pass with or without modification, the following as an **Ordinary Resolution**.

RESOLVED THAT subject to the provisions of Sections 224, 225 and other applicable provisions, if any of the Companies Act, 1956, M/s. Deloitte, Haskins & Sells, Cochin, Ernakulam, be and are hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this annual general meeting until the conclusion of the next annual general meeting in place of the retiring Auditors, M/s. S.B. Billimoria & Co., Chartered Accountants, who do not seek reappointment, to examine and audit the accounts of the Company for the financial year 2007-08, at such remuneration, as may be mutually agreed upon between the Board of Directors of the Company and the auditors, plus service tax, out-of-pocket expenses, travelling and living expenses, the audit to be carried out at the various locations of the Company at periodic intervals.

3. Conversion of the Company into Public, deleting the restrictive provisions of Section 3(1)(iii) of the Companies Act, 1956, changing the name of the Company by deleting the word 'Private' and adopting a new set of Articles of Association.

To consider and if thought fit, to pass with or without modification, the following as a **Special Resolution**:

RESOLVED THAT:-

- (i) pursuant to the provisions of Sections 21, 31 and 44 and other applicable provisions of the Companies Act, 1956, the Company be converted into a public company;
- (ii) the articles of association of the Company be altered by deleting article 3, which contains provisions as per Section 3(1)(iii) of the Companies Act, 1956;
- (iii) the name of the Company be changed from V-Guard Industries Private Limited to V-Guard Industries Limited and the name clause in the memorandum and articles of association of the Company be altered accordingly; and
- (iv) the new set of regulations contained in the printed document submitted to the meeting and for the purposes of identification signed by the Chairman thereof be and the same are hereby approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of all existing articles thereof.

4. Increase in the Authorised Share Capital and Alteration of the Memorandum of Association of the Company

To consider and if thought fit, to pass with or without modification, the following as an **Ordinary Resolution**:

RESOLVED THAT:

- (i) pursuant to the provisions of Sections 16, 94 and all other applicable provisions, if any, of the Companies Act, 1956 (the "Act") (including any statutory modification(s) or re-enactment thereof, for the time being in force), the Authorised Share Capital of the Company be increased from Rs.25,00,00,000/- (Rupees Twenty Five Crores only) divided into 2,50,00,000 (Two Crores Fifty Lakhs) Equity Shares of Rs.10/- (Rupees Ten only) each to Rs.30,00,00,000/- (Rupees Thirty Crores only) divided into 3,00,00,000 (Three Crores) Equity Shares of Rs.10/- (Rupees Ten only) each by further creation of 50,00,000 (Fifty Lakhs) Equity Shares of Rs.10/- (Rupees Ten only), ranking pari passu with the existing Equity Shares in all respects.
- (ii) pursuant to the provisions of Section 16 and all other applicable provisions, if any, of the Companies Act, 1956 (the "Act") (including any statutory modification(s) or re-enactment thereof, for the time being in force), the Share Capital Clause V of the Memorandum of Association of the Company be and is hereby deleted and substituted with the following.

V The Authorised Share Capital of the Company is Rs.30,00,00,000/- (Rupees Thirty Crores only) divided into 3,00,00,000 (Three Crores) Equity Shares of Rs.10/- (Rupees Ten) each.

5. Alteration of the Articles of Association of the Company

To consider and if thought fit, to pass with or without modification, the following as a **Special Resolution**:

RESOLVED THAT pursuant to the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 (the "Act") (including any statutory modification(s) or re-enactment thereof, for the time being in force), Article 3 of the Articles of Association of the Company be and is hereby deleted and substituted with the following.

3 The Authorised Share Capital of the Company shall be as per clause V of the Memorandum of Association of the Company, with power to increase, reduce, consolidate or subdivide the Capital in accordance with the provisions of the Companies Act, 1956.

6. Public issue of shares

To consider and if thought fit, to pass with or without modification, the following as a **Special Resolution**:

"RESOLVED THAT in accordance with the provisions of Section 81 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the consent of the members of the Company at the ensuing annual general meeting and in accordance with the provisions of any other applicable law or laws, rules and regulations (including any amendment thereto or re-enactment thereof for the time being in force) and enabling provisions in the Memorandum and Articles of Association of the Company and the Listing Agreement/s, to be entered into by the Company with the Stock Exchanges where the shares of the Company are to be listed and subject to such approvals, consents, permissions and sanctions of the Government of India and Reserve Bank of

India, and all other appropriate and/or concerned authorities/bodies, including but not limited to financial institutions and the Securities and Exchange Board of India (SEBI), the Company do offer, issue and allot in one or more tranches, to investors both domestic as well as overseas, Equity Shares by way of an initial public offering whether by way of fixed price process or book building process such that the total amount raised through the aforesaid offering including the reservation(s) and firm allotment(s), if any to be provided to certain class of investors together with premium thereon does not exceed Rs.80 crores and, including the green shoe option, if opted for.”

“RESOLVED FURTHER THAT for the purpose of giving effect to the above, Mr. Kochouseph Chittilappilly, Managing Director and Mr. K. Vijayan, Director of the Company be and are hereby authorized jointly and severally to do all such actions, deeds, matters and things as may be necessary in this regard.”

7. Alteration of the Main Object Clause of the Memorandum of Association of the Company

To consider and if thought fit, to pass with or without modification, the following as a **Special Resolution**:

RESOLVED THAT pursuant to the provisions of Section 17(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force), and subject to the necessary approvals, required if any in this regard from appropriate authorities, and subject further to such other terms, conditions, stipulations, alterations, amendments or modifications as may be required, specified or suggested by any of such appropriate authorities; which terms, conditions, stipulations, alterations, amendments or modifications, the Board of Directors (herein after referred to as “the Board”, which term shall include any of its duly authorised Committee or individual Director) is hereby authorised to accept as it may deem fit, consent of the members of the Company be and is hereby accorded for alteration of the existing Main Object Clause of the Company, i.e. Clause III A (i) of the Memorandum of Association of the Company in the following manner, to carry on some business which under existing circumstances may conveniently or advantageously be combined with the business of the company:

In the existing main object clause of the Company, i.e. Clause III A (i) of the Memorandum of Association, the following alterations be carried out:

- a. In the second line, after the word “electrical”, and before the word “and electronic”, the following word be inserted: “electro mechanical.”
- b. In the sixth line, after the word “switch gears”, and before the word “circuit breakers”, the following words be inserted: “switches, and control gears.”
- c. In the fourteenth line, after the word “material” the following words be inserted: “photovoltaic solar energy devices/systems such as lighting, pump sets, audio-video equipments, fans and all kinds of solar energy systems”

RESOLVED FURTHER THAT the existing Memorandum of Association of the Company, duly modified as aforesaid, or as suggested by any appropriate authority and accepted by the Board, be adopted as the Memorandum of Association of the Company.

8. Alteration of the Incidental or Ancillary Object Clause of the Memorandum of Association of the Company

To consider and if thought fit, to pass with or without modification, the following as a **Special Resolution**:



RESOLVED THAT pursuant to the provisions of the Section 17(1)(d) of the Companies Act, 1956, and other applicable provisions of the Act, if any, the Object Clause III(B) of the Memorandum of Association of the Company be and is hereby altered by insertion of the under mentioned new sub-clause after the existing sub-clause 49 as sub-clause 50(A), (B) and (C):

- 50(A) To provide technical, managerial and other consultancy in relation to setting up of manufacturing unit(s) or plants for production of any of the items referred to in the main objects of the company on turn key basis or otherwise in any part of the world.
- (B) To provide technical, managerial and other consultancy in relation to production of products referred to in the main objects of the company.
- (C) To provide other technical, managerial and administrative consultancy.

9. Issue of Securities under Employees Stock Option Scheme

To consider and if thought fit, to pass with or without modification, the following as a **Special Resolution**:

RESOLVED THAT pursuant to the provisions of Section 81, 81(1A), and all other applicable provisions, if any, of the Companies Act 1956, the Memorandum and Articles of Association of the Company, Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as "SEBI Guidelines") and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee, including the Compensation Committee which the Board has constituted to exercise its powers, including the powers, conferred by this resolution), to create, offer, issue and allot at any time to or to the benefit of such person(s) who are in permanent employment of the Company, including any Director of the Company, whether whole time or otherwise, options exercisable not more than 5% of the Paid-up Equity Share Capital of the Company under one or more Employee Stock Option Schemes, in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the law or guidelines issued by the relevant Authority; each option would be exercisable for one Equity share of a face value of Rs. 10 each fully paid-up on payment of the requisite exercise price to the Company.

RESOLVED FURTHER THAT in case of any corporate action(s) such as rights issues, bonus issues, merger and sale of division and others, if any, additional equity shares are issued by the Company to the Option Grantees for the purpose of making a fair and reasonable adjustment to the options granted earlier, the above ceiling of 5% of the Paid - up Equity Share Capital shall be deemed to be increased to the extent of such additional equity shares issued.

RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot Equity shares upon exercise of options from time to time in accordance with the employee stock option scheme and such Equity shares shall rank pari passu in all respects with the then existing Equity Shares of the Company.

RESOLVED FURTHER THAT in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and the price of acquisition payable by the option grantees under the schemes shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of Rs. 10/- per equity share bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees."

RESOLVED FURTHER THAT ESOS may be operated by the Trustees of any Employee Welfare Trust(s) established by the Company and containing such terms as the Board while establishing the trust(s) deem appropriate.

RESOLVED FURTHER THAT the Board be and is hereby authorized to make modifications, changes, variations, alterations or revisions in the said schemes as it may deem fit, from time to time in its sole and absolute discretion in conformity with the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, SEBI Guidelines and any other applicable laws.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee or Directors or Chairman of the Company.

10. Increase in Borrowing Limits

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

RESOLVED THAT the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee which the Board may constitute for this purpose), be and is hereby authorized, in accordance with Section 293(1)(d) of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and the Articles of Association of the Company, to borrow any sum or sums of money (including non-fund based facilities) from time to time at their discretion, for the purpose of the business of the Company, from any one or more Banks, Financial Institutions and other persons, firms, bodies corporate, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) shall not exceed Rs. 50 crores (Rupees Fifty Crores only), which is in excess of the paid up capital of the Company and its free reserves (that is to say reserves not set apart for any specific purpose) and that the Board be and is hereby empowered and authorized to arrange or fix the terms and conditions of all such monies to be borrowed from time to time as to interest, repayment, security or otherwise as they may, in their absolute discretion, think fit.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty, doubt that may arise in respect of the borrowing(s) aforesaid and further to do all such acts, deeds and things and to execute all documents and writings as may be necessary, proper, desirable or expedient to give effect to this resolution.

