



AKSH OPTIFIBRE LIMITED

14th ANNUAL REPORT 1999-2000

BOARD OF DIRECTORS SHRI H. V. NAVANI
SHRI KAILASH S. CHOUDHARI
SHRI JOHN LEVACK
SHRI POPATLAL F. SUNDESHA
SHRI VINAY NAGRATH
SHRI RUDOLF MEIER

COMPANY SECRETARY MRS. SHOBHA ADLAKHA

BANKERS UNION BANK OF INDIA,
Industrial Finance Branch,
G-39, Connaught Circus,
New Delhi-110001

AUDITORS P. C. BINDAL & CO.
101, Sita Ram Mansion,
718/21, Joshi Road,
Karol Bagh, New Delhi-110005

REGISTERED OFFICE & PLANT F-1080, RIICO Industrial Area
(Phase-III), Bhiwadi-301019
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Tel. No. : 20763, 21333
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Fax No. : 91-1493-21329

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(Rajasthan) India
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CORPORATE OFFICE Enkay Towers, Udyog Vihar V,
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CONTENTS

Directors Report	01
Auditors Report	10
Balance Sheet	13
Profit & Loss Account	14
Schedules forming part of Balance Sheet	15
Schedules forming part of Profit & Loss Account	21
Notes to Accounts	23
Balance Sheet Abstract	30

Annual Report



AKSH OPTIFIBRE LIMITED

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting their 14th Annual Report on the business and operations of the Company together with the Audited Statement of Accounts for the year ended 31st March, 2000.

CHANGE OF NAME AND REGISTERED OFFICE OF THE COMPANY

Considering the present nature of business and the future planned activities of the Company, with your approval the Registered Office of the Company has changed from the National Capital Territory of Delhi to the State of Rajasthan with effect from 7th February, 2000 and name has changed from 'AKSH INDIA LIMITED' to 'AKSH OPTIFIBRE LIMITED' with effect from 17th April, 2000.

PERFORMANCE

The year 1999-2000 has been a year of many challenges for Indian Economy : the 50 day war in Kargil, the super cyclone in Orissa, long months of political uncertainty before the general election, a somewhat weak monsoon and the continued fragility in world economic recovery. During the year, a broad based industrial recovery was under way. The Industrial Growth rate during this year was approx. 6% . However, despite the difficult times faced by the Indian economy, the turnover of your Company has improved as compared to the previous year. Further, your Company has also turned corner compared to the losses which the Company has been incurring since last three years.

Your Company's performance during the year 1999-2000 is summarised below :

FINANCIAL RESULTS

(RS. IN LACS)

	CURRENT YEAR (1999-2000)	PREVIOUS YEAR (1998-99)
Turnover	10017.56	4255.24
Profit before Depreciation	737.64	(200.12)
Depreciation	148.22	106.13
Profit before Tax	589.42	(306.25)
Provision for Taxation / Income Tax	55.02	0.00
Profit after Tax	534.40	(306.25)
Prior Period Adjustment	(0.89)	(0.12)
Profit Brought Forward	4.45	310.82
Interim Dividend	118.94	—
Tax on Dividend	13.08	—
Transfer to General Reserve	53.50	—
Income Tax Refund	(49.37)	—
Surplus Carried to Balance Sheet	401.79	4.45

During the year under review, the turnover of the Company has increased to Rs. 10017.56 lacs as compared to Rs. 4255.24 Lacs of the previous year which shows an approx. 135.42% increase.

The Company has achieved a profit of Rs.589.40 Lacs as compared to the Previous Year's loss of 306.25 lacs. The marked improvement in the profitability is a result of concentrated efforts at higher capacity utilisation, control on costs and overall improvement in the efficiency of operations.

Annual Report



AKSH OPTIFIBRE LIMITED

DIRECTORS' REPORT TO THE MEMBERS.....Contd.

