

Cable Corporation of India Ltd.

42nd Annual Report and Accounts

1998-99



Highlights

PARTICULARS		1998-99	1997-98	1996-97	1995-96	1994-95
SALES *	Rs. Crores	106.9	228.9	240.1	224.0	180.8
PROFIT/(LOSS) BEFORE TAX	Rs. Crores	(13.4)	0.51	20.2	41.8	10.0
PROFIT/(LOSS) AFTER TAX	Rs. Crores	(13.4)	0.5	16.7	31.3	7.8
PROFIT/(LOSS) BEFORE TAX AS % OF SALES		(7.2)	0.2	8.4	18.7	5.5
PROFIT/(LOSS) AFTER TAX AS % OF SALES		(7.2)	0.2	6.9	14.0	4.3
NET WORTH PER SHARE	Rs.	90.8	100.9	101.4	109.1	82.2
EARNINGS PER SHARE	Rs.	—	0.14	12.4	8.6	12.6
DIVIDEND PER SHARE	Rs.	—	1.0	5.0	5.0	4.0
DEBT/EQUITY RATIO		0.9:1	0.8:1	0.5:1	0.4:1	0.6:1
CURRENT RATIO		2.9:1	3.7:1	2.9:1	3.5:1	2.8:1
TOTAL LIABILITIES/NET WORTH		1.3:1	1.1:1	0.9:1	1.1:1	1.1:1
NUMBER OF EMPLOYEES		1270	1240	1223	1213	1254
NUMBER OF SHAREHOLDERS		12176	12156	12714	5604	5559

Cover :

Vivekananda Rock Memorial, a monument of national importance, at Kanyakumari, for which a submarine cable has been supplied and installed by Cable Corporation of India Ltd., to meet the former's power requirements for illumination."

Board of Directors

Chairman & Managing Director

Mr. Hiten A. Khatau

Directors

Mrs. Krishna A. Khatau

Mr. D. E. Udawadia

Mr. M. L. Bhakta

Mr. Y. C. Amin

Mr. Hoshang S. Billimoria

Mr. Maitreya V. Doshi

Mrs. N. H. Khatau

Mr. Kalyan Chakravarti, *Executive Director*

Mr. U. Mahesh Rao

Mr. T. S. Hariharan, *Director - Operations*

Mr. T. S. Sastri, *Director - Finance & Commercial*

Bankers

State Bank of India

United Bank of India

State Bank of Patiala

Credit Agricole Indosuez

The Bank of Nova Scotia

Auditors

Sorab S. Engineer & Co.,

Chartered Accountants

Solicitors

Kanga & Co.

Udawadia, Udeshi & Berjis

Cost Auditor

A. V. Ramana Rao

Registrars & Transfer Agents

M/s. Intime Spectrum Registry Pvt. Ltd.

Registered Office

Laxmi Building, 4th Floor,
6, Shoorji Vallabhdas Marg,
Ballard Estate,
Mumbai - 400 001.

Regional Offices

Mumbai, Calcutta, Chennai, Delhi

Works

Borivli, Mumbai,
Sinnar, Nashik



Directors' Report

Your Directors hereby present the Forty-Second Annual Report on the business and operations of the Company together with the Audited Statement of Accounts for the financial year ended 31st March, 1999.

1. PROFIT/LOSS AND APPROPRIATIONS:

	Current Year	Previous Year
	(Rs. in lakhs)	
Profit/(Loss) before Tax	(1343.41)	52.95
Less: Provision for Tax	—	6.00
Profit/(Loss) after Tax for the year	(1343.41)	46.95
Add: Depreciation of prior year written back	—	5.58
Add: Balance brought forward from previous year	393.56	517.79
Less : Interim Dividend on 5,25,000 12.5% Redeemable Cumulative Preference Shares of Rs. 100/ each	65.63	25.69
Tax @ 10% on the Dividend	6.56	2.57
	<u>72.19</u>	<u>28.26</u>
Making available a surplus of		542.06
Dividend on 135,00,000 Equity Shares of Rs. 10/- each at Re. 1/- per share	—	135.00
Tax @ 10% on the Dividend	—	13.50
Leaving a balance in Profit and Loss Account to be carried over/adjusted against General Reserve	<u>(1022.04)</u>	<u>393.56</u>

2. DIVIDENDS:

After reviewing the working of the Company and considering the outlook for the current year, your Directors do not recommend any dividend on Equity Shares for the year ended 31st March, 1999. However, Dividend on preference shares @ 12.5% for the period ended 31st March 1999 was paid from the retained profits carried forward from the balance sheet as at 31st March, 1998.