For and on behalf of the Board of Directors

Sd/-

Kochouseph Chittilappilly

Chairman & Managing Director

Kochi,
29th May 2007



Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY.**
2. A blank form of proxy is enclosed and if intended to be used, should be lodged with the company at the registered office at least 48 hours before the commencement of the meeting.
3. Members who wish to seek/desire any further information/clarification on the annual accounts at the meeting are requested to send their queries atleast 48 hours in advance of the date of the meeting to the registered office.
5. Explanatory statement required pursuant to Section 173(2) of the Companies Act, 1956 in relation to Item Nos. 2, 3, 4, 5, 6, 7, 8, 9 & 10 is annexed hereto.
5. All the documents referred to in the accompanying notice and the explanatory statement are open for inspection at the Registered Office of the Company on all working days during business hours upto the date of the Annual General Meeting.
6. Members are requested to intimate the Registered Office of the Company, immediately of any change in their address.

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956

Item No:2

The Company's statutory accounts have been audited by M/s. S.B. Billimoria & Company since its incorporation. They do not seek reappointment from the conclusion of this annual general meeting.

The Company has received a special notice from a member of the Company, in terms of the provisions of the Act, signifying his intention to propose the appointment of M/s. Deloitte Haskins & Sells (DHS) as the Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting. DHS have also expressed their willingness to act as Auditors of the Company, if appointed and have further confirmed that the said appointment would be in conformity with the provisions of Section 224(1B) of the Act. The Board of Directors have therefore proposed the appointment of DHS as the statutory auditors in place of S.B. Billimoria & Co., for the financial year 2007-08.

The members' approval is being sought to the appointment of Deloitte Haskins & Sells as the statutory auditors and to authorize the Board of Directors, to determine the remuneration payable to the Auditors.

Your Directors recommend the resolution to be approved by the members of the Company by way of passing an ordinary resolution.

None of the Directors are interested or concerned in the above-mentioned resolution.

Item No: 3

Your Company, present mainly in the southern region, is accentuating to create a strong market presence in the national capital and other parts of northern region and as a part of the above business plan, has started various branch offices during the financial year 2006-07. Furthermore, to meet the increased demand for the products, your Company is planning to set up new manufacturing facilities in northern region. The proposal for improving the research and development activities of the Company and also adding few more products to the folder are under consideration and will take place in the forthcoming financial years.

Your Directors are of the view that such expansion requires both long-term financial resources and working capital base and this necessitates infusion of resources either by way of equity capital or external borrowings. Your Directors wish to raise funds from the public by making an initial public offer to subscribe the shares of the Company. As a first step to accomplish the aforesaid proposal your Directors wish to convert your company into a public limited company so that the members base can be increased to infuse funds in the form of equity capital.

Your Directors propose resolution in the item no. 3 to be adopted by the members by way of passing special resolution for converting the Company into public, deleting the provisions relating to private company, changing the name of the Company by deleting the word 'private' and also for adopting a new set of articles of association for regulating the affairs of the Company as substitution of the existing articles of association. The new set of articles of association to be adopted in the ensuing Annual General Meeting is enclosed herewith for the perusal of the members.

A copy of the memorandum and articles of association of the Company showing the proposed changes is available for inspection at the registered office of the company on any working day during business hours.

All the Directors of the Company, except Mr. R. Krishna Iyer may be deemed to be concerned or interested in the issue of the shares to the extent of their shareholdings in the Company.

Item No. 4, 5 & 6

Your Company, in order to meet its growth objectives and to strengthen its financial position, proposes to generate long term resources, from the public, by issuing securities through an initial public offer. It is therefore deemed



appropriate to increase the Authorised Share Capital of the Company from Rs. 25 crores divided into 2,50,00,000 equity shares of Rs.10/- each to Rs. 30 crores divided into 3,00,00,000 equity shares of Rs.10/- each, and for that purpose, the Memorandum of Association and the Articles of Association of the Company are proposed to be suitably altered as set out at the item nos. 4 & 5 of the notice by seeking the approval of the members of the Company by way of passing an ordinary and special resolutions respectively.

Section 81(1A) of the Companies Act, 1956, provides, inter alia, that where it is proposed to increase the subscribed share capital of the Company by allotment of further shares, such further shares shall be offered to the persons who on the date of the offer are holders of the equity shares of the Company, in proportion to the capital paid up on those shares as on that date unless the Members decide otherwise. The Special Resolution set out in the item no. 6 seeks the consent and authorization of the Members to the Board of Directors to raise money from the primary capital market at the appropriate time through an Initial Public Offer (IPO) by way of fixed price process or book building process and derive an appropriate valuation for the equity shares of the Company, in consultation with the Lead Managers, Underwriters, Legal Advisors and experts or such other authority.

The proceeds of the IPO are proposed to be used for purposes of setting up LT power Cable factory in Coimbatore and a Domestic Cable Unit in Uttaranchal/Himachal Pradesh and setting up R & D unit in Himachal Pradesh, and Coimbatore and also to improve distribution and service net work across India. The proceeds of the IPO may also be used for general corporate purposes and to meet the expenses of the IPO.

The members of the Company may note that the shares held by them prior to the IPO shall be locked-in for a period of one/three years from the date of allotment of shares in the IPO, as determined in accordance with the guidelines issued by SEBI. Three-year lock-in would be applicable only for the equity shares held by the Promoters of the Company. During the lock-in period, members would be restricted from transferring their equity shares, or their interest therein. A separate communication would be sent to the members in this regard.

The Board of Directors accordingly recommends the resolution set out at the item no. 6 for approval of the members by way of passing a special resolution.

A copy of the Memorandum and Articles of Association of the Company together with the proposed alterations is available for inspection by the Members of the Company at its Registered Office on all working days during the business hours of the Company.

All the Directors of the Company, except Mr. R. Krishna Iyer may be deemed to be concerned or interested in the issue of the shares to the extent of their shareholdings in the Company.

Item No. 7

Your Directors wishes to carryout some alterations in the existing clause (i) of the main objects of the Memorandum of Association of the Company, by adding the word electro mechanical appliances, to permit in dealing of switches and control gears and photovoltaic solar energy devices/systems such as lighting, pump sets, audio-video equipments, fans and all kinds of solar energy systems. Your Directors proposes to carry out the afore-mentioned changes in the objects clause. The amendment aforesaid will enable the company to carry on some business, which under existing circumstances may conveniently or advantageously be combined with the business of the Company. A copy of the aforesaid amendments proposed is enclosed herewith.

A copy each of the existing Memorandum of Association and a new set of the Memorandum of Association after incorporating the proposed alterations in its object clause will be available for inspection of the members at the Registered Office of the Company on all working days during business hours.

Your Directors consider the resolution set out in the item no.7 in the interest of the Company and therefore recommends the same for your approval.

None of the Directors of the Company are concerned or deemed to be interested in the proposed resolution.

Item No. 8

Your Directors wishes to amend the ancillary object clause by inserting a new sub-clause as sub-clause no. 50(A), (B) and (C), to enable the Company to provide consultancy in the areas of establishing plant or manufacturing unit for the production of all or any of the products specified in the Main Object Clause of the Company on turn key basis or otherwise in any part of the world. Your Company is planning for expansion by establishing plant or manufacturing unit for the production of Cables, suitable for various purposes, in different parts of India. As the Company is having the requisite proficiency in the field of setting up plants and manufacturing units, Your Directors propose to undertake projects for establishing similar units in or outside India on turn key basis or otherwise and also to provide technical, managerial and other consultancy services in relation to the production of the products referred to in the main object clause. Your Directors also propose to engage in providing other technical, managerial and administrative services. The amendment aforesaid will enable the company to carry on some business, which under existing circumstances may conveniently or advantageously be combined with the business of the Company. A copy of the aforesaid amendments proposed is enclosed herewith.

A copy each of the existing Memorandum of Association and a new set of the Memorandum of Association after incorporating the proposed alterations in its object clause will be available for inspection of the members at the Registered Office of the Company on all working days during business hours.

Your Directors consider the resolution set out in the item no.8 in the interest of the Company and therefore recommends the same for your approval.

None of the Directors of the Company are concerned or deemed to be interested in the proposed resolution.

Item No. 9

The human resources play a vital role in the growth and success of every organization. To reward the employees and to enable them to participate in the future growth and financial resources of the Company, the Board has proposed to offer the employees an option to acquire the equity shares of the Company under Employee Stock Option Scheme (ESOS).

In view of the above, the Board has formulated an ESOS in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 under which the maximum number of equity shares of the Company that could be created, offered, issued and allotted under ESOS should not exceed five percent of the issued equity shares of the Company, as on the date(s) of the grant of option(s) under ESOS. The Board has accordingly decided to seek the approval of the Members for the same.

The salient features of the ESOS are set out below:

The main features of the employee stock option schemes are as under:

1. Total number of options to be granted:

Options up to 5% of the Paid – Up Equity Share Capital of the Company would be available for being granted to eligible employees of the Company under one or more Employee Stock Option Schemes. Each option when exercised would be converted into one Equity share of Rs. 10/- each fully paid-up.

Vested options that lapse due to non-exercise or unvested options that get cancelled due to resignation of the employees or otherwise, would be available for being re-granted at a future date.

SEBI guidelines require that in case of any corporate action (s) such as rights issues, bonus issues, merger and sale of division and others, a fair and reasonable adjustment needs to be made to the options granted. Accordingly, if any additional equity shares are issued by the Company to the Option Grantees for making such fair and reasonable adjustment, the ceiling of 5% as stated above of the Paid-up Equity Share Capital from time to time shall be deemed to be increased to the extent of such additional equity shares issued.

2. Identification of classes of employees entitled to participate in the Employee Stock Option Scheme(s):

All permanent employees of the company, including the Directors but excluding the promoters of the Company, as may be decided by the Compensation Committee from time to time, would be entitled to be granted stock options under the ESOP Scheme(s).

3. Non Transferability of employee stock options :

The stock options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner. However, in the event of the death of an employee stock option holder while in employment, the right to exercise all the options granted to him till such date shall be transferred to his legal heirs or nominees.

4. Requirements of vesting and period of vesting :

Vesting means the process by which the employee is given the right to apply for shares of the company against the options granted to him. All the options allotted carry a minimum of one year of vesting up to five years. Forty percent (40%) of the options allotted under the scheme carry one year vesting period, Fifteen per cent (15%) of the options allotted under the scheme each over the remaining four years.

