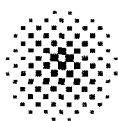
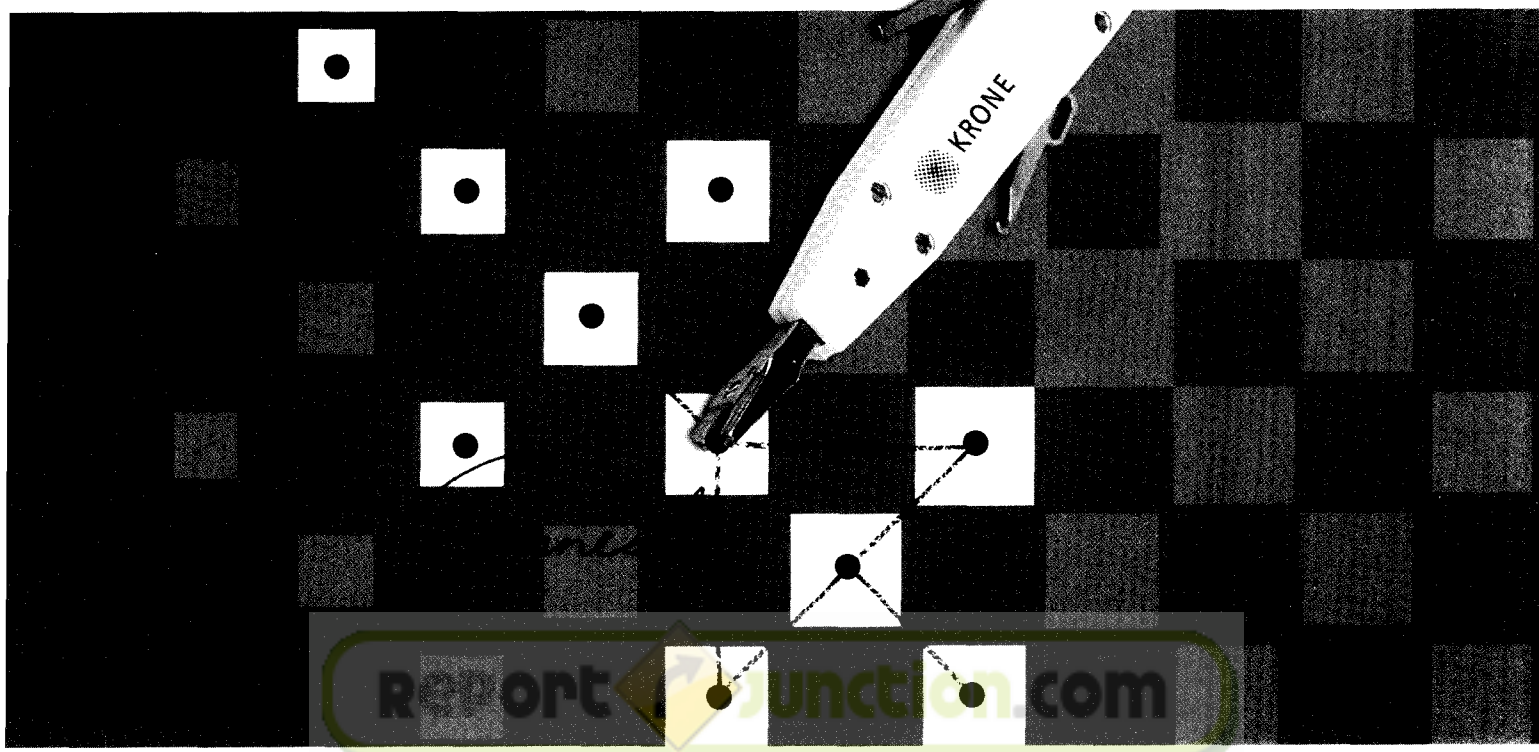


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KRONE

KRONE Communications Limited



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	Corporate Office
	43, Hosto Centre, III Floor Millers Road, Bangalore - 560 052
	Auditors
	M/s. Deloitte Haskins & Sells Chartered Accountants
	Bankers
	Canara Bank Deutsche Bank
	Legal Advisors
	Dua Associates
	Registrar & Share Transfer Agents
	M/s. Karvy Consultants Limited TKN Complex No. 51/2 Vanivilas Road, Opp. National College, Basavanagudi, Bangalore 560 004.