3. OPERATIONS

The year under review has been a difficult one, with the ongoing slowdown in the economy. Turnover, (Net of Excise) amounted to Rs. 162.27 crores as compared to Rs. 196.34 crores in the previous year. As the depressed economic conditions continued in general and particularly in the Power Sector, the Company had to curtail volumes in the first half of the financial year to avoid booking

orders at unremunerative prices. Anticipated improvement in demand in the second half of the financial year did not materialise, resulting in a significant drop in turnover. Lower demand for Extra High Voltage (EHV) Cables and XLPE Cables had a significant impact in bringing the turnover down and adversely affecting profitability.

The company took various cost reduction measures which helped in reducing the operating expenses. Better Working Capital management also helped in bringing down the costs. However, higher interest burden on account of borrowings for financing capacity expansions of earlier years, more than neutralised these savings and eroded the year's profitability.

4. CURRENT YEAR'S OUTLOOK AND FUTURE PROSPECTS:

Political instability resulting in low project investments alongwith

slow growth in the Power Sector has had a direct adverse impact on the demand for industrial products. Whilst some signs of recovery in the economy in general are discernible, it is unlikely that any significant improvements will take place in the near future. With elections round the corner, the political scene is far from clear. It would be unwise therefore to forecast how the future will unfold. Accordingly, your company has drawn up strategic and cost reduction plans, which would make it competitive in the long run. Short term measures for performance improvement continue vigorously including close monitoring of operations, cost reductions and improved working capital management.

5. INDUSTRIAL RELATIONS:

The industrial relations situation continued to remain generally peaceful during the year.

6. COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988

Pursuant to the aforesaid rules, your Board of Directors is pleased to furnish the prescribed details, which are given in Annexure "A" attached hereto.

7. PARTICULARS OF EMPLOYEES:

The particulars of employees as required to be furnished pursuant to the provisions of Section 217(2A) of the Companies Act, 1956, are given in Annexure "B" attached hereto, in respect of those employees who were in receipt of remuneration in excess of the limits prescribed by the Central Government.

8. SUBSIDIARY COMPANY:

Pursuant to Section 212 of the Companies Act, 1956, the Statement and the audited accounts with the Auditors' and Directors' Reports thereon of the Subsidiary Company for the period ended 30th September, 1998, are annexed hereto.

9. DIRECTORS:

Your Directors appointed Mr. U. Mahesh Rao as a Director of the Company in the casual vacancy caused by the resignation of Dr. (Mrs.) Sunanda Sengupta. Mr. U. Mahesh Rao is eligible for re-appointment and has indicated his willingness to serve if appointed.

The Board appointed Mr. T. S. Hariharan, Senior Executive Vice President — Borivli

works and Mr. T. S. Sastri, Executive Vice President — Finance & Information Technology, as additional Directors with effect from 27th July, 1999. Mr. Hariharan has been designated as Director — Operations and Mr. Sastri as Director — Finance & Commercial. As additional Directors they would hold office only upto the date of the forthcoming Annual General Meeting of the Company. They are however, eligible for reappointment and have indicated their willingness to serve, if appointed. Their appointment as wholtime Directors and the remuneration payable to them as such would be subject to the approval of the shareholders at the forthcoming Annual General Meeting. Appropriate resolutions to this effect have been incorporated in the Notice of the Annual General Meeting.

Under Article 128 of the Articles of Association of the Company, Mr. D. E. Udawadia and Mrs. N. H. Khatau retire by rotation and being eligible for re-appointment, they agree to continue as Directors, if appointed.

10. AUDITORS' REPORT:

The Note to the Accounts referred to in the Auditors' Report is self-explanatory and therefore does not call for any further explanation under Section 217(3) of the Companies Act, 1956.

11. AUDITORS:

The Auditors of the Company, M/s. Sorab S. Engineer & Co., are eligible for re-appointment and have expressed their willingness to serve, if appointed.

12. STATUS ON Y2K PREPAREDNESS LEVEL:

Your company has initiated steps to achieve Year 2000 (Y2K) compliance latest by end December, 1999. The Company has upgraded the hardware and software involved in date critical applications, wherever required. Since these developmental efforts are with in-house resources, expenditure for Y2K Compliance has no material financial impact. A contingency plan also has been drawn up to reduce the risk of disruption of its operations due to Y2K non compliance by providers of raw materials, spares and components. This plan includes identifying alternate sources, who have achieved Y2K compliance.