5. Exercise Price:

The option Exercise Price for the employees shall be decided by the Trustees, from time to time, in consultation with the Compensation Committee.

6. Exercise Period and the process of Exercise:

The Exercise period would commence from the date of vesting and will expire on completion of five years from the date of vesting of options. The shares arising out of exercise of vested options would not be subject to any lock-in period after such exercise.

The options will be exercisable by the Employees by a written application to the Company to exercise the options in such manner, and on execution of such documents, as may be prescribed by the Compensation Committee from time to time. The options will lapse if not exercised within the specified exercise period.

7. Appraisal Process for determining the eligibility of the employees to ESOP:

The appraisal process for determining the eligibility of the employee will be specified by the Compensation Committee, and will be based on criteria such as role / designation of the employee, length of service with the Company, past performance record, future potential of the employee and/or such other criteria that may be determined by the Compensation Committee at its sole discretion.

8. Maximum number of options to be issued per employee and in aggregate:

The number of options that may be granted to any specific employee under the Scheme shall not exceed 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant of options.

9. Disclosure and Accounting Policies:

The Company shall comply with the disclosure and the accounting policies prescribed as per SEBI Guidelines.

As the employee stock option schemes provide for issue of shares to be offered to persons other than existing shareholders of the company, consent of the members is being sought pursuant to Section 81(1A) and all other applicable provisions, if any, of the Act and as per clause 6 of the SEBI Guidelines.

Mr. K. Vijayan, Director of the Company may be considered or deemed to be interested to the extent of his shareholding.

Your Directors, recommend the resolution set out in the item no.9 to be considered and approved by the members by way of passing an ordinary resolution.

Item No. 10

As your Company is going to be converted into a public limited, it is desirable to pass a resolution in terms of the provisions of Sections 293(1)(d) of the Companies Act, 1956, to enable the Board of Directors to borrow moneys, apart from temporary loans obtained from the Company's bankers in the ordinary course of business, in excess of aggregate of the paid up capital and its free reserves, ie. Reserves not set apart for any specific purpose. Keeping in view the Company's business requirements and its growth plans, it is considered desirable to enhance the borrowing limit to Rs. 50 crores.

Your Directors, recommend the resolution set out in the item no. 10 to be considered and approved by the members by way of passing an ordinary resolution.

None of the Directors of the Company are concerned or deemed to be interested in the proposed resolution.

For and on behalf of the Board of Directors

Sd/-

Kochouseph Chittilappilly

Chairman & Managing Director

Kochi,
29th May 2007

DIRECTORS' REPORT

To

The Members

Your directors have great pleasure in presenting the Eleventh Annual Report of the company together with the audited financial statements for the year ended 31st March, 2007. Financial results in a nutshell are given below: -

1. Financial Results

	Year ended 31 st March, 2007 (Rs. Lakhs)	Year ended 31 st March 2006 (Rs. Lakhs)
Gross Sales	24115.52	18407.71
Less : Trade Discounts	1193.48	885.35
Net Sales	22922.04	17522.36
Operating profit before Depreciation, Interest and Tax	2708.58	1912.81
Less: Depreciation	294.49	233.01
Profit before Interest & Tax	2414.09	1679.80
Less : Financial charges	364.19	253.94
Profit before Tax	2049.90	1425.86
Less : Provision for tax (including FBT)	686.46	443.69
Provision for deferred tax (current year)	31.21	61.69
Profit after Tax and before exceptional item for the year	1332.23	920.48
Exceptional Item:		
Profit on sale of long term non-trade investment (Net of Tax)	491.70	-
Balance in P&L account brought forward	2082.25	1598.85
Profit available for appropriation	3906.18	2519.33
Appropriations		
a) Capitalisation of accumulated profits for issue of bonus shares	1,800.00	-
b) Transfer to General Reserve	200.00	95.00
c) Dividend proposed: -		
Interim dividend	840.00	210.00
Tax on interim Dividend	117.81	29.45
Final dividend proposed	-	90.00
Tax on Final Dividend proposed	-	12.63
d) Balance carried forward	948.37	2082.25
	3906.18	2519.33

2. Operations

Your Company recorded an excellent performance by registering a gross sale of Rs. 241.16 crores from Rs. 184.08 crores in the previous year, i.e., growth of 31% over the previous year. The Company continued to increase its national presence. The key product, Electronic Voltage Stabilizer has achieved a landmark sale of Rs.105.95 crores and one million in numbers, thus making a milestone during the year under review. There has been an all-round improvement in the performance of other products and this has resulted an increase in the net profit of the Company. The outlook for the financial year 2007-08 continues to be good. The performance of the Cable Division was impacted by the high price fluctuation of Copper, and there was a decline in the quantity of the cable sold up to December 2006. However, the Company was able to overcome the situation and presently, the Cable factory is working to its optimum capacity.

As part of its business expansion plans and to cater the needs of various markets, your Company added new branches in Gurgaon, Ghaziabad, Baroda, Bhopal, Pune and Vijayawada. The forward step taken by the management, helped to establish a well-connected marketing network of the Company throughout the country, which resulted in increased turnover. During the year under review, your Company also established a branch-cum-service center in Kala Amb, in the State of Himchal Pradesh, where the Company is planning to set up a pilot production cum Research & Development Wing for carrying out its R & D activities.

3. Interim Dividend

Your directors had declared an interim dividend @ 40% amounting to Rs.840 lakhs during the financial year 2006-07. The interim dividend has been fully paid to the shareholders and the tax on Interim Dividend paid was Rs.117.81 lakhs. In view of the interim dividend paid during the financial year 2006-07, your Directors have not recommended any final dividend.

4. Transfer to Reserves

Your directors proposes to transfer an amount of Rs. 200 lakhs to the General Reserve account, out of the profits available for appropriation during the year, which is in accordance with the Companies (Transfer of Profits to Reserves) Rules 1975.

5. Initial Public Offer

Your Company's products enjoy a very good market in various parts of South India. With an endeavor to build up a strong market base for the products in North Indian markets, branches have been started in various North Indian States. As part of its expansion programme and also to facilitate the continuous supply of the products, Company plans to increase its production capacity by setting up manufacturing facilities and also wishes to strengthen its Research & Development wing to enable the Company to come out with products of improved quality and also to add few more products to its folder. Your Company also plans to set up a factory in Coimbatore, for producing L.T.Power Cables and another unit in Himachal Pradesh or in Uttaranchal for producing domestic cable. Your Company proposes to fund part of this expansion by way of equity through an Initial Public Offer. As a first step towards this, your Directors have proposed the resolutions for converting the Company into public, changing the name of the Company by deleting the word 'private' from its name and also for adopting a new set of articles for regulating the affairs. It is also proposed to increase the Authorised Capital of the Company from Rs.25 crores to Rs. 30 crores in view of the forthcoming Initial Public Offer.

6. Issue of Shares to Employees

During the year under review, the Company offered 8,49,190 equity shares of Rs.10/- each to present employees of the Company and also to selected past employees of the Company taking into consideration the services provided by them during the last several years in the organisation. The employees who

have completed a continuous service of not less than two years in the Company as on 31.12.2006 were considered as eligible employees. The eligible number of shares to each employee has been determined by taking into account the length of service of the employee in the organisation and the present position in the organizational hierarchy. The Company carried out the allotment process in different stages and all the allotments were carried out as on the date of this report and the Paid-up Capital of the Company as on the date of this report comes to Rs.21,84,75,200/-.

7. Directors

During the year under review, there was no change in the constitution of the Board of Directors of the Company.

8. Human Resources

The HRD team, at V-Guard constantly endeavors to add value to the Employees and firmly believe in continuous improvement in all areas of working environment. We have groomed quality people with the right attitude and have felt that it is our corporate responsibility to take people and train them to become social responsible citizens of India.

Our HR Mission statement says: Adding value to vision of the Organization concentrating on our core area – Human Resource Development & enlightening our Customers by delivering ‘on time’ Quality service. We try to ensure that we provide on time quality service to our Customers.

We also ensure that our corporate vision and mission is communicated to our Employees, thus ensuring that they are very much part of V-Guard family. Presently around 725 Employees has become part of the V-Guard family.

9. Sale of Investments

Your Company was holding investments in the form of equity shares in M/s. Veega Holidays & Parks Pvt. Ltd & M/s. Wonderla Holidays Pvt. Ltd., to the extent of 32.5% & 26.67% respectively. The Board of Directors sold these investments to the promoters of the Company with the approval of the shareholders in their extra ordinary general meeting held on 17th March, 2007.

10. Auditors

M/s.S.B.Billimoria & Company, Chartered Accountants, retire as auditors of the company at the ensuing Annual General Meeting and they do not seek re-appointment. The Company has received notice from a member intending to appoint M/s. Deloitte Haskins & Sells, Chartered Accountants, Cochin, as Statutory Auditors of the Company. Your Directors recommend the appointment of M/s. Deloitte Haskins & Sells, Chartered Accountants, Cochin to hold office from the conclusion of the ensuing Annual General Meeting to the conclusion of the next annual general meeting on such remuneration to be fixed by the board of directors.

11. Disclosure of Particulars

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

12. Energy conservation, Technology absorption and Foreign exchange earnings and outgo

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

13. Directors' Responsibility Statement

In accordance with the provisions of section 217 (2AA) of the Companies Act 1956, your directors here by state that :-

- i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) Accounting policies selected were applied consistently. Reasonable and prudent judgements and estimates were made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year as on 31st March, 2007 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.

14. Acknowledgement

Your directors take this opportunity to place on record their warm appreciation of the valuable contribution and the spirit of dedication of the employees at all levels during the period under review. The directors also express their deep gratitude for the co-operation and support extended to your company by the customers, dealers, distributors, suppliers, financial institutions and banks.

For and on behalf of the Board of Directors

Sd/-

Kochouseph Chittilappilly
Chairman & Managing Director

Sd/-

K.Vijayan
Director.

Sd/-

R.Krishna Iyer
Director.

Kochi
29th May 2007.

ANNEXURE TO THE DIRECTOR'S REPORT

ANNEXURE I

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

Sl No.	Name	Age (Years)	Designation	Remuneration		Nature of Employment	Qualification & Experience (In years)	Date of commencement of employment	Previous Employment
				Gross (Rs.)	Net (Rs.)				
1.	Mr. KOCHOUSEPH CHITTILAPPILLY	56 Years	Managing Director	54,52,202	54,00,000	Contractual	MSc(Physics) 28Years	12.02.1996	Chief Executive, V- Guard Industries Cochin.

