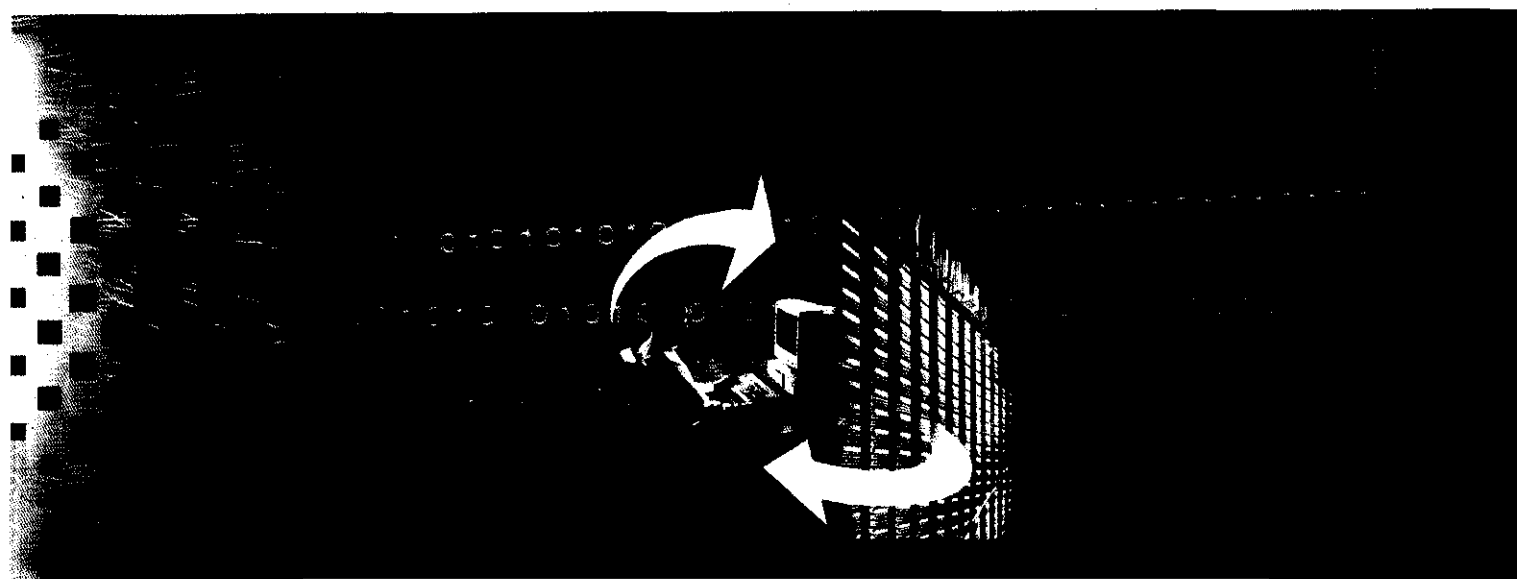
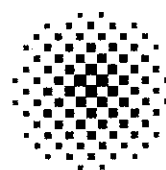


Eleventh Annual Report 1999



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KRONE at home everywhere
in the world of communications



KRONE

BOARD OF DIRECTORS

Mr. Manfred Schneider (Chairman)

Mr. Herbert F Kroll

Mr. Robert Fitzgerald

Mr. C.R. Dua

Mr. Sanjoy Das Gupta

CHIEF EXECUTIVE OFFICER

Mr. K. Bala Chandran

**GENERAL MANAGER-FINANCE
AND COMPANY SECRETARY**

Mr. R. Ganesh

REGISTERED OFFICE AND FACTORY30 (C), II Phase, Peenya
Bangalore 560 058**CORPORATE OFFICE**43, Hosto Centre, III Floor,
Millers Road, Bangalore 560 052**AUDITORS**M/s. Bharat S Raut & Co.
Chartered Accountants**BANKERS**Canara Bank
Deutsche Bank**LEGAL ADVISORS**Dua Associates
Mulla & Mulla & Craigie Blunt & Caroe.**REGISTRAR & SHARE TRANSFER AGENTS**M/s. Karvy Consultants Limited
TKN Complex,
No. 51/2 Vanivilas Road
Opp. National College,
Basavanagudi,
Bangalore 560 004.