OPERATIONS

During the year under review, your Company received orders for supply of 13,034.50 KMs of Optical Fibre Cables from the Department of Telecommunications (DoT), MTNL, Railways and other Customers which the Company has successfully executed.

The Company produced 21,706 KMs of Optical Fibre Cables and 37,128 KMs of Optical Fibre and sold 21,923 KMs and 18,533 Kms respectively thereby achieving a Turnover of Rs.8274.20 Lacs and Rs.425.33 Lacs respectively.

EXPORTS

Whilst international markets continue to be competitive, your Company's exports increased from Rs. 328.78 Lacs (PVC division) to Rs. 409.08 Lacs (OFC division). The Company is continuing its search for new markets for its products outside India

STRATEGIC INITIATIVES

During the year under review your Company completed several strategic initiative to concentrate on its core competency area, among them :-

Expansion of OFC division and hiving off PVC business undertaking unit

Keeping in view the growing demand & potential of the Fibre Optics and reduction in demand of PVC Cables, your Company has hived off its PVC Unit to ICON Cables Limited as a going concern and acquired Optical Fibre Cable Business Undertaking of CMI Limited as a going concern with all its assets and liabilities w.e.f 1st July, 1999.

In addition, suitable land has been purchased in Bhiwadi for increasing Optical Fibre Capacity and to set up the Project for manufacturing Preforms with total investment of Rs.412 mln. The Fibre and Preform Plants are likely to go on stream by end of third quarter of Year 2000.

Merger of Telecords India (Private) limited

With a view to achieve backward integration in operations, it is proposed that with effect from 1st April, 2000 Telecords (India) Private Limited engaged in the business of manufacturing, trading, processing, finishing and making of Fibre Reinforced Plastic Rods (FRP Rods) and other Plastics Rods would be merged with the Company.

FRP Rods are used as strength members in the cable and constitute about 12-15% of the Cable Cost:

UL REGISTRATION

During the year under review, our simplex and duplex cables have passed the rigorous UL testing procedure and are UL approved for riser rated applications.

PROSPECTS

Over the past few years, Optic Fibre market has radically changed and the change is accelerating. Advance equipment/ applications such as Internet, multi-media terminals, digital high definition TV, video-conferencing, super computer networks will drive the expansion of bandwidth demand. All these factors will push up demand for bandwidth which will require investment in Optical Fibre

Annual Report



AKSH OPTIFIBRE LIMITED

DIRECTORS' REPORT TO THE MEMBERS.....Contd.

Networks. Optical Fibre is the appropriate medium because it has large bandwidth, low loss rate of information, low mass, it is not susceptible to electro-magnetic induction and it is not susceptible to theft. As such, except for Optic Fibre Cables, there is no other solution to the bandwidth problem.

A study of the orders placed by DoT, Railways and MTNL reveals that the demand for Optical Fibre Cables is on the rise. The estimated demand for Optical Fibre Cables for the year 2001 is likely to be 1,10,000 CKM and would further increase to 1,50,000 by 2003. Moreover a lot of demand is going to emerge from the Private Sector Telecom Operators and is likely to be 50,000 CKM by 2003.

With deregulation of domestic and international long distance services and growth in use of Internet services demand for bandwidth is bound to grow to 56 Giga Bytes Per Second (GBPS) at full load. DoT Plans to use terrestrial OFC network and to convert 100 percent of the existing mechanical telephone exchange ratio into electronic exchanges of which the entire transmission will be through the digital system using OFCs. DoT plans to Opticalise entire transmission by 2007.

Procurements during 2000-01 by DoT is likely to be Rs.600 Crores (100,00 CKM against 80,000 in 1999-2000). Market size will grow by an additional 30% because of TRAI having opened Domestic Long Distance to private Sector. In the long term, a host of telecom services viz. DTH (Direct To Home), telephony, Video-conferencing etc. may all be delivered to consumers through OFC. Also, other sectors, which use captive bandwidth for communication, like Railways, Defence, Petroleum etc. are emerging.