For and on behalf of the Board of Directors

Sd/-
Kochouseph Chittilappilly
Chairman & Managing Director

Sd/-
K.Vijayan
Director.

Sd/-
R.Krishna Iyer
Director.

Kochi
29th May, 2007

ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE II

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

A) Conservation of energy:

(a) Energy Conservation measures taken	<p>To improve the conservation of energy, the following equipments are used in our distribution system :</p> <ol style="list-style-type: none"> 1) CFL lamps of 2.14 KW capacity is installed in the factory. 2) Installed 16.5 Sq. Mtrs of Solar Collectors for water heating in Company Quarters. 3) Installed 4.7 KW of T-5 series Florescent Lamps having 28W capacity in lieu of 40 W conventional florescent lamp. 4) During the year under review, the Company was able to generate energy of 7.86 lakhs units from Wind Mill, out of this 5.17 lakhs units was used for own or captive consumption.
(b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy.	N.A
(c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.	By implementing above measures, reduction in energy consumption could be achieved and thus reduction in cost of production
(d) Total energy consumption and energy consumption per unit of production as per Form A of the Annexure in respect of Industries specified in the Schedule thereto.	NA



B) Technology absorption :

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

Research and Development (R&D)	
1. Specific areas in which R&D carried out by the Company	Product innovation and improvement better designs and process. Conduct of D.F.M.A. (Design Failure Mode Analysis) to all future products.
2. Benefits derived as a result of the above R & D	Better products at reduced costs
3. Future Plan of action	Continue product developments and new innovative products to meet customer requirements.
4. Expenditure on R&D	
(a) Capital	Rs. 2.04 lacs
(b) Recurring	Rs.61.43 lacs
(c) Total	Rs.63.47 lacs
(d) Total R&D expenditure as a percentage of total turnover	0.26%
Technology absorption, adaptation and innovations	
1. Efforts in brief, made towards technology absorption, adaptation and innovation	Continuous efforts are being made by the company for product innovation and product improvement by better designs and process.
2. Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution etc.	a. In the case of Electrical Water Heaters, for making inner tank, instead of Copper, Stainless Steel was used, which resulted in cost reduction. b. In the case of Electrical Fans, new models were introduced, which resulted in decrease in the consumption of energy.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished.	No technology has been imported.
a) Technology imported	NIL
b) Year of import	NA

c) Has technology be fully absorbed ?	NA
d) If no fully absorbed, areas where this has not taken place, reasons therefore and future plans of action	NA

C) Foreign Exchange earnings and outgo :

	Rs.
Foreign Exchange earned	Rs. 3.62 lacs
Foreign Exchange used	Rs. 103.33 lacs

For and on behalf of the Board of Directors

Sd/-

Kochouseph Chittilappilly

Chairman & Managing Director

Sd/-

K.Vijayan

Director.

Sd/-

R.Krishna Iyer

Director.

Kochi
29th May 2007.



AUDITORS' REPORT

TO THE MEMBERS OF

V-GUARD INDUSTRIES PRIVATE LIMITED

1. We have audited the attached balance sheet of **V-Guard Industries Private Limited** as at 31st March 2007, the profit and loss account and also the cash flow statement for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - (iii) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) on the basis of written representations received from the directors, as on 31st March 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2007;
 - (b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For **S.B. Billimoria & Co.**
Chartered Accountants

Sd/
M. Ramachandran
Partner
Membership No. 16399

Place : Kochi
Date : 29th May 2007

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

- i) The nature of business of the Company during the year is such that the provisions of clauses vi, x, xii, xiii, xiv, xviii to xx of paragraph 4 of the Companies(Auditor's Report)Order,2003 are not applicable to the Company for the year ended 31st March 2007.
- ii) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) As explained to us, the Company has a programme of verification of assets and all assets in accordance with the programme, were verified during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification

(c) In our opinion, the fixed assets disposed off during the year were not material so as to affect the going concern status of the Company.
- iii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

(c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iv) (a) 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.

(b) The company had taken unsecured loans from four parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.1,251.34 lakhs and the balance outstanding at the year-end was Rs.Nil.

(c) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, *prima facie*, prejudicial to the interest of the Company.

(d) The company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest.
- v) In our opinion, and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to the purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system of the company.
- vi) (a) To the best of our knowledge and belief, and according to the information and explanations given to us, we are of the opinion that the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered .

- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii) We have broadly reviewed the books of account and records maintained by the Company in respect of manufacture of PVC electrical insulated cables pursuant to the rules made by the Central Government for maintenance of cost records prescribed under Section 209(1) (d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records are made and maintained. However, we have not made a detailed examination of those accounts and records to determine whether they are accurate or complete. To the best of our knowledge, and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the company.
- ix) (a) According to the information and explanations given to us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, and Excise Duty were in arrears, as at 31st March, 2007 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, details of sales tax dues which have not been deposited on account of any dispute are given below:

Name of Statutes	Period to which the amount relates	Amount disputed (Rs in lakhs)	Forum where disputed
Kerala General Sales Tax Act	1988-89 to 1994-95	30.62	Supreme Court of India
—do—	1994-95	1.58	Sales Tax Appellate Tribunal, Ernakulam
—do—	1997-98	10.55	High Court of Kerala.
—do—	1998-99&99-00	9.11	Dy. Commissioner (Appeals), Cochin
Karnataka Sales Tax Act	1998-99	49.00	Karnataka Appellate Tribunal, Bangalore.
Karnataka Value Added Tax Act	2005-06	1.32	Commercial tax Officer, Tumkur check post, Andhra Pradesh
General Sales Tax Act	2002-03	1.52	Dy. Commissioner (Appeals), Hyderabad
Kerala Tax on Entry of goods into Local Areas Act, 1994	2005-06	5.45	High Court of Kerala, Ernakulam

- x) In our opinion, and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank except the interest on term loans for March 2007 which is paid subsequently.
- xi) In our opinion, the terms and conditions on which the company has given guarantee for loans taken by others from banks are not prejudicial to the interest of the company.
- xii) In our opinion, the term loans have been applied for the purpose for which they were raised.
- xiii) 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.
- xiv) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **S.B. Billimoria & Co.**
Chartered Accountants

Sd/
M. Ramachandran
Partner
Membership No. 16399

Place : Kochi
Date : 29th May 2007

BALANCE SHEET AS AT 31st March 2007

Particulars	Sch No.	As at 31st March 2007	As at 31st March 2006
SOURCES OF FUNDS			
<i>Shareholders' Funds</i>			
Share capital	1	2,139.58	300.00
Reserves and surplus	2	1,678.37	2,612.25
		3,817.95	2,912.25
<i>Loan Funds</i>			
Secured loans	3	3,606.77	2,867.92
Unsecured loans	4	-	158.93
		3,606.77	3,026.85
<i>Deferred tax liability (Net)</i>	5	409.21	378.00
TOTAL		7,833.93	6,317.10
APPLICATION OF FUNDS			
<i>Fixed Assets</i>			
Gross block	6	4,889.47	4,437.43
Less: Accumulated depreciation		1,181.62	908.60
Net block		3,707.85	3,528.83
Capital work in progress	7	299.35	208.37
		4,007.20	3,737.20
<i>Investments</i>	8	-	660.00
<i>Current Assets, Loans & Advances</i>			
Inventories	9	3,099.44	2,070.65
Sundry debtors	10	2,714.48	1,449.75
Cash and bank balances	11	144.44	33.05
Loans and advances	12	1,623.20	574.61
		7,581.56	4,128.06
<i>Less: Current Liabilities & Provisions</i>			
Liabilities	13	2,451.79	1,515.53
Provisions	14	1,303.04	692.63
		3,754.83	2,208.16
<i>Net Current Assets</i>		3,826.73	1,919.90
TOTAL		7,833.93	6,317.10
Significant accounting policies and notes on accounts	22		

Schedules 1 to 22 form an integral part of the accounts.
In terms of our report of even date attached.

For and on behalf of the Board of Directors

For **S.B. BILLIMORIA & CO**
Chartered Accountants

Sd/-
KOCHOUSEPH CHITILAPPILLY
Chairman & Managing Director

Sd/-
M.RAMACHANDRAN
Partner

Sd/-
K.VIJAYAN
Director

Sd/-
R. KRISHNA IYER
Director

Kochi, 29th May, 2007.

Kochi, 29th May, 2007.

(Rupees in lakhs except for EPS)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 st March 2007

Particulars	Sch No.	For the year ended 31 st March 2007	For the year ended 31 st March 2006
INCOME			
Turnover (Gross)	15	22,922.04	17,522.36
Less : Excise duty		694.56	549.56
		22,227.48	16,972.80
Other income	16	84.17	74.05
Total		22,311.65	17,046.85
EXPENDITURE			
Cost of goods sold	17	14,441.38	11,126.06
Personnel expenses	18	984.75	715.00
Selling and distribution expenses	19	3,360.87	2,725.67
Establishment expenses	20	816.07	567.31
Financial expenses	21	364.19	253.94
Depreciation/Amortisation	6	294.49	233.01
Total		20,261.75	15,620.99
Profit before tax		2,049.90	1,425.86
Provision for tax:			
Current		670.00	420.00
Deferred		31.21	61.69
Fringe benefit		19.00	21.39
Short/(excess) income tax relating to earlier years		(2.54)	2.30
Profit after tax and before exceptional item for the year		1,332.23	920.48
Exceptional item:			
Profit on sale of long term non-trade investments (Net of tax)		491.70	-
Net profit		1,823.93	920.48
Balance brought forward		2,082.25	1,598.85
Profit available for appropriation		3,906.18	2,519.33
APPROPRIATIONS:			
Capitalisation of accumulated profits for issue of bonus shares		1,800.00	-
Transfer to General Reserve		200.00	95.00
Interim dividend		840.00	210.00
Tax on interim dividend		117.81	29.45
Proposed final dividend		-	90.00
Tax on proposed dividend		-	12.63
		2,957.81	437.08
Balance carried over to Balance Sheet		948.37	2,082.25
		3,906.18	2,519.33
Basic and Diluted Earnings Per share (In rupees) (Equity shares of face value of Rs. 10/- each) (See note 23 of schedule 22)		8.68	4.38
Significant accounting policies and notes on accounts	22		

Schedules 1 to 22 form an integral part of the accounts.
In terms of our report of even date attached.