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NOTICE TO MEMBERS

Notice is hereby given that the 15th Annual General Meeting of KRONE Communications Limited will be held on at Friday, April 23, 2004 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 2003, 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. S. Rajagopalan, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.
The retiring auditors M/s. Deloitte Haskins & Sells, Chartered Accountants, being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modification, the following resolution as ordinary resolution:
"RESOLVED that Mr. Arun Thiagarajan, who was appointed as an Additional Director and who holds office up to the date of this Annual General Meeting be and is hereby appointed as a Director of the Company."
6. To consider and, if thought fit, to pass with or without modification, the following resolution as ordinary resolution:
"RESOLVED that Mr. H.C. Kishore Chandra, who was appointed as an Additional Director and who holds office up to the date of this Annual General Meeting be and is hereby appointed as a Director of the Company."
7. To consider and, if thought fit, to pass with or without modification, the following resolution as a special resolution:
"RESOLVED that pursuant to the provisions of section 17 of the Companies Act, 1956, the objects

clause III (A) of the Memorandum of Association of the Company be altered by insertion of the following new clause 3 after the existing clause 2:

"3. To carry on the business of designing, manufacturing and marketing of products, components, solutions and services in the field of communications, transport and appliances".

8. To consider and, if thought fit, to pass with or without modification, the following resolution as a special resolution:

"RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and is hereby amended in the following manner:

The following new Article 12 be substituted for the existing Article 12 and the marginal note viz. 'Power of Company to purchase its own shares' be substituted for the existing marginal note viz. 'Restriction on purchase by Company or loans by Company for purchase of its own shares':

"Notwithstanding anything contained in the Articles, the Company shall be entitled to purchase its own shares or other securities, subject to such limits, upon such terms and conditions and subject to such approvals as required under Section 77A and other applicable provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992, the Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998 and any amendments, modifications, re-promulgations or re-enactments thereof".

9. To consider and, if thought fit, to pass with or without modification, the following resolution as a special resolution:
"RESOLVED that approval be and is hereby given pursuant to Section 149 (2A) of the Companies Act, 1956 to the commencement of business of designing, manufacturing and marketing of products, components, solutions and services in the field of communications, transport and appliances".
10. To consider and if thought fit, to pass with or without modification, the following as a Special Resolution:

"RESOLVED that sanction be and is hereby accorded to de-list the equity shares of the company from Bangalore and Delhi stock exchanges and that the Board of Directors be and are hereby authorised to take such steps as are necessary to get the shares de-listed from the said exchanges".

By Order of the Board

R. Ganesh

Vice President - Finance
and Company Secretary

Place : Bangalore

Date : January 31, 2004

NOTE:

1. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a Member of the Company.
2. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
3. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, relating to items of Special Business is annexed hereto.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 15.04.2004 to 23.04.2004 (both days inclusive).
5. Dividend if declared, will be paid on or before the specified time limit to those Members whose name appear in the Register of Members of the Company as on 15.04.2004. In respect of shares held in electronic form, dividend will be payable on the basis of beneficial ownership as per the details furnished by NSDL and CDSL for this purpose.
6. Since SEBI has made it mandatory for distributing dividends through Electronic Clearing Services (ECS), the Company will use the bank account details furnished by the Depositories for distributing the dividends to the shareholders holding shares in the electronic form. Members are requested to notify any change in their Bank account details to their Depository Participant immediately.
7. Members are requested to notify immediately any change in their registered address and the bank mandate details (form enclosed) to the Company's

Share Transfer Agent (for shares held in physical form) and to Depository Participants (for shares held in electronic form).