In view of the above, the Company believes that in the long run the Optical Fibre business has very good potential. We, therefore, look to the future with optimism and confidence.

CHANGE IN THE DENOMINATION OF FACE VALUE OF EQUITY SHARES

During the year, your Company has changed the standard denomination of the face value of Equity Shares of the Company from Rs.10/- each to Rs.5/- each.

FINANCE

Your Company has allotted 91,400 - 0 (Zero) % Redeemable Preference Shares (RPS) of Rs.100/- each at a premium of Rs.400/- per share. These RPS were issued and allotted in February, 2000.

Secured Redeemable Optionally Convertible Debentures aggregating Rs.8.22 Crores were issued and allotted on Private Placement basis to ICICI Ltd. to meet the part of Long Term Working Capital and Normal Capital expenditure.

As a result of the restructuring exercise whereby the Company has acquired the OFC business undertaking of CMI Limited, ICICI Ltd. has transferred the Loan extended to them to the Company for an amount aggregating Rs.47 million.

Your Directors thank ICICI Ltd. for their support and confidence in the Company.

PUBLIC ISSUE

Your Directors are pleased to inform you that your Company is planning to come out with a public issue during the first half of the Financial Year 2000-01. The process for the public issue is on.

Annual Report



AKSH OPTIFIBRE LIMITED

DIRECTORS' REPORT TO THE MEMBERS.....Contd.

Y2K COMPLIANCE

Your Company is implementing Enterprise-wide Resource Planning (ERP) across all the locations. The ERP is based on the solutions provided by Oracle, the world leader in ERP. Parallel run for ERP has already commenced. Company has taken all effective steps for Y2K compliance. All hardware, software and systems procured for the purpose are Y2K compliant. There is no harm in any of the operational areas of the Company due to Y2K problem.

DIVIDEND

It is always the endeavour of the Company to promote the interest of its shareholders and having regard to the earnings as at 31st January, 2000, current trend, financial and other strengths of the Company, your Directors have declared an Interim Dividend @ 25% for the Financial year 1999-2000.

BONUS SHARES

In view of the good reserves position, during the year under review, your Company has capitalised its reserves by issuing and allotting 24,43,000 fully paid up Bonus Equity Shares of Rs. 5/- each to the Shareholders in the ratio of one Equity Share for every Four shares of Rs. 5/- each held by them.

HUMAN RESOURCE

Your Company continues to believe that its employees are its most valuable resources and expenditure on upgrading their skills and enhancing employee competence is an investment towards the Company's corporate culture, which focuses on performance and excellence. We at Aksh are proud of our People & believe that people are the best bet. We believe that it is the Quality of people in terms of competence & morale, which will make a difference in this changing business scenario. The Human Resource (HR) philosophy is driven towards building human capital & leveraging the same towards competitive advantage. All the HR activities are geared towards creating & internalizing a value system (culture) & strongly believe that corporate performance is going to be the function of the values system.

We are working towards bringing cultural change compatible with Process based Organisation. The key values of AKSH are VELOCITY (i.e. Value based, Empowerment & employability, Learning orientation, Openness & transparency, Customer orientation, Integrity, Teamwork and creativity). We all are working towards internalising these values as part of our working situation.

During the year under review, a new programme has been commenced called "PRAGATI" (Performance Review and Goal Achievement Through Improvement of self)

In addition, for achieving certain organisational goals such as attracting qualified competent and experienced professionals by rewarding them with more than just pay package, rewarding outstanding performers, retaining key personnel, retaining personnel working on key project till the projects is completed successfully and stimulating the efforts of staff in general for ensuring continued success of the Company and to encourage them to have higher participation in affairs of the Company, your Company has launched the Employees Stock Option Plan (ESOP) with the help of M-Tej Consultancy Services Pvt. Ltd.

Industrial relations continued to be cordial during the year under review and your Directors are happy to acknowledge the support and co-operation of the employees.