For and on behalf of the Board of Directors

For **S.B. BILLIMORIA & CO**
Chartered Accountants

Sd/-
KOCHOUSEPH CHITILAPPILLY
Chairman & Managing Director

Sd/-
M.RAMACHANDRAN
Partner

Sd/-
K.VIJAYAN
Director

Sd/-
R. KRISHNA IYER
Director

Kochi, 29th May, 2007.

Kochi, 29th May, 2007.

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 st March 2007

	2006-07	2005-06
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	2,049.90	1,425.86
Add/(Less):		
Depreciation/Amortisation	294.49	233.01
Financial expenses	364.19	253.94
Provision for doubtful advances	20.00	-
Loss on sale of assets	2.26	-
Dividend income	(26.00)	(26.00)
Interest from deposits	-	-
Profit on sale of assets	-	(0.32)
Amortisation of preliminary expenses	-	0.13
Cash flow before changes in working capital	2,704.84	1,886.62
Working capital changes:		
(Increase) / Decrease in debtors	(1,264.72)	(235.36)
(Increase) /Decrease in inventories	(1,028.79)	(411.94)
(Increase) / Decrease in loans and advances	(273.49)	(89.91)
Increase / (Decrease) in current liabilities and provisions	955.57	452.74
Cash generated from operations	1,093.41	1,602.15
Less: Income tax paid (net)	(668.63)	(363.92)
Cash flows from operating activities	424.78	1,238.22
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(601.70)	(1,419.13)
Sale of fixed assets	14.95	3.18
Dividend income	26.00	26.00
Sale of investments	1,260.00	-
Direct taxes paid on capital gains	(108.30)	-
Investments in unquoted shares	-	(100.00)
Cash generated/(used in) investing activities	590.94	(1,489.94)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	39.57	-
Term loans availed	300.00	1,100.00
Loans availed from others	6.00	51.00
Repayment of term loan	(469.39)	(399.06)
Repayment of other loans	(20.46)	-
Increase in working capital loan	913.49	149.68
Unsecured loans taken	1,869.38	500.97
Repayment of unsecured loans	(2,022.42)	(451.26)
Final dividends paid for the year 2005-06 (2004-05)	(90.00)	(300.00)
Interim dividend paid for the year 2005-06 (2004-05)	(90.00)	(120.00)
Interim dividend paid for the year	(840.00)	-
Dividend tax paid	(143.06)	(58.90)
Interest paid	(357.44)	(261.71)
Cash generated/(used in) financing activities	(904.33)	210.72
Net increase / (decrease) in cash (A+B+C)	111.39	(41.00)
Add: cash & cash equivalents at the beginning of the year \$	33.05	74.05
Cash and cash equivalents at the close of the year \$	144.44	33.05
(\$ - See note 19 of Schedule 22)		

Schedules 1 to 22 form an integral part of the Financial statements.
In terms of our report of even date attached.

For and on behalf of the Board of Directors

For **S.B. BILLIMORIA & CO**
Chartered Accountants

Sd/-
KOCHOUSEPH CHITTILAPPILLY
Chairman & Managing Director

Sd/-
M.RAMACHANDRAN
Partner

Sd/-
K. VIJAYAN
Director

Sd/-
R. KRISHNA IYER
Director

Kochi, 29th May, 2007.

Kochi, 29th May, 2007

(Rupees in lakhs)

Schedules forming part of Balance Sheet as at 31 st March 2007

Particulars	As at 31st March 2007	As at 31st March 2006
Schedule 1. SHARE CAPITAL		
AUTHORISED		
25,000,000 Equity Shares (Previous year 3,000,000 Equity Shares) of Rs.10/- each	2,500.00	300.00
ISSUED, SUBSCRIBED AND PAID UP		
21,395,760 Equity shares (Previous year 3,000,000 Equity shares) of Rs.10/- each, fully paid up	2,139.58	300.00
(Of the above 18,000,000 Equity Shares of Rs.10/- each has been issued as fully paid up bonus shares by capitalisation of accumulated profits and 395,760 shares of Rs.10/- each issued to employees and others) (See note 6 of Schedule 22)	2,139.58	300.00
Schedule 2. RESERVES & SURPLUS		
<u>General Reserve :</u>		
As per last Balance Sheet	530.00	435.00
Transferred from Profit & Loss Account	200.00	95.00
	730.00	530.00
Profit and Loss Account	948.37	2,082.25
	1,678.37	2,612.25
Schedule 3. SECURED LOANS		
Term loans from banks	1,586.43	1,755.85
Interest accrued and due	9.11	-
(Repayable within one year Rs.465.69 Lakhs (Previous Year: Rs.461.85 Lakhs))		
Working capital loans from banks	1,967.95	1,054.46
Interest accrued and due	5.86	5.73
Loans from others	40.78	57.44
Less: Interest suspense	(3.36)	(5.56)
(Repayable within one year Rs.24.06 Lakhs (Previous Year: Rs.23.67 Lakhs))	37.42	51.88
(For details of security, See note 2 of Schedule 22)	3,606.77	2,867.92
Schedule 4. UNSECURED LOANS		
Loan from directors	-	142.77
Loan from shareholders	-	10.28
Interest accrued and due	-	5.88
	-	158.93
Schedule 5. DEFERRED TAX LIABILITY		
For earlier years	378.00	316.31
For current year (See note 24 of Schedule 22)	31.21	61.69
	409.21	378.00

(Rupees in lakhs)

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31 ST MARCH 2007**SCHEDULE 6. FIXED ASSETS**

Block of Assets	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at 01/04/2006	Additions During the Year	Deletions/ Transfers during the year	As at 31/03/2007	Up to 01/04/2006	For the Year	On Deletions/ Transfers	Up to 31/03/2007	As at 31/03/2007	As at 31/03/2006
Tangible assets										
Freehold Land	649.45	84.97	-	734.42	-	-	-	-	734.42	649.45
	<i>630.04</i>	<i>19.41</i>	-	<i>649.45</i>	-	-	-	-	<i>649.45</i>	<i>630.04</i>
Buildings	821.54	242.63	-	1,064.17	85.22	20.34	-	105.56	958.61	736.32
	<i>718.69</i>	<i>102.85</i>	-	<i>821.54</i>	<i>69.53</i>	<i>15.69</i>	-	<i>85.22</i>	<i>736.32</i>	<i>649.16</i>
Plant & machinery	1,565.82	63.40	0.88	1,628.34	548.17	127.90	0.30	675.77	952.57	1,017.65
	<i>1,520.84</i>	<i>44.98</i>	-	<i>1,565.82</i>	<i>428.60</i>	<i>119.57</i>	-	<i>548.17</i>	<i>1,017.65</i>	<i>1,092.24</i>
Office Equipments	51.62	13.23	0.77	64.08	18.32	4.46	0.43	22.35	41.73	33.30
	<i>43.02</i>	<i>8.60</i>	-	<i>51.62</i>	<i>16.00</i>	<i>2.32</i>	-	<i>18.32</i>	<i>33.30</i>	<i>27.02</i>
Computers	159.47	59.76	2.74	216.49	118.67	18.06	2.73	134.00	82.49	40.80
	<i>144.32</i>	<i>15.66</i>	<i>0.51</i>	<i>159.47</i>	<i>104.83</i>	<i>14.35</i>	<i>0.51</i>	<i>118.67</i>	<i>40.80</i>	<i>39.49</i>
Furniture and Fixtures	54.91	19.74	-	74.65	39.88	12.16	-	52.04	22.61	15.03
	<i>47.45</i>	<i>7.46</i>	-	<i>54.91</i>	<i>35.06</i>	<i>4.82</i>	-	<i>39.88</i>	<i>15.03</i>	<i>12.39</i>
Vehicles	133.19	7.00	34.30	105.89	31.58	11.43	18.01	25.00	80.89	101.61
	<i>80.40</i>	<i>58.00</i>	<i>5.21</i>	<i>133.19</i>	<i>24.43</i>	<i>9.50</i>	<i>2.35</i>	<i>31.58</i>	<i>101.61</i>	<i>55.97</i>
Intangible Assets										
Trademark	1,001.43	-	-	1,001.43	66.76	100.14	-	166.90	834.53	934.67
	<i>-</i>	<i>1,001.43</i>	-	<i>1,001.43</i>	-	<i>66.76</i>	-	<i>66.76</i>	<i>934.67</i>	<i>-</i>
Total	4,437.43	490.73	38.69	4,889.47	908.60	294.49	21.47	1,181.62	3,707.85	3,528.83
Previous year	<i>3,184.76</i>	<i>1,258.39</i>	<i>5.72</i>	<i>4,437.43</i>	<i>678.45</i>	<i>233.01</i>	<i>2.86</i>	<i>908.60</i>	<i>3,528.83</i>	<i>2,506.31</i>

Note: 1) The registration process of Trademark 'V-Guard' in the name of the Company is in progress.

2) Previous year figures are shown in italics

(Rupees in lakhs)

Schedules forming part of Balance Sheet as at 31 st March 2007

Particulars	As at 31st March 2007	As at 31st March 2006
Schedule 7. CAPITAL WORK-IN-PROGRESS		
Capital work in progress	149.08	184.35
Advances for capital expenditure	170.27	24.02
Less: Provision for doubtful advances	(20.00)	-
	299.35	208.37
Schedule 8. INVESTMENTS		
Long term non-trade investments (unquoted at cost):		
1) Nil (Previous year 2,600,000) Equity Shares of Rs. 10/- each fully paid up in Veega Holidays and Parks Private Ltd.	-	260.00
2) Nil (Previous Year 4,000,000) Equity shares of Rs. 10/- each fully paid up in Wonderla Holidays Private Limited. (See Note 7 of Schedule 22)	-	400.00
	-	660.00
Schedule 9. INVENTORIES		
Raw materials	246.87	147.10
Raw materials-in-transit	105.99	161.08
Finished goods	2,376.60	1,578.08
Finished goods- in- transit	53.56	2.36
Work-in-process	231.77	115.42
Stores, Spares and Consumables	84.65	66.61
	3,099.44	2,070.65
Schedule 10. SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months	37.94	35.90
Other debts	2,676.54	1,413.85
[Debts considered good in respect of which the company is fully secured Rs.563.80 Lakhs (Previous year Rs.433.37 Lakhs) and debts considered good for which the company holds no security other than the debtor's personal security Rs.2150.68 Lakhs (Previous year Rs.1016.38 Lakhs)]		
	2,714.48	1,449.75
Schedule 11. CASH AND BANK BALANCES		
Cash on hand	1.95	1.40
Cheques on hand	26.35	1.26
Balance with Scheduled Banks		
- in current accounts	98.92	22.98
- in EEFC account	2.66	1.23
- in deposit accounts	14.56	6.18
(See note 19 of Schedule 22)	144.44	33.05