13. ACKNOWLEDGEMENTS:

Your Directors desire to record their sincere appreciation of the efforts put in by all the employees of the Company.

The Directors also take this opportunity to thank the Company's Collaborators, the Financial Institutions, Solicitors, Debenture Trustees and the Company's Bankers for their invaluable guidance and support.

Finally, the Directors convey their gratitude to all the Shareholders, Debenture-holders, Warrantholders and Fixed Deposit holders for their continued support, especially in what has been a difficult year for the Company.

On behalf of the Board of Directors,

H. A. KHATAU

Chairman & Managing Director

Mumbai

Dated: 27th July, 1999.

Annexure to Directors' Report

Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY:

(a) Energy Conservation measures taken:

1. Replacement of one AC motor-Hydraulic Coupling combination with D. C. Motor and electronically controlled drive on core-stranding machine.
2. Replacement of direct line starter of high speed mixer with soft starter.
3. Replacement of resistance type slip-ring motor starter with an electromagnetic type, on wire drawing machine.
4. Fixing of energy meters on certain major manufacturing machines to monitor and control the energy consumption.

(b) Additional investments and proposals:

1. Continuation of phased programme of replacement of mechanical drives and AC commutator motor drives by DC drives for armouring and extruding machines.
2. Fixing of energy meters for all the major manufacturing machines to monitor and control energy consumption.
3. Replacement of resistance type slip-ring motor starter with an electromagnetic type on wire drawing machines.
4. Use of air amplification products to reduce consumption of compressed air.
5. Modification of steam line network to economise fuel consumption.

(c) Impact of various measures on cost of production.

Energy conservation measures implemented has marginal effect on overall energy bills and 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:

The requirement of giving details under this sub-head does not apply to the Company.

B. TECHNOLOGY ABSORPTION:

(e) Efforts made in technology absorption as per Form "B" are as under:

Form for Disclosure of Particulars with respect to absorption:

Research & Development (R & D):

1. Specific areas in which R & D is carried out by the Company:
Research and Development activities in areas of Cable Technology, Analytical Research and Product Development are being carried out by the Company.
2. Benefits derived as a result of the above R & D:
Product development catering to specific customer requirements, process improvements, material development, standardisation and technology absorption.
3. Future plan of action:
In future, R & D activities will be directed in improving productivity and demands related to export and telecommunication cables in addition to Extra High Voltage (EHV) cables.
4. Expenditure on R & D:

(Rs. '000)

(a) Capital :	—
(b) Recurring :	30,85
(c) Total :	30,85
(d) Total R & D expenditure as a percentage of total turnover :	0.16%

Technology Absorption, Adaptation and Innovation:

1. Efforts, in brief made towards technology absorption, adaptation and innovation.
2. Benefits derived as a result of the above.

Efforts/Projects	Benefits Derived
i) Improvement in Process Technology of Elastomeric & Polymeric compounding systems	Process Technology
ii) Benchmarking of standards for processing in context to consistency	Process Technology

- | | |
|--|---------------------|
| iii) Rationalisation of Thermoplastic/Elastomeric compound | Process Development |
| iv) Insulating & sheathing compounds based on new generation of synthetic material | Product Development |

5. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information is furnished:

A Technology imported	B Year of Import	C Has the technology been fully absorbed	D If absorbed, areas where this has not taken place, reasons thereof and future plan of action
For Project Engineering Technology and know-how with regard to laying and installation of Extra High Voltage (EHV) Cables Systems	1997	—	This technology is being adapted to various projects in India and abroad.

C. FOREIGN EXCHANGE EARNINGS AND OUTGOINGS:

- (f) The Company continues to explore new avenues for export of its cables.
Information with regard to foreign exchange earnings and outgoings is contained in the notes to the accounts, under Schedule 9, Items 13 and 12, respectively.

Mumbai

Dated: 27th July, 1999

Annexure "B" to Directors' Report

STATEMENT PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULAR OF EMPLOYEES) RULES 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED ON MARCH 31, 1999.