Annual Report



AKSH OPTIFIBRE LIMITED

DIRECTORS' REPORT TO THE MEMBERS.....Contd.

FIXED DEPOSITS

During the year, the Company has accepted / renewed Fixed Deposits aggregating to Rs. 19.25 Lacs as per the provisions of Section 58-A of the Companies Act, 1956 and Rules made thereunder. The Company has no overdue deposit outstanding as on 31st March, 1999.

DIRECTORS

Shri Bharat S. Choudhari and Shri Sanjeev Navani, have resigned from the Board of Directors of the Company with effect from 1st February, 2000. The Board of Directors places on record their sincere appreciation of the valuable services rendered by them during their period of association with the Company.

During the year Shri Vinay Nagrath and Shri Rudolf Meier were appointed as Additional Directors of the Company. They hold office until the conclusion of the ensuing Annual General Meeting. As per the provisions of Section 257 of the Companies Act, 1956, the Company has received notices from Members proposing their respective candidatures for the office of Director. The Directors recommend their appointment.

The term of Shri Kailash S. Choudhari as a Whole Time Director expired on 31.03.2000. The Board has subject to the approval of members and Central Government, re-appointed him as the Managing Director for a period of three years w.e.f. 1.4.2000, in continuation of period of present appointment. In terms of the provisions of the Companies Act, 1956, your approval is sought for his appointment and for the remuneration payable to him as detailed in the Notice convening the Meeting.

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Shri H.V. Navani, and Shri John Levack Directors, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

AUDITORS

The Auditors of the Company, P.C. Bindal & Co., Chartered Accountants, New Delhi hold office until the conclusion of the ensuing Annual General Meeting. The Company has received letter from them to the effect that their appointment, if made, would be within the prescribed limit under Section 224(1B) of the Companies Act, 1956. Accordingly, the said Auditors will be appointed as Auditors of the Company at the ensuing Annual General Meeting.

AUDITORS' NOTES / OBSERVATIONS

The Notes/ Observations referred to the Auditors' Report are self explanatory and have been explained at appropriate places.

PARTICULARS OF EMPLOYEES

The information pertaining to the employees drawing salary more than limit prescribed pursuant to Sec 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is annexed hereto under Annexure - I which forms part of this Report.

Pursuant to the provisions of Section 314 (1B) of the Companies Act, 1956, Shri Sailesh S. Choudhari relative of the Managing Director of the Company has been appointed as a Process Leader (Logistics) with effect from 21st August, 1999.

Annual Report



AKSH OPTIFIBRE LIMITED

DIRECTORS' REPORT TO THE MEMBERS.....Contd.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars regarding energy conservation, technology absorption, foreign exchange earnings and outgo etc., as prescribed under section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 is annexed hereto under Annexure - II which forms part of this Report.

RESPONSIBILITY STATEMENT

As per the provisions of Section 217 (2AA) of the Companies Act, 1956, the Board of Directors of the Company hereby makes the statement :

1. that in the preparation of the annual accounts, the applicable accounting standards had been followed ;
2. that we, had selected such accounting policies and applied them consistently and made judgement 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 financial year and of the profit or loss of the company for that period;
3. that we had taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. that we had prepared the annual accounts of the Company as a going concern.

ACKNOWLEDGEMENT

On behalf of the Board of Directors and on my own behalf, I would like to take this opportunity to acknowledge with thanks the guidance, support and confidence extended by RIICO, the Government of Rajasthan, the Reserve Bank of India, ICICI and UBI.

I would also like to acknowledge with gratitude the co-operation extended by the shareholders for their confidence reposed in us and we look forward to your long association with us. The Company on its part will always endeavour to perform well and meet the expectations of its family of shareholders.