8. The item of business listed at serial no. 7 requires consent of shareholders through postal ballot (postal ballot form enclosed).
9. Pursuant to the provisions of section 205C of the Companies Act, 1956 the amount which were lying unclaimed for a period of seven years on the dividend declared for the year 1995 has been transferred to Investor education and Protection Fund (IEPF) during October, 2003.
10. Pursuant to the provisions of section 205 A(5) of the Companies Act, 1956, as amended, and with the introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividends for the financial year ended 1996 and thereafter which remains unclaimed for a period of 7 years from the date of transfer to the Unpaid Dividend Account of the Company shall be transferred to the Investor education and Protection Fund established by the Central Government. Shareholders, who have not yet encashed, may make their claim to the Company/ Share Transfer Agent, without any delay. According to the provisions of the Companies Act, 1956 no claims can be made either against the said Fund or on the Company for the amounts of dividend so transferred to the said Fund.
11. Reappointment of Director:

At the ensuing Annual General Meeting, Mr. S Rajagopalan retires by rotation and being eligible, offers himself for reappointment. Mr. S Rajagopalan, aged 63 years is the former Chief Executive officer and Chairman of the Board of Directors of Mahanagar telephone Nigam Limited (MTNL). MTNL is a premier Public Sector Company, which runs telephone, and telecom services in India. He was responsible for conceiving the vision and mission of this Company and driving it to be the leading telecommunication company in the country. He joined the Company as Additional Director on July 24, 2002 and was co-opted on the Board of Directors of the Company as a Director effective April 28, 2003. He possesses rich business and managerial experience.

He is Chairman of the Shareholders/ Investors Grievance Committee and member of the Audit Committee constituted by the Company.

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EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT 1956**ITEM NO. 5**

Mr. Arun Thiagarajan was appointed as an Additional Director at the Board Meeting held on October 20, 2003 and vacates his office at this Annual General Meeting pursuant to section 260 of the Companies Act, 1956 and the 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. Arun Thiagarajan for appointment as a Director of the Company. Mr. Arun Thiagarajan has filed with the Company his consent to act as a Director.

Mr. Arun Thiagarajan born on September 7, 1944 started his career with Asea AB Vasteras, Sweden in 1969. In 1975 he became the Managing Director of Flakt India Ltd. In 1984 he was recalled to Asea to head their India operations in Bangalore. With the merger of Asea, Sweden and Brown Boveri, Switzerland in January 1988 he was appointed as the Deputy Managing Director of Asea Brown Boveri Ltd at Bangalore. From 1994 to 1998, he was the Managing Director and Country Manager of the Company. In 1999 he joined Wipro Ltd as Vice-Chairman heading the Wipro Infotech Group. He joined Hewlett-Packard India Pvt Ltd as President in January 2001 and continued till July 2002. He is presently an advisor and /or Board Member in Companies ING Vysya Bank Ltd, PSI Data Systems Ltd, Alstom Projects Ltd and Chairman of WEP Peripherals Ltd. He has been active in The Confederation of Indian Industries as well. He is the Chairman of Compensation and Benefits Committee and member of Admin and Investor Relation Committee of WEP Peripherals Ltd. He is also a member of the Audit Committee of your company.

Mr. Arun Thiagarajan's varied experiences would be a great source of support and will contribute to the progress of the Company. Your Directors recommend his appointment as a member of the Board in the interest of the Company.

None of the Directors except Mr. Arun Thiagarajan are concerned or interested in the resolution.

ITEM NO. 6

Mr. H.C. Kishore Chandran was appointed as an Additional Director at the Board Meeting held on January 31, 2004 and vacates his office at this Annual General

Meeting pursuant to section 260 of the Companies Act, 1956 and the 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. H.C. Kishore Chandra for appointment as a Director of the Company. Mr. H.C. Kishore Chandra has filed with the Company his consent to act as a Director.