Sr. No.	Name	Designation & Nature of duties	Remuneration Rs.	Qualification	Date of Commencement of Employment	Age in Years	Experience in yrs.	Last Employment Name of the Company & Designation
1.	Mr. Arvind S. Purandare	Exec. Vice President (Sales & Marketing)	7,04,802	B.E. (Electrical)	01-10-1980	59	37	Siemens India Ltd. Asst. Production Manager
2.	Mr. B. Mitra	Vice President Nasik Works	6,77,239	B.Tech. (Hons.)	10-10-1997	53	31	Finolex Cables Ltd., Vice President Works
3.	Mr. Hiten A. Khatau	Chairman & Managing Director	12,82,800	B.Com. (Hons.) A.C.A.	23-01-1995	40	18	—
4.	Mr. Kalyan Chakravarti	Executive Director	10,23,939	B.Tech. (Hons.) F.I.E., C.E. PMD (Harvard)	15-06-1995	57	36	Larsen & Toubro General Manager
PART OF THE YEAR:								
5.	Mr. Jaisirih G. Ved	Dy. General Manager (Corporate Planning)	3,80,597	LL.B., A.I.C.W.A.	02-11-1964	60	34	—
6.	Mr. Baldev Raj Vig	Exec. Vice President (Technology)	4,98,640	B.Sc. (Hons.) B.E. (Hons.) M.I.T.M.	15-06-1972	60	36	Alta Rubber Co. Ltd., Works General Manager
7.	Mr. Jayant M. Gunderia	Dy. General Manager (Materials)	4,02,772	B.Sc., LL.B.	01-11-1982	60	39	Art Leather Ltd., Sr. Officer Purchase
8.	Mr. Balakrishna N. Pillai	Sr. Exec. Vice President Finance & Administration	4,28,142	B.Sc. I.H.K. (W. Germany)	01-03-1987	60	42	Siemens India Ltd., Chief Manager Internal Audit
9.	Mr. Shrikant Khanapurkar	Exec. Vice President Personnel & Ind. relations	4,80,257	B.A., D.L.W., LL.B.	30-07-1996	60	35	Siemens India Ltd., Sr. General Manager

- Notes:**
- The nature of employment in respect of all employees except Mr. H. A. Khatau and Mr. K. Chakravarti, whose appointments are contractual, is non-contractual.
 - Other terms and conditions:
 - All non-contractual employment are subject to rules and regulations of the Company relating to service conditions in force from time to time.
 - Contractual employment is subject to special rules and regulations relating to salary, commission, medical treatment etc. as per terms of appointment letters.
 - None of the employees mentioned above is related to any Director of the Company, except Mr. H. A. Khatau, who is related to Mrs. K. A. Khatau & Mrs. N. H. Khatau.

Report of The Auditors

TO THE MEMBERS OF CABLE CORPORATION OF INDIA LTD.

We have audited the attached Balance Sheet of CABLE CORPORATION OF INDIA LIMITED, as at 31st March, 1999 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto, and report that:-

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government in terms of Section 227(4A) 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.

2. Further to our comments in the Annexure referred to in Paragraph (1) above:

(a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

(b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;

(c) the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;

(d) in our opinion, the Profit and Loss Account and the Balance Sheet comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956;

(e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts, subject to Note No. 19 regarding under provision of Rs. 28,338 thousands on account of the accrued liability for gratuity and Note No. 21 regarding credit of Rs. 112,243 thousands taken to Profit and Loss Account being

unrealised profit on conversion of a Fixed Asset into stock-in-trade resulting in losses for the year being lower to that extent and read together with other notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:-

(i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1998

and

(ii) in the case of the Profit and Loss Account, of the Loss for the year ended on that date.

For SORAB S. ENGINEER & CO.
Chartered Accountants

N. D. ANKLESARIA
Partner

Mumbai,
Dated: 29th June, 1999

Annexure To Auditors' Report

Referred to in paragraph 1 of our report of even date on the accounts for the year ended 31st March, 1999 of Cable Corporation of India Limited.

1. The Company has maintained proper records showing full particulars including quantitative details and situation of its Fixed Assets except those in respect of Plant & Machinery installed prior to 1st January, 1967. The Fixed Assets have been physically verified by the Management during the year. We are informed that no material discrepancies were noticed by the Management on such verification.

2. None of the fixed assets have been revalued during the year.

3. The stocks of finished goods, stores, spare parts and raw materials have been physically verified during the year by the Management. In our opinion, the frequency of the verification is reasonable.

4. In our opinion and according to the information and explanations given to us the procedures of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.