Schedules forming part of Balance Sheet as at 31 st March 2007

Particulars	As at 31st March 2007	As at 31st March 2006
Schedule 12. LOANS AND ADVANCES		
(Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	435.77	176.20
Advance income tax	1,108.17	349.08
Advance fringe benefit tax	39.27	23.26
Deposits with Government authorities	20.41	18.26
Other deposits	19.58	7.81
	1,623.20	574.61
Schedule 13. CURRENT LIABILITIES		
Sundry Creditors		
- Dues to small scale industrial undertakings (See note 17 of Schedule 22)	299.92	254.96
- Others	311.87	185.88
Acceptances (See note 3 of Schedule 22)	984.08	468.47
Deposits from distributors	418.50	321.00
Statutory liabilities	267.83	159.95
Other liabilities	155.77	115.53
Gratuity	7.14	6.46
Interest accrued but not due on loans	6.68	3.28
	2,451.79	1,515.53
Schedule 14. PROVISIONS		
Leave encashment	64.19	41.48
Income tax	1,198.46	424.52
Fringe benefit tax	40.39	21.39
Interim dividend	-	90.00
Tax on interim dividend	-	12.62
Proposed final dividend	-	90.00
Tax on proposed final dividend	-	12.62
	1,303.04	692.63

(Rupees in lakhs)

Schedules forming part of Profit and Loss Account for the year ended 31 st March 2007

Particulars	For the year ended 31 st March 2007	For the year ended 31 st March 2006
Schedule 15. TURNOVER(Gross)		
Sale of products	24,115.52	18,407.71
Less: Trade/Quantity discounts allowed	1,193.48	885.35
Total	22,922.04	17,522.36
Schedule 16. OTHER INCOME		
Service charges	28.72	20.35
Mould hire charges (Gross) [TDS Rs.1.44/- Lakhs (Previous year Rs.Nil)]	12.64	10.75
Dividend from long term non-trade investments	26.00	26.00
Sale of power	7.28	6.56
Interest from banks (Gross) [TDS Rs. 0.11/- Lakhs (Previous year Rs. 0.08/- Lakh)]	0.58	0.36
Other interest (Gross) [TDS Rs. 0.78/- Lakh(Previous year Rs.0.88/- Lakh)]	4.41	4.00
Miscellaneous income	4.54	2.74
Exchange rate gain (Net)	-	0.07
Sales tax refund received	-	2.90
Profit on sale of assets	-	0.32
	84.17	74.05
Schedule 17. COST OF GOODS SOLD		
a) Raw Materials Consumed (Manufacturing)		
Opening stock	147.09	129.06
Add: Purchases	3,487.11	2,644.50
	3,634.20	2,773.56
Less: Closing stock	246.86	147.09
	3,387.34	2,626.47
b) Cost of Goods sold (Trading)		
Opening stock	1,133.96	934.59
Purchases	11,488.51	8,340.93
	12,622.47	9,275.52
Less: Closing stock	1,796.40	1,133.96
	10,826.07	8,141.56
Add: Packing expenses	78.93	63.77
“ Spares and Components	200.00	144.60
	11,105.00	8,349.93

Schedules forming part of Profit and Loss Account for the year ended 31 st March 2007

Particulars	For the year ended 31st March 2007	For the year ended 31st March 2006
<i>c) Manufacturing Expenses</i>		
Power and Fuel	39.55	35.78
Consumables	21.74	27.39
Packing expenses	79.07	74.32
Factory expenses	4.39	2.79
Excise duty	-	6.67
Labour charges	38.40	29.78
Powder coating expenses	18.97	9.54
	202.12	186.27
<i>d) Change in Finished Stock (Manufacturing)</i>		
Opening stock		
Finished goods	444.12	395.50
Work -in-process	115.41	127.42
	559.53	522.92
Used for captive consumption	(0.64)	-
	558.89	522.92
Closing stock		
Finished goods	580.20	444.12
Work -in-process	231.77	115.41
	811.97	559.53
Increase/ (Decrease) in stock	253.08	36.61
Total (a+b+c-d)	14,441.38	11,126.06
<i>Schedule 18. PERSONNEL EXPENSES</i>		
Salaries and wages (See note 10 of Schedule 22)	809.04	560.23
Bonus and ex-gratia	57.04	58.75
Contribution to Provident & Other funds	42.52	32.08
Gratuity	8.35	20.31
Staff welfare expenses	67.80	43.63
	984.75	715.00
<i>Schedule 19. SELLING & DISTRIBUTION EXPENSES</i>		
Discounts and incentives	1,988.28	1,695.07
Advertisement and sales promotion	1,198.11	795.80
Sales Tax, Turnover tax etc.	137.48	183.10
Gifts and compliments	30.57	17.32
Commission to consignment agent	6.43	3.46
Royalty on trade mark	-	30.92
	3,360.87	2,725.67

(Rupees in lakhs)

Schedules forming part of Profit and Loss Account for the year ended 31 st March 2007

Particulars	For the year ended 31 st March 2007	For the year ended 31 st March 2006
Schedule 20. ESTABLISHMENT EXPENSES		
Rent	37.96	32.30
Power and fuel	24.14	18.51
Postage, telephone and telex	54.04	37.76
Printing and stationery	20.15	15.92
Insurance	18.79	12.71
Rates and taxes	24.24	7.47
Freight charges	196.66	137.89
Travelling expenses	165.26	121.00
R & D expenses (See note 10 of Schedule 22)	61.43	41.72
Legal and professional charges (See note 11 of Schedule 22)	27.27	17.77
Office expenses	27.16	20.58
Repairs & Maintenance- Machinery	10.51	6.29
Repairs & Maintenance- Building	26.56	8.43
Repairs & Maintenance- Others	51.95	28.60
Provision for doubtful advances	20.00	-
Bank charges	35.48	25.53
Donation	8.02	32.00
Miscellaneous expenses	3.95	2.63
Loss on sale of fixed assets	2.26	-
Exchange rate loss	0.14	-
Sitting fees to director	0.10	0.07
Priliminary expenses written off	-	0.13
	816.07	567.31
Schedule 21. FINANCIAL EXPENSES		
Interest on fixed loans	276.48	195.19
Other interest (See note 18 of Schedule 22)	87.71	58.75
	364.19	253.94

SCHEDULE 22 – SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

1. Significant Accounting Policies

(a) Accounting convention

The financial statements are prepared under historical cost convention, on accrual basis of accounting and in accordance with the requirements of Companies Act, 1956 and Accounting Standards issued by the Institute of Chartered Accountants of India referred to in Section 211 (3C) of the Companies Act, 1956.

(b) Use of Estimates

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

(c) Fixed Assets:

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

(d) Intangible Assets

Acquisition cost of trademark comprises of purchase cost and other expenses incurred in connection with its acquisition.

(e) Borrowings Costs:

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

(f) Depreciation/Amortisation:

i) Depreciation on assets taken over on 1st April 1996, from the erstwhile sole proprietorship is provided on Straight Line Method based on the remaining useful life of the assets as estimated by an independent valuer. The rates of depreciation fall within the following ranges after considering the remaining useful life of assets.

Asset group	Range
Plant & Machinery	5.00% - 5.55%
Office Equipment	5.00% - 5.88%
Furniture & Fixtures	6.67%-10.00%

ii) Depreciation on assets acquired by the Company after 1.4.1996 is provided for on Straight Line Method, on pro-rata basis, at the rates specified in Schedule XIV to the Companies Act, 1956, from the first day of the month in which the asset is put to commercial use. Depreciation has been provided @ 100% in respect of assets whose value does not exceed Rs.5,000/-, purchased or put to use during the year.

iii) Value of trademark acquired is amortised over a period of ten years.

(g) Investments:

Long term investments in unquoted equity shares are stated at cost net of permanent diminution in their value.

(h) Inventories:

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

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

(Rupees in lakhs)

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

(i) Excise duty:

Excise duty is accounted as and when finished goods are removed from the factory godown. Provision is made for excise duty payable on stock of finished goods awaiting despatch at the year-end.

(j) Retirement Benefits :

The Company's contribution to defined contribution schemes such as provident and family pension funds are charged to Profit and Loss Account of the period in which they are incurred.

The Company also provides gratuity benefit to its employees, which is in the nature of defined benefit scheme. The liability for gratuity is funded with Life Insurance Corporation of India and the annual contributions are charged to Profit and Loss Account. At each balance sheet date, the Company obtains an actuarial valuation from the said Corporation and the shortfall, if any, in the fund balance on that date is also charged to Profit and Loss Account.

Leave encashment liability, as at the balance sheet date, is determined and accounted on the basis of leave to the credit of the employees as per the leave encashment policy of the Company.

(k) Research & Development :

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

(l) Revenue Recognition :

- i) Revenue from sales is recognised when the title to goods is transferred to the buyers.
- ii) Dividend income is accounted for when right to receive dividend is established.