Mr. H.C. Kishore Chandra, IPS, born on May 22, 1959 is the Managing Director of Karnataka State Electronics Development Corporation Ltd (KEONICS), Bangalore. He joined KEONICS as its Managing Director on October 31, 2003 and consequently he has been appointed as the nominee Director of KEONICS on the Board of the Company.

The Directors recommend his appointment as a member of the Board in the interest of the Company.

None of the Directors except Mr. H.C. Kishore Chandra are concerned or interested in the resolution.

ITEM NO. 7

The Company expects business opportunities for designing, manufacturing and marketing of products, components, solutions and services in the field of communications, transport and appliances. This new business can be conveniently and advantageously combined with the existing business of the Company. Your Directors recommend that the proposed resolution be adopted in the interest of the Company.

In accordance with the Companies (Passing of the Resolutions by Postal Ballot) Rules 2001, the said item is required to be transacted by Postal Ballot Process.

None of the Directors are concerned or interested in the proposed resolution.

ITEM NO. 8

The proposed amendment to Article 12 is based on Section 77A of the Companies Act, 1956, pursuant to the Companies (Amendment) Act, 1999 and the Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998. The amendment would enable the Company to buy-back its shares or other securities if so required, at any time.

None of the Directors are concerned or interested in the proposed resolution.

**ITEM NO. 9**

Your Directors propose that the Company do commence business relating to manufacture of connectors and accessories thereof used in automobile, appliance and other industries as set out in the resolution. In terms of the requirement of Section 149 (2A), the Company is required to approve the commencement of such business by a special resolution passed in the General Meeting in that behalf, Hence this resolution.

None of the Directors are concerned or interested in the proposed resolution.

ITEM NO. 10

The equity shares of your Company are presently listed on The Stock Exchange, Mumbai, Bangalore Stock Exchange Limited and The Delhi Stock Exchange Association Limited. Trading volumes on the Bangalore and Delhi Stock Exchange in the Company's shares are very low. As per the guidelines issued by Securities Exchange Board of India (SEBI) for de-listing, the company has got an option to de-list from one or more stock exchanges other than the stock exchanges

having nationwide trading terminals. The Bombay Stock Exchange (BSE) has got countrywide network for trading of listed shares.

Taking into account the administrative cost and other expenses that are being incurred, it is considered desirable to de-list the company's shares from Bangalore and Delhi Stock Exchange. This will not result in any inconvenience to any of the members, as company's shares will continue to be listed in Bombay Stock exchange.

The proposed de-listing is in the interest of the Company and the Board commends the resolution for your approval.

None of the Directors of the company is concerned or interested in the resolution.

By Order of the Board

R. Ganesh

Vice President - Finance
and Company Secretary

Place : Bangalore
Date : January 31, 2004

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MESSAGE FROM THE MANAGING DIRECTOR

Dear Shareholder,

The Indian economy is on a path of resurgence. A key factor to this progress can certainly be attributed to Communications & IT. Both of these have touched our lives in such a pervasive manner that, for many of us they are akin to water, power, electricity & transportation.

Unparalleled growth, always brings with it unique business challenges too. Our Company is currently at crossroads in dealing with the following market situations:

1. While wireline voice services will have negative growth, wireless services will reach robust growth rates of close to 90%, because of falling tariffs & lower costs. The role of physical connectivity is rather limited in a wireless network and KRONE has traditionally been a player only in this domain.
2. In the current competitive climate operators will make careful decisions about how and where to expand, what technologies to deploy, and which business models make the most sense. Broadband technology therefore is the apparent next step and favorable returns on broadband investments will be the top priorities. Much of this will have to do with wireline copper and fibre infrastructure. KRONE is evolving a Broadband product strategy and India will be a cornerstone in this.
3. As telephony impacts IT the Networking market which has already turned crowded and competitive, will only get more fierce with each player vying for market share. As a rebound price levels would drop and margin erosion would be a threat.