NOTICE TO MEMBERS

Notice is hereby given that the Eleventh Annual General Meeting of KRONE Communications Limited will be held on Wednesday, the 28th June 2000 at 10.00 a.m at Hotel Atria, No. 1, Palace Road, Bangalore 560 001, to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended 31st December 1999, the Balance Sheet as at that date and the Reports of the Directors and the Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. Herbert F Kroll who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. C.R. Dua who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors – The retiring Auditors, M/s Bharat S Raut & Co., Chartered Accountants

do not wish to offer themselves for re-appointment. The Board of Directors recommend M/s. Deloitte Haskins & Sells, Chartered Accountants be appointed as Auditors of the Company. M/s. Deloitte Haskins & Sells are eligible for appointment and confirmed their willingness to accept the office, if appointed.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modification, the following resolution as Ordinary Resolution :

“RESOLVED that Mr. Robert Fitzgerald be and is hereby appointed a Director of the Company”.

BY ORDER OF THE BOARD

R. Ganesh
General Manager - Finance and
Company Secretary

Place : Bangalore
Date : February 28, 2000

NOTES:

1. The relative Explanatory Statements pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Special Business under Sl. No. 5 is annexed hereto.
2. A member entitled to attend and vote at this Meeting is entitled to appoint a Proxy to attend and vote instead of himself and Proxy need not be a Member of the Company.
3. The instrument appointing a Proxy should be deposited at the Registered Office of the Company not less than 48 hours before the meeting.
4. The Register of Members and the Share Transfer Books of the Company will be closed from 20.06.2000 to 28.06.2000 (both days inclusive).
5. Members are requested to notify immediately any change in their addresses directly to Company's Registrar.

BY ORDER OF THE BOARD

R. Ganesh
General Manager - Finance and
Company Secretary

Place : Bangalore
Date : February 28, 2000

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT 1956

SL.NO. 6

Mr. Robert Fitzgerald was appointed as Additional Director with effect from 28th July 1999 and vacates his office at this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 and Articles of Association of the Company. A notice under Section 257 of the said act has been received from a Member signifying his intention to propose the name of Mr. Robert Fitzgerald for appointment as a Director of the Company. Mr. Robert Fitzgerald has filed with the Company his consent to act as a Director.

The Directors recommend his appointment as a member of the Board in the interest of the Company. None of the Directors except Mr. Robert Fitzgerald is concerned or interested in the resolution.



MESSAGE FROM THE CEO

Dear Shareholders,

The developments around the world, in the field of communications are astounding. Considering the digital convergence of voice, fax and data it is perhaps apt to say that 'morse' has given way to the 'mouse'. What I am implying is the overwhelming growth of data communications over voice communications.

In the past year, the efforts of the Company was two-pronged in that we had to gain inroads into the data cabling market and also target growth in the highly competitive telecom market.

As you are aware, the acquisition of the Krone Group by GenTek Inc., of USA, strengthened the market position of Krone in India, as elsewhere in the world. A formidable synergy in Voice and Data transport solutions was achieved between Krone & Prestolite Wire Corporation a multi location cable manufacturing company and an associate of GenTek. This helped us launch in India a unique high-end cabling system called 'TrueNet' during November 1999. Brand recognition in the market has since grown considerably. This will help us foster channel partnerships and presence across all regions in the country.

On the telecom front, one sees signs of constructive alignments within both the DoT and Private sector. The formation of the Department of Telecom Services would perhaps pave way for a more level playing field, which has been the bone of contention of private operators. As I say this, the sector still reels under very stiff price sensitivity, making it virtually impossible to make the market perceive value for price in the short term. This has in no way diluted our efforts to focus on new products which we started last year. The new high-density jumper-less

MDF is presently under installation for trials by the Telcom Engineering Centre.

Export markets within the Asia-Pacific region continue to be successfully addressed by the Company. In some of these products we will increase localization during the coming months.

One sees agitated discussions between the so called 'new-economy' and 'old-economy' in recent times. In the generally understood term, though our Company classifies under the traditional 'old-economy' manufacturing companies, we strongly realize that the only differentiating factor in the future would be the Company's level of IT enablement of its operations.

To fulfill this, the company will execute various IT initiatives, during the course of the coming year.

I am also pleased to inform you that the manufacturing facility at Peenya will shift to a new and larger premises very soon providing scope for growth in the future.

Our Company is committed to honing its efficiency and effectiveness continuously and we realize that the only constant in business is change.

I would like to thank the Shareholders and the Board for extending their support in our endeavour to counter the business challenges that faced our Company during the last year.

K Bala Chandran
Chief Executive Officer

Place : Bangalore
Date : February 28, 2000

DIRECTORS' REPORT

To the Members,

The Board of Directors of your Company has pleasure in presenting the Eleventh Annual Report on the business and operations, including the financial statements for the year ended December 1999.