(m) Foreign Exchange Transactions :

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

(n) Taxes on Income :

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

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

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

a) Term loan of Rs.700/- lakhs from Dhanalakshmi Bank Ltd. is secured by equitable mortgage by deposit of title deeds of 8.50 acres of land situated at K.G. Chavadi, Ettimadai Village, Coimbatore and 19 cents and 6 sq.ft. of land situated at 241A, Mettupalayam, Road, Coimbatore and hypothecation by way of first charge on plant, machinery, tools, accessories, equipments, furniture and fixtures, present and future, of the company at its cable division at K.G. Chavadi, Coimbatore. The above loan is further secured by personal guarantees of Sri. Kochouseph Chittilappilly, Managing Director and Smt. Sheela Kochouseph, Director of the Company.

b) Term loan of Rs.450/- lakhs from Dhanalakshmi Bank Ltd. is secured by hypothecation by way of first charge on the plant and machinery, tools and accessories in respect of specific assets financed by the bank, namely (a) 2 x 230 KW Wind Mills situated at Dharapuram Taluk, Erode, Tamil Nadu, (b) Machinery and equipment in respect of Solar Water Heater Unit at K.G Chavadi, Coimbatore and (c) Office cum godown building at Mansoorabad Village, Renga Reddy District, Andhra Pradesh and Equitable Mortgage of 4 acres of land relating to the Wind Mills, at Erode, Tamil Nadu and 2091.5 sq. mtrs of land at Mansoorabad Village

(Rupees in lakhs)

in Andhra Pradesh. The loans are further secured by personal guarantees of Shri. Kochouseph Chittilappilly, Managing Director and Smt. Sheela Kochouseph, Director of the company.

c) Term loan of Rs.100/- lakhs from Dhanalakshmi Bank Ltd. is secured by equitable mortgage of 106.424 cents of land at Edappally South Village, Kanayannur Taluk, Vennala Desam, together with godown with an area of 1578.40 sq mtr. The loan is further secured by personal guarantees of Sri. Kochouseph Chittilappilly, Managing Director and Smt. Sheela Kochouseph, Director of the company.

d) Term loan of Rs.1000/- lakhs from The State Bank of India is secured by (a) charge over the registered Trade Mark "V-GUARD" and (b) exclusive charge over the fixed assets, land and building, namely (i) Plant and Machinery in the trading division having establishments at Ernakulam, Bangalore, Coimbatore and Hyderabad, (ii) Factory building and plant and machinery at Solar Water Heater Division, (iii) 47.737 cents of land at Sastha Temple Road, Kaloore, 113.293 cents of land at High School Road, Vennala, 152.206 cents of land at Bye Pass Road, Vennala, 1306 cents of land at K.G Chavadi, Coimbatore, 12.52 cents of land at Mettupalayam Road, Coimbatore. The loan is further secured by personal guarantees of Sri. Kochouseph Chittilappilly, Managing Director and Smt. Sheela Kochouseph, Director of the company.

e) Term Loan of Rs.800/- lakhs from The State Bank of India is secured by (a) charge over the assets acquired / constructed out of bank finance and extension of equitable mortgage over 47.737 cents of land at Sastha Temple Road, Kaloore, 113.293 cents of land at High School Road, Vennala, 152.206 cents of land at Bye Pass Road, Vennala, 1306 cents of land at K.G Chavadi, Coimbatore, 12.52 cents of land at Mettupalayam Road, Coimbatore. The loan is further secured by personal guarantees of Sri. Kochouseph Chittilappilly, Managing Director and Smt. Sheela Kochouseph, Director of the company.

f) Medium term loan from Sundaram Finance Ltd. is secured by hypothecation of vehicles financed by the lender.

g) Working capital loan from State Bank of India, Dhanalakshmi Bank Ltd, Citi Bank NA and Standard Chartered Bank PLC, are Secured by hypothecation by way of first charge on all current assets of the company present and future including stock of goods, book debts and all other movable assets including document of title to goods, on *pari-passu* basis. The loan is further secured by personal guarantees of Shri.Kochouseph Chittilappilly, Managing Director and Smt. Shiela Kochouseph, Director of the company.

3. Company has availed bill-discounting facilities of Rs.500 lakhs each from Small Industries Development Bank of India (SIDBI) and State Bank of India for discounting of suppliers bills. The limit with SIDBI is secured by a second charge by way of hypothecation of all the movable assets including movable plant, machinery, spares, tools, accessories, equipments, computers etc., both present and future and also by personal guarantee of Shri. Kochouseph Chittilappilly, Managaing Director of the Company. The limit with State Bank India is secured by way of extention of securities provided for working capital loan.

4. (a) Contingent liabilities not provided for:-

Particulars	2006-07 (Rs.in lakhs)	2005-06 (Rs.in lakhs)
a) Sales tax matters under dispute	109.57	109.57
b) Entry tax on goods to local area.	5.45	5.45
c) Electricity tax under dispute	-	1.86
d) Open letters of credit for import purchase	7.79	-

(b) During the year, corporate guarantee of Rs.600lakhs (Previous year Rs.700 lakhs) given in favour of banks for loans advanced to Wonderla Holidays Private Limited, a Company in which three of the directors are interested. Cumulative value of Guarantee given on behalf of above company is Rs.5100 lakhs (previous year Rs.4500 lakhs).

5. Estimated amount of contracts remaining to be executed on capital amount and not provided for (net of advances) Rs.1120.07 lakhs (Previous year Rs.42.70 lakhs).

6. As authorized by the shareholders of the Company in the Extra-ordinary General Meeting held on 17th March, 2007, the Board of Directors resolved on 28th March, 2007, to allot 395,760 equity shares of face value Rs.10/- each to employees and past employees.

7. During the year the Company has sold the whole of its investments in Veega Holidays & Parks Private Limited for Rs.780/- lakhs and in Wonderla Holidays Private Limited for Rs.480/- lakhs after approval from shareholders. The profit on sale (net of tax) is disclosed as an exceptional item on the face of Profit and Loss account.

(Rupees in lakhs)

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

Particulars	Units	Opening Stock		Net Turnover		Closing Stock	
		Qty.	Value	Qty.	Value	Qty.	Value
2006-2007							
a) PVC Insulated Cables	K.mts	6,678	349.71	58,332	3,939.47	6,623	386.80
b) Solar Water Heater	Nos.	221	28.44	4,533	943.37	646	83.95
c) Pumps	Nos.	1,711	65.97	4,947	293.12	2,314	109.45
d) Others *					71.31		
Total			444.12		5247.27		580.20
2005-2006							
a) PVC Insulated Cables	K.mts	7,772	341.26	69,547	3,131.70	6,678	349.71
b) Solar Water Heater	Nos.	61	9.15	3,417	540.05	221	28.44
c) Pumps	Nos.	1,068	45.09	4,738	240.24	1,711	65.97
d) Other Items*		-	-	-	65.26	-	-
Total			395.50		3,977.25		444.12

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

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

(i) Stabilizer :

Particulars	2006-07		2005-06	
	Qty (Nos)	Value	Qty (Nos)	Value
Opening Stock	76,688	402.75	81,039	413.57
Purchases	1,139,992	6,246.89	943,545	4,664.54
Net Sales	1,072,227	9,508.65	947,896	7,742.39
Closing Stock	144,453	889.05	76,688	402.75

(ii) Pump:

Particulars	2006-07		2005-06	
	Qty (Nos)	Value	Qty (Nos)	Value
Opening Stock	14,867	360.07	13,205	326.27
Purchases	121,797	2,762.79	105,167	2,206.97
Net Sales	125,199	4,043.46	103,505	3,189.95
Closing Stock	11,465	322.21	14,867	360.07

(iii) Other items *:

Particulars	2006-07		2005-06	
	Qty (Nos)	Value	Qty (Nos)	Value
Opening Stock	—	371.14	—	199.68
Purchases	—	2,478.83	—	1,469.43
Net Sales	—	3428.10	—	2,063.21
Closing Stock	—	585.13	—	371.14

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

9. (a) Particulars in respect of Raw materials consumed:

Particulars	2006-07		2005-06	
	Qty (Kgs)	Value	Qty (Kgs)	Value
Copper	752,196	2,459.74	903,470	1,888.94
PVC	547,654	264.63	626,069	295.07
Others*	--	662.96	--	442.46
Total	--	3,387.34	--	2,626.47

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

10. (a) Salaries and Allowances include the following remuneration paid to Directors including Managing Director.

Particulars	2006-07		2005-06	
	Salary	Perquisites *	Salary	Perquisites *
Managing Director	54.00	0.52	42.00	1.00
Directors	6.73	2.79	5.13	0.25
Total	60.73	3.31	47.13	1.25

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

(b) R&D expenses include salary and allowances of R&D staff amounting to Rs.50.93 lakhs (Previous year: Rs.32.03 lakhs)

11. Legal and professional charges include the following amounts relating to statutory auditors:

Particulars	2006-07	2005-06
a) Audit Fees	6.00	3.20
b) Tax audit fee	1.50	0.90
c) Reimbursement of out of pocket expenses	0.36	0.60
d) Other Services	0.55	0.10
e) Service tax	1.02	0.51
Total	9.43	5.31

(Rupees in lakhs)

12. Particulars in respect of Licensed / Installed capacity (as certified by management and relied upon by auditors) and actual production of PVC insulated electrical cables:

Particulars	2006-07	2005-06
	Qty (Mts.)	Qty (Mts.)
Licensed installed capacity	148,968,000	148,968,000
Actual production (in 1 and 1.5 sq mm dia.)	70,177,384	84,578,464

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

13. C.I.F Value of imports:

Particulars	2006-07	2005-06
Raw materials and Components	131.56	59.54
Capital goods	2.21	25.23
R & D expenses	0.22	—
Finished goods	-	18.81
Total	133.99	103.58

14. Expenditure in foreign currency:

Particulars	2006-07	2005-06
Travelling expenses	0.23	0.44

15. Consumption of raw materials

Particulars	2006-07		2005-06	
	Value	%	Value	%
Imported	116.31	3	64.63	2
Indigenous	3,271.03	97	2,561.84	98
Total	3,387.34	100	2,626.47	100

16. Earnings in foreign currency:

Particulars	2006-07	2005-06
F.O.B value of exports	3.62	5.30

(Rupees in lakhs)

17. The name of small scale industrial undertaking whose balance is outstanding for more than 30 days –Calyx International.

The disclosure relating to small scale industrial undertakings is based on information compiled by the management on enquiries made with the creditors.

The Company has not received any intimation from its vendors regarding their status under Micro, Small & Medium Enterprises Development Act, 2006 and hence disclosures, if any, required under the said Act have been made, only to the extent available.

18. Interest on unsecured loans paid to Managing Director during the year is Rs.4.60 lakhs (Previous Year : Rs. 3.36 lakhs).

19. Notes on Cash Flow Statement:

- a) The Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard – 3 on “Cash Flow Statements” issued by the Institute of Chartered Accountants of India.
- b) Cash and cash equivalents include fixed deposits of Rs.14.56 lakhs (Previous year Rs.6.18 lakhs), which has been given as security against guarantees and Letter of credit issued by State Bank of India and Dhanalakshmi Bank Ltd., not available for use by the company.

20. Interest on borrowed funds for construction of building amounting to Rs. Nil /-(Previous Year- Rs. 1.37 lakhs) has been capitalized.

21. Disclosure relating to business segments:

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

Business Segment	Types of Products
Electronics	Voltage Stabilizers & UPS
Electrical / Electro Mechanical Products	PVC Insulated Cables, Pumps, Water Heaters and Fans.
Others	Solar Water Heaters, Water Level Controller, Windmill Energy etc.

- d) The Segment revenues, results, assets and liabilities include the respective amounts identifiable to each of the segment and amounts allocated on a reasonable basis.