It is in this background that the company recorded a revenue growth of 5% in the AccessNET business and 26% in PremisNET during the last year.

In such a scenario the traditional models of competitive advantage will not be sustainable. Our Company will pursue distinctive ways of competing by addressing the following:

1. Operational effectiveness by assimilating, attaining and extending best practices across several processes within the organization.
2. Create a unique and sustainable competitive position by leveraging technology, low cost manufacturing and collaborative product development within the group.
3. Strengthen the distribution channel for our PremisNET business at the regional and/or national level supported by focused marketing.

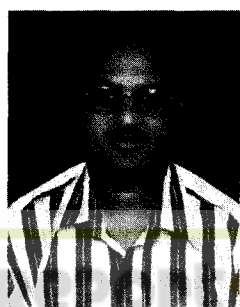
In terms of resources, people skills and support from the group and parent we are well oriented to address these during the course of this year.

I would like to record my appreciation for the contribution and commitment of the Company's staff and support and directions of the Board during another challenging year that passed by.

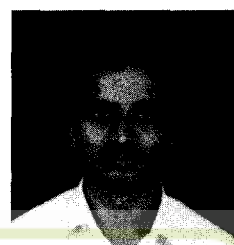
Thank you!

K. Bala Chandran
Managing Director

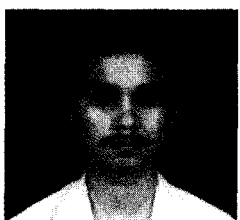
Best Effort for Excellence



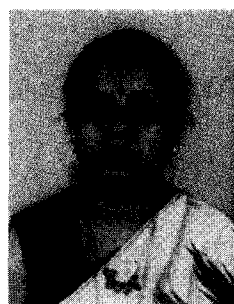
MAHADEV S. MAGGI



NITYANANDA DESHIK V.T



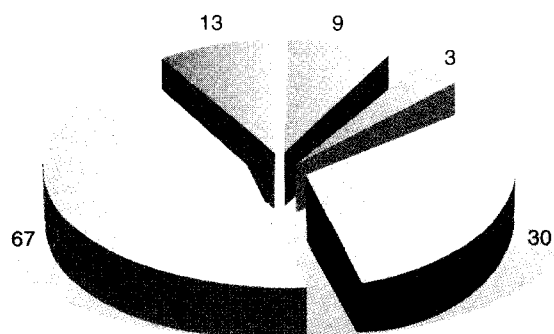
PAPPU YADAV



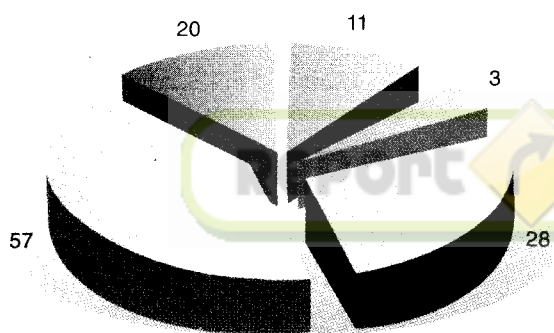
MALINI G

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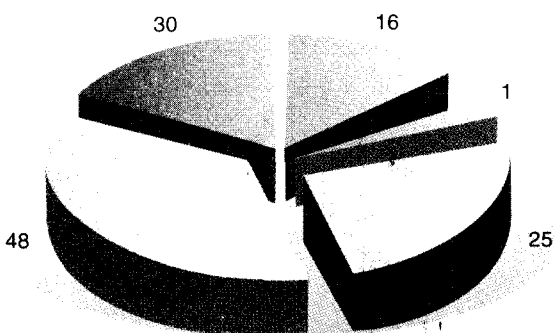
HUMAN CAPITAL