FINANCIAL RESULTS

(Rs. in lakhs)

	Year Ended 1999	Year Ended 1998
Gross Revenue	5752.17	3610.80
Profit before depreciation	1348.83	456.64
Less : Depreciation	72.81	59.11
Net Profit for the year before Taxation	1276.72	397.53
Provision for Taxation	537.73	148.87
Profit after tax	738.99	248.66
Add : Profit brought forward from previous year	1024.58	842.86
Profit available for Appropriation	1763.57	1091.52
Appropriation General Reserve	36.92	6.22
Dividend Proposed	69.00	55.20
Income Tax on proposed dividend	8.14	5.52
Balance carried to Balance Sheet	1649.51	1024.58
	1763.57	1091.52

The new Governments' agenda spelt emphasis on infrastructure and acceleration of reforms. The Index for Industrial Production recorded a perceptible growth relative to 1998. The telecom sector

experienced appreciable activity after some years of lull. This presented with increased opportunities for the Company. This is reflected in its performance for this year, which crossed the Rs.50 Crore mark for the first time.

The Company sustained its major presence in the C-DoT sector, with continued Orders from HTL.

Private telecom operators who were waiting in the wings for a couple of years, showed progress in planning and executing their Networks towards the later part of 1999. This presented with opportunities for Krone to make a beginning in this new market.

With the establishment of a reliable chain of Distributors, System Integrators and Value Added Resellers, the PremisNET range of cabling solutions brought some key wins. Though the market is rife with competition and severe price drops, Krone is striving to seek a niche by virtue of its unique product portfolio and increased marketing communications.

The major highlight of the year was Krone AGs' acquisition by the US based GenTek Group. With a synergy between the cable manufacturing capabilities of Prestolite Wire Corporation (an associate company of GenTek) and Krone it was possible to create a unique market position for its voice and data transport solutions globally. Krone in India - as a part of a worldwide exercise - launched the TrueNET programme during November 99 as an extension to its existing suite of PremisNET cabling solutions.

In an act of global consolidation, Krone AG (joint stock company) now stands converted into Krone GmbH (limited liability company).

DIVIDEND

The Company has posted an appreciable growth both in revenues and profits. However the Board

also recognises the need for re-investing accruals to upgrade manufacturing infrastructure and create additional product lines. This is crucial for continued success.

Considering the above, your Directors propose a Dividend of 15% for the year ended December 1999, if approved by the shareholders, at the forthcoming Annual General Meeting.

STRATEGY & OPERATIONS

The Company sees a continued need to make tactical and strategic moves to be competitive in the Telecom sector. This applies to the enterprise as a whole. Re-engineering of the business processes to suit the changes and demands in the market place will be the focus for the current year. Towards this end an enterprise resource planning system is being considered.

In the IT/ Networking sector, the company considers a need to increase its presence through more channel partnerships and distribution for its Cabling Products. The IT revolution being witnessed all around is a good indicator of the potential growth. This will call for additional expertise in regional marketing capabilities within the country. The Company will address this during the current year.

DIRECTORS

Mr. John Heugle stepped down from the Board as a Director. In his capacity as a Regional Director for the Group in Asia Pacific, he played an important role in consolidating the Indian operations within the Asia Pacific. The Board on behalf of the Management & Staff of the Company wishes to place on record its appreciation for the services rendered by him.

Mr. Robert Fitzgerald in his capacity as the Regional Director, Profit Centre Asia Pacific now joins the Board. He has over 19 years of service within the group and was largely responsible for establishing Krone's presence in various Australasian markets.

Dr. Bernhard Matzner and Mr. Wilfried Apel have ceased to be alternate Directors.

PERSONNEL

The appreciable improvement in the Company's performance on all fronts reflects the commitment and hard work of the employees and management of the Company. On behalf of the shareholders the Board of Directors wish to convey their sincere thanks to each of the Company Staff.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956 read with the Rules framed thereunder forms a part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all shareholders of the Company excluding the statement of particulars of employees under Section 217(2A) of the Act. Any shareholder interested in obtaining a copy of this statement may write to the Company Secretary at the Corporate Office or e-mail to:

ganesh.r@krone.com

AUDITORS

M/s Bharat S Raut & Co., Chartered Accountants retire as Auditors of the Company at the conclusion of this AGM and do not wish to offer themselves for re-appointment. The Board now recommends the appointment of M/s Deloitte Haskins & Sells as the

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