(Rupees in lakhs)

e) Primary Business Segment information:

	Electronics		Electrical / Electro Mechanical		Others		Consolidated Totals	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Segment Revenues:								
External Sales	10304.30	8196.12	10584.63	7821.31	1338.55	955.38	22227.48	16972.80
Inter segment sales	--	--	--	--	--	--	--	--
Total Revenue	10304.30	8196.12	10584.63	7821.31	1338.55	955.38	22227.48	16972.80
Result:								
Segment result	1639.36	1258.33	866.30	482.73	(6.74)	(22.16)	2498.91	1718.90
Other Income	4.65	2.10	24.66	4.13	13.47	6.81	42.78	13.04
Unallocated corporate income	--	--	--	--	--	--	10.39	30.66
Unallocated corporate expenses	--	--	--	--	--	--	168.98	113.15
Operating profit	1644.01	1260.43	890.96	486.86	6.73	(15.35)	2383.10	1649.45
Financial expenses	--	--	--	--	--	--	364.19	253.94
Interest Income	--	--	--	--	--	--	4.99	4.35
Dividend Income	--	--	--	--	--	--	26.00	26.00
Provision for Taxes	--	--	--	--	--	--	717.68	505.38
Profit from ordinary activities	1644.01	1260.43	890.96	486.86	6.73	(15.35)	1332.22	920.48
Exceptional item- Profit on sale of long term investments(Net of tax)	--	--	--	--	--	--	491.70	--
Net Profit	1644.01	1260.43	890.96	486.86	6.73	(15.35)	1823.92	920.48
Other information:								
Segment assets	1860.28	744.85	4659.65	3385.28	777.22	637.57	7297.15	4767.71
Unallocated corporate assets	--	--	--	--	--	--	4183.33	3757.56
Total Assets	1860.28	744.85	4659.65	3385.28	777.22	637.57	11480.48	8525.27
Segment liabilities	263.50	125.85	736.75	276.72	174.26	196.07	1174.52	598.65
Unallocated corporate liabilities	--	--	--	--	--	--	6078.80	4636.36

(Rupees in lakhs)

	Electronics		Electrical /Electro Mechanical		Others		Consolidated Totals	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Total Liabilities	263.50	125.85	736.75	276.72	174.26	196.07	7253.32	5235.01
Capital expenditure	-	-	125.76	24.34	60.64	32.41	186.40	56.75
Unallocated capital expenditure	-	-	-	-	-	-	395.32	1362.38
Total Capital expenditure	-	-	125.76	24.34	60.64	23.41	581.72	1419.13
Depreciation	-	-	89.14	87.86	36.36	32.00	125.50	119.86
Unallocated depreciation	-	-	-	-	-	-	168.98	113.15
Total Depreciation	-	-	89.14	87.86	36.36	32.00	294.48	233.01
Non cash expenses other than depreciation	-	-	-	-	-	-	-	-

f) The Company's operations are mainly in India. Accordingly separate secondary segment information is not applicable.

22. Related party disclosures:-

a) The Related Parties of the Company are as follows:

(i) Associate companies	Veega Holidays & Parks Private. Limited, Wonderla Holidays Private Limited and V- Star Creations (P) Ltd.
(ii) Key management personnel	Kochoseph Chittilappilly, Managing Director
(iii) Relatives of Key management personnel	Sheela Kochoseph (wife), Arun K.Chittilappilly and Mithun K.Chittilappilly (sons)
(iv) Companies in which the Key management personnel and his relatives have substantial interest	Veega Holidays & Parks Pvt. Ltd, Wonderla Holidays Private Limited and V- Star Creations (P) Ltd.

(Rupees in lakhs)

b) The nature and volume of the transactions of the Company during the year, with the related parties are as follows:

Particulars	Associate Companies		Key Management Personnel		Relatives of Key management personnel	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Transactions during the year						
Rent received	0.76	0.36	--	--	--	--
Corporate guarantee fee received	0.86	0.66	--	--	--	--
Dividend received	26.00	26.00	--	--	--	--
Sale of investments	--	--	420.00	--	840.00	--
Salary and benefits	--	--	54.52	43.00	--	--
Royalty	--	--	--	30.92	--	--
Rent paid	--	--	15.60	15.60	4.95	7.20
Interest on Unsecured loan	--	--	4.60	3.36	4.38	3.25
Dividend paid	--	--	305.86	89.96	714.03	210.01
Investments	--	100	--	--	--	--
Trademark acquired	--	--	--	1000.00	--	--
Share Capital (Bonus Shares)	--	--	539.76	--	1260.06	--
Unsecured Loans :						
Availed during the year	--	--	714.72	340.03	1,154.67	145.00
Repaid during the year	--	--	837.53	279.66	1190.79	171.60
Personal guarantee provided during the year	--	--	2500.00	1400.00	2500.00	1400.00
Cumulative value of personal guarantees / Collateral securities provided	--	--	7150.00	4650.00	6650.00	4150.00
Corporate guarantee provided	5100.00	4500.00	--	--	--	--
Balance at the year end :						
Unsecured Loans	--	--	--	(122.81)	--	(36.12)

Note: (1) No amounts pertaining to the related parties have been written off / written back during the current year.
(2) Actual liability against personal guarantees including collateral security of personal properties is Rs.4,553.43 lakhs (Previous year : Rs.3,284.50 lakhs)
(3) Key Management Personnel has substantial interest in all the associate companies.

23. Earnings Per Share is computed as under

Particulars	2006-2007	2005-2006
Profit attributable to equity shareholders (A)(Rs. in Lakhs)	1,823.93	920.48
Weighted average number of equity shares outstanding (B)	210.04	210.00
Basic/ Diluted earnings per share of Rs.10/- each (A/B) (in Rs.)	8.68	4.38

24. Break up of Deferred Tax Assets and Liabilities as at 31st March, 2007

Particulars	Up to 31.03.2006	For the year 31.03.2007	Balance as on 31.03.2007
Timing differences resulting in:			
Deferred Tax Liabilities:			
Amortisation	406.38	39.44	445.82
Total	406.38	39.44	445.82
Deferred Tax Assets:			
Expenditure under Section 43B of the Income Tax Act	28.38	8.23	36.61
Total	28.38	8.23	36.61
Net Deferred Tax Liability	378.00	31.21	409.21

25. The year-end foreign currency exposure, which is not hedged by derivative instrument or otherwise on account of advance received from customer is as follows:

Currency	Amount	Indian Rupees
USDollar	7841	3.44 (Lakhs)

26. Previous year's figures have been re-grouped and re-classified wherever necessary.

For and on behalf of the Board of Directors

Sd/-
KOCHOUSEPH CHITILAPPILLY
Chairman & Managing Director

Sd/-
K. VIJAYAN
Director

Sd/-
R. KRISHNA IYER
Director

Place : Kochi
Date : 29th May 2007

BALANCE SHEET ABSTRACT AND A COMPANY'S GENERAL BUSINESS PROFILE

I REGISTRATION DETAILS

Registration No. 0 1 0 0 1 0 State Code 0 9

Balance Sheet Date 3 1 0 3 0 7

Date Month Year

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

Public issue	Rights Issue
□ □ □ N I L □ □ □ □	□ □ □ N I L □ □ □ □
Bonus Issue	Private Placement
□ □ □ 1 8 0 0 0 0	□ □ □ □ □ 3 9 5 8

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS :

(Amount in Rs. Thousands)

Total Liabilities	Total Assets
□ □ □ 7 8 3 3 9 3	□ □ □ 7 8 3 3 9 3
Sources of Funds	

Paid - up Capital	Reserves & Surplus
□ □ □ 2 1 3 9 5 8	□ □ □ 1 6 7 8 3 7
Secured Loans	Unsecured Loans
□ □ □ 3 6 0 6 7 7	□ □ □ N I L □ □ □ □
Deferred tax liability	
□ □ □ □ 4 0 9 2 1	

APPLICATION OF FUNDS

Net Fixed Assets	Investments
□ □ □ 4 0 0 7 2 0	□ □ □ N I L □ □ □ □
Net Current Assets	Misc. Expenditure
□ □ □ 3 8 2 6 7 3	□ □ □ N I L □ □ □ □
Accumuated Losses	
□ □ □ □ □ □ N I L	



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

Turn over

		2	2	3	1	1	6	5
--	--	---	---	---	---	---	---	---

Porfit/Loss Before Tax

		+	2	6	4	9	9	0
--	--	---	---	---	---	---	---	---

Earning per share in Rs.

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

Total Expenditure

		2	0	2	6	1	7	5
--	--	---	---	---	---	---	---	---

Profit /Loss After Tax

		+	1	8	2	3	9	3
--	--	---	---	---	---	---	---	---

Dividend % (Final Dividend)

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

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

Item Code No. (ITC Code)

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

V	O	L	T	A	G	E	S	T	A	B	I	L	I	S	E	R	S
	B	E	L	O	W		1	0	0	0		V	O	L	T	S	

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

V	O	L	T	A	G	E	S	T	A	B	I	L	I	S	E	R	S
	A	B	O	V	E		1	0	0	0		V	O	L	T	S	

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

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

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

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

For and on behalf of the Board of Directors

Sd/-

KOCHOUSEPH CHITTILAPPILLY
Chairman & Managing Director

Sd/-

K. VIJAYAN
Director

Sd/-

R. KRISHNA IYER
Director

Place : Kochi,
Date : 29th May 2007

V-GUARD INDUSTRIES PRIVATE LIMITED

Regd. Office : 44/875, LFC ROAD, KALOOR, KOCHI - 682 017.

ATTENDANCE SLIP

Name & Address of the Shareholder

Master Folio Number

--

Number of Shares held

--

I hereby record my presence at the Eleventh Annual General Meeting of the Company held at the Conference Hall, 44/636, Sastha Temple Road, Kaloor, Kochi - 682 017, on Monday, the 16th July 2007 at 11 A.M.

Signature of the attending member or Proxy

--

TEAR HERE

V-GUARD INDUSTRIES PRIVATE LIMITED

Regd. Office : 44/875, LFC ROAD, KALOOR, KOCHI - 682 017.

PROXY FORM

I/We of
..... in the district of being a Member/Members of the
above named company, hereby appoint of in
the district of or falling him of
..... in the district of as my/our Proxy to attend and
vote for me/us and on my/our behalf at the Eleventh Annual General Meeting of the Company held at the Conference
Hall, 44/636, Sastha Temple Road, Kaloor, Kochi - 682 017, on Monday, the 16th July 2007 at 11 A.M. and at any
adjournment thereof.

Signed this..... day of2007

Reference Folio :

No. of Shares :

Affix a 1 Rupee Revenue Stamp
--

NOTE : The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than FORTY-EIGHT hours before the time for holding the aforesaid meeting.