2001



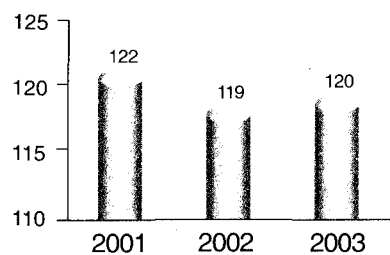
2002



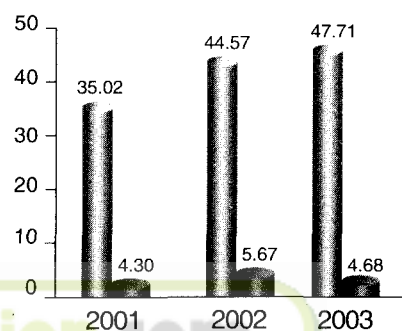
2003

Less than 25 years
30 to 35 years
More than 40 years
25 to 30 years
35 to 40 years

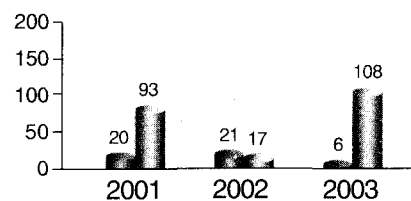
No. of Employees in Different Age Groups



No. of Employees

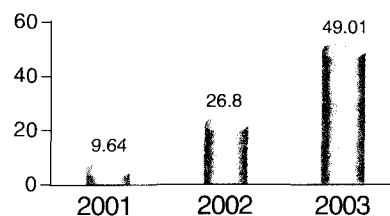


Average Revenue & Profit per Employee
(Rs. in Lakhs)



No. of Training Programmes No. of People Attended

Training Programmes



* ERP Implementation

IT Spending (Rs. in Lakhs)



DIRECTORS' REPORT

To the Members,

The Board of Directors of your Company has pleasure in presenting the Fifteenth Annual Report on the business and operations, including the financial statements for the year-ended December 2003.

FINANCIAL RESULTS

(Rs. in lakhs)

	Year Ended 2003	Year Ended 2002
Gross Revenue (including Excise Duty)	6205.17	5827.65
Profit before depreciation	662.84	768.06
Less : Depreciation	100.71	93.72
Net Profit for the year before Taxation	562.13	674.34
Provision for Taxation	195.84	240.24
Profit after tax	366.30	434.10
Add : Profit brought forward from previous year	3039.62	2724.45
Profit available for Appropriation	3405.92	3158.55
Appropriation General Reserve	27.50	32.56
Dividend Proposed	92.00	82.80
Income Tax on proposed dividend	11.79	3.57
Balance carried to Balance Sheet	3274.63	3039.62
	3405.92	3158.55

Though 2003 saw an increase in our gross revenues, the profits dipped primarily because of market situations where intense competition brought about lower price levels.

We also wish to highlight the fact that the deployment of wire line by BSNL and MTNL has considerably reduced and the higher revenues were largely on account of contributions from the competitive carriers most of all Reliance. In most cases, the steep price

drops was possible to be matched with reduction in costs. However, the price reductions were steeper. A notable increase of over 20% was registered in the Premis/Net segment where the Company is gaining market share.

Dividend

Your Directors recommend a Dividend of 20% for the year ended December 2003 subject to the approval by the shareholders, at the Annual General Meeting.

Directors Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act 1956, the Board of Directors report that:

- in the preparation of annual accounts the applicable accounting standards have been followed along with proper explanation relating to material departures;
- accounting policies have been selected and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period ;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ;
- the annual accounts have been prepared on a going concern basis.

Strategy & Operations

Cost Management and maximizing sales opportunities in the market will be the key focus for the Company in the short term. Addressing exports and positioning itself as a key player in the technology space will be the long term strategy for the company.

In terms of operations the Company intends to address process improvements and effective supply chain management.

Directors

We are glad to invite Mr. Arun Thiagarajan to the board, who became an Additional Director with effect from October 2003.