5. No material discrepancies have been noticed on physical verification of stocks as compared to book records.

6. On the basis of our examination of stock records, we are of the

opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.

7. The Company has not taken any loans, secured or unsecured from companies, firms, or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 and/or from the Companies under the same management as defined under sub-section (1-B) of Section 370 of the Companies Act, 1956.

8. The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956

and/or to the Companies under the same management as defined under sub-section (1-B) of Section 370 of the Companies Act, 1956.

9. The parties to whom the loans or advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated and are also regular in the payment of interest.

10. In our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipments and other assets, and for the sale of goods.

11. In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials and services or the prices at which transactions for similar goods, materials or services have been made with other parties or as available with the Company.

12. According to the information and explanations given to

us, the Company has a procedure for determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.

13. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Rules framed thereunder with regard to the deposits accepted from the public.

14. In our opinion, reasonable records have been maintained by the Company for sale and disposal of realisable scraps. We are informed that the Company does not generate any by-product.

15. The Company has an internal audit system which in our opinion, is commensurate with its size and nature of its business.

16. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 in respect of electrical cables manufactured by the Company. We are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of these records.

17. According to the records of the Company, Provident Fund and Employees' State Insurance

dues have generally been regularly deposited during the year with the appropriate authorities.

18. According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, wealth-tax, sales-tax, customs duty and excise duty were outstanding as at 31.03.1999 for a period of more than six months from the date they became payable.

19. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.

20. The Company is not a sick industrial company within the meaning of Clause (o) of sub-section (1) of Section 3 of The Sick Industrial Companies (Special Provisions) Act, 1985.

21. In relation to trading activity of the Company, damaged goods have been determined and provision for loss have been made in accounts.

For SORAB S. ENGINEER & CO.
Chartered Accountants

N. D. ANKLESARIA
Partner

Mumbai,
Dated: 29th June, 1999

BALANCE SHEET as at 31st March, 1999

		(Rs. in thousands)	
	Schedule	As at 31-03-99	As at 31-03-98
I. SOURCES OF FUNDS			
(1) Shareholders' Funds:			
(a) Capital	1	18,73,04	18,72,87
(b) Reserves and Surplus	2	110,40,75	124,55,05
		129,13,79	143,27,92
(2) Loan Funds:			
(a) Secured Loans	3	79,34,61	87,25,86
(b) Unsecured Loans	4	29,62,86	25,05,13
		108,97,47	112,30,99
TOTAL		238,11,26	255,58,91
II. APPLICATION OF FUNDS			
(1) Fixed Assets:	5		
(a) Gross Block		152,32,44	149,97,71
(b) Less: Depreciation		61,68,22	51,82,56
(c) Net Block		90,64,22	98,15,15
(d) Capital Work-in-progress		8,24,36	6,82,26
		98,88,58	104,97,41
(2) Investments	6	36,27,07	26,27,07
(3) Current Assets, Loans and Advances:	7		
(a) Inventories		35,75,71	23,75,67
(b) Sundry Debtors		60,87,47	65,00,89
(c) Cash and Bank Balances		8,24,33	9,58,60
(d) Other Current Assets		2,90,00	2,62,35
(e) Loans and Advances		47,79,44	67,44,70
		155,56,95	168,42,21
Less: Current Liabilities and Provisions:	8		
(a) Liabilities		58,03,07	47,66,24
(b) Provisions		(4,09,40)	(1,81,32)
		53,93,67	45,84,92
Net Current Assets		101,63,28	122,57,29
(4) Miscellaneous Expenditure to the extent not written off or adjusted:			
Technical Consultancy		60,21	80,29
Debenture Issue expenses deferred (See Note No. 16)		72,12	96,85
		1,32,33	1,77,14
TOTAL		238,11,26	255,58,91
Notes forming part of the Balance Sheet and Profit and Loss Account	9		

As per our attached report of even date

For SORAB S. ENGINEER & CO.
Chartered AccountantsN.D. ANKLESARIA
Partner

Mumbai: 29th June, 1999

H.A. KHATAU
Chairman &
Managing DirectorK. CHAKRAVARTI
Executive DirectorP. V. RAMASWAMY
General Manager — Legal &
Company Secretary

Mumbai: 29th June, 1999

MRS. K.A. KHATAU
M.L. BHAKTA
Y.C. AMIN
MRS. N.H. KHATAU
Directors