I would like to place on record the highest appreciation for the sincere and dedicated service rendered by the officers and employees of the Company to achieve various goals as brought in this report.

for and on behalf of the Board of Directors

Place : Gurgaon

Date : 22nd April, 2000

KAILASH S. CHOUDHARI

Managing Director

ANNEXURE - I TO THE DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH, 2000

(Statement under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 forming part of the Directors' Report for the period ended 31st March, 2000)

Sl. No.	Name of the Employees	Designation (Nature of duties)	Qualifications	Experience (Years)	Date of commencement of employment	Remuneration (Rs.)	Age (Years)	Last employment held and designation
A. Employed throughout the Financial Year under review and were in receipt of remuneration for the Financial Year in aggregate not less than Rs. 6,00,000.								
1.	Shri Kailash S. Choudhari	Whole Time Director	MBBS	17	01.07.1993	8,64,000/-	41	-----
2.	Shri Sunil Upmanyu	Process Leader - Manufacturing	B.E.	14	25.09.1998	6,24,860/-	38	Arihant Optics Ltd. (General Manager)
B. Employed for part of the year and was in receipt of remuneration not less than Rs.50,000 P.M.								
1.	Shri Jitender Choudhari	Process Leader - HRD	M.A.(Pol.Sc.) MBA(HRD), LLB	15	09.08.1999	4,86,620/-	39	Ballarpur Industries Ltd. (GM - HRD)
2.	Shri N. K. Ahuja	Process Leader - Finance & Accts.	ICWA MBA(Finance)	18	11.10.1999	5,98,130/-	41	Hindustan Syringes & Medical Devices Ltd. (GM-Finance & Commercial)
3.	Shri Sailesh S. Choudhari	Process Leader - Logistics	B. E.	16	23.08.1999	5,49,510/-	39	CMI Ltd. (Whole Time Director)
4.	Shri Tarun Kumar	Process Leader - LTCSR	MBA	10	09.08.1999	3,62,890/-	35	Kajaria Ceramics Ltd. (Asstt. General Manager)

NOTES :

1. Nature of employment. All employments are non-contractual. Shri Sailesh S. Choudhari and Shri Kailash S. Choudhari being brothers are related to each other.
2. Remuneration comprises Salary, Bonus, Contribution to Provident Fund, HRA and monetary value of other perquisites as per Income Tax Act, 1961 and the Rules made thereunder.

for and on behalf of the Board of Directors

KAILASH S. CHOUDHARI
Managing Director

Place : Gurgaon
 Date : 22nd April, 2000

Annual Report



AKSH OPTIFIBRE LIMITED

ANNEXURE - II TO DIRECTORS' REPORT
CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION,
FOREIGN EXCHANGE EARNINGS AND OUTGO

(Information required as per Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of other particulars in the Report of Board of Directors) Rules, 1988 for the year ended 31st March, 1999).

A. CONSERVATION OF ENERGY

- | | |
|--|--|
| (a) Energy conservation measures taken. | : The Company ensures conservation of energy through an optimum utilisation of Power, Fuel and Water at all its units. |
| (b) Additional investments and proposal, if any, being implemented for reduction of energy. | : |
| (c) Impact of measures of (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods. | : Improved quality of production, greater range of Cables. |
| (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. | : Not Applicable |

B. TECHNOLOGY ABSORPTION**(e) FORM B.**

Form for disclosure of particulars with respect to absorption

- | | |
|--|---|
| 1. Specific areas in which R & D carried out by the Company. | : Development of cost effective design/ product of Optical Fibre Cable and Optical fibre for indigenous and export market. |
| 2. Benefits derived as a result of the above R & D. | : Fibre produced by the Company has been well accepted in the indigenous and export market. Dependence on imports has drastically reduced due to captive consumption of Fibre, which has resulted into considerable cost reduction and due to Low Cost cable we can compete with other manufacturer successfully.

Multimode Fibre has also been produced and sold for the first time by the company. |
| 3. Future plan of action | : To enhance Cable and Fibre drawing capacity and to produce the FRP Rods and Preforms. |