

Annual Report 2011-12



CORDS

Cords Cable Industries Limited



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BOARD OF DIRECTORS

Mr. Naveen Sawhney	Managing Director
Mr. D.K. Prashar	Joint Managing Director
Mr. Om Prakash Bhandari	Independent Director
Mr. Ajit Kumar Sahay	Independent Director
Mr. N.K. Balasubramanian	Independent Director

KEY MANAGEMENT PERSONNEL

Mr. V. K. Beri Chief Executive Officer (Designate)	Mr. Dinesh Shukla President (Operations)
Mr. Varun Sawhney Vice President (Marketing, HR & IT)	Mr. Rahul Prashar Vice President (Project & Sourcing)
Mr. H. K. Pandita Vice President (Marketing)	Mr. Gaurav Sawhney Vice President (Finance & Banking)
Mr. Amitabha De Assistant Vice President (Strategic Business)	Mr. Anil Gupta General Manager (Technical)
Mr. Sandeep Kumar General Manager (Accounts & Finance)	Mr. Satinder Bedi Head (Business Development)

COMPANY SECRETARY & COMPLIANCE OFFICER

Ms. Jyoti Dixit

REGISTRAR AND SHARE TRANSFER AGENT

Link Intime India Private Limited
A-40, 2nd Floor, Naraina Industrial Area, Phase II,
Near Batra Banquet Hall, New Delhi-110028
Tel No- +91-011-41410592,93,94
Fax No- +91-011-41410591
Email-delhi@linkintime.co.in

STATUTORY AUDITORS

M/s Sharma Goel & Co
Chartered Accountants, New Delhi

REGISTERED OFFICE

B-1/A-26, Mohan Cooperative Industrial Estate,
Mathura Road, New Delhi-110044.
Tel No- +91-011-40551200
Fax No- +91-011-26951196
Email ID-
- For Investor - ipo@cordscable.com
- For Others - ccil@cordscable.com
Website - www.cordscable.com

BANKERS & FINANCIAL INSTITUTIONS

Canara Bank
ICICI Bank Limited
DBS Bank Limited
Citi Bank NA
State Bank of Patiala
Rajasthan State Industrial Development &
Industrial Corporation Ltd. (RIICO Ltd.)

STOCK EXCHANGES

Bombay Stock Exchange Limited
National Stock Exchange of India Limited

PLANT LOCATIONS

- 1) A-525, Industrial Area Chopanki, Bhiwadi,
Dist. Alwar (Raj) 301 019
- 2) SP-239,240 & 241,
Industrial Area Kahrani,
Bhiwadi Extn.,
Dist. Alwar (Raj) 301 019

REGIONAL OFFICES

- (1) Mumbai (2) Hyderabad (3) Kolkata

MANAGEMENT DISCUSSION AND ANALYSIS

Since its inception, Cords Cable Industries has diversified its business model and has shown significant presence in both the domestic as well as international markets, serviced mainly the institutional segments & has catered both the private and public sector clients. The company continued to fine tune its production output to meet country's changing demands. Financial Year 2011-12 had several positive developments. The company met the growing demand for high-quality customized cables that included control, instrumentation, thermocouple cables and power cables. Consequently, the sales of the company surged by over 30%.

ECONOMIC OVERVIEW

GLOBAL: The global economic environment was tenuous at best through the most part of Fiscal 2011-12. Global GDP grew by 3.8% in 2011, significantly lower than the 5.2% growth in 2010. Global economic growth may further decrease in 2012 due to weak activity during the second half of 2011 and the first half of 2012, mainly on account of the damage done by deteriorating sovereign and banking sector developments in the euro area. In emerging markets also, financial conditions began to tighten during the fall of 2011. Amid a general flight from risk, interest rate spreads rose. Funding conditions worsened for banks, contributing to a tightening of lending standards, and capital inflows diminished. As a result, capital flows to developing countries declined by almost half in 2011. Real GDP in many emerging economies was somewhat weaker than expected but growth surprised on the upside in the advanced economies. Economic growth is expected to average about 5.5% - a decline from 6.2% growth in 2011.

Although after suffering a major setback during 2011, global prospects are gradually strengthening again but downside risks remain elevated. Real GDP growth should pick up gradually during 2012-13 from the trough reached during the March quarter of 2012. The reacceleration of activity during the course of 2012 is expected to return global growth in 2013. Real GDP growth in the emerging and developing economies is projected to slow to 5.5 percent in 2012 but then to reaccelerate to 6 percent in 2013, helped by easier macroeconomic policies and strengthening foreign demand. Improved financial conditions, accommodative monetary policies, & a similar pace of fiscal tightening as in 2011 will drive this reacceleration. Even though domestic vulnerabilities have been gradually building, emerging and developing economies shall continue to reap benefits of strong macroeconomic and structural policies. Capital flows to developing countries are also expected to return with new vigor, and risk spreads are expected to come down again. Also, despite a substantial downward revision, Asia is still projected to grow at 7.5% in 2012. (source: World Economic Outlook)

INDIA: Indian economic growth declined from 8.4% in 2010-11 to 6.5% in 2011-12. Growth decelerated in 2011-12 to below the economy's potential due to domestic and global factors. Inflation persistence and widening twin deficits constrained the Reserve Bank's ability for counter-cyclical measures. India has been struggling to catalyze growth and control inflation. Inflation, as measured by the wholesale price index (WPI), was high during most part of the current fiscal year, though by the year's end there was a clear slowdown. After two years, high inflation moderated in the later part of 2011-12 in response to past monetary tightening and growth deceleration. Interest rates increased during 2011-12 and may have impacted investment coupled with the bottom-line of various companies across the board. Also, steeply declining rupee is complicating the decision making for RBI and Finance Ministry to be conservative or stimulate the economy. The rupee is likely to remain stretched as India readies for FCCB repayments. Of the BSE 500 companies, 28 companies had an aggregate FCCB outstanding of Rs.245 bn maturing by FY'13.

In 2012-13, inflation is likely to remain sticky at around 7 per cent with upside risks emanating from a deficient monsoon. Growth in 2012-13 is expected to stay around the previous year's level of 6.5 per cent. However, the



government, in August 2012, promised to take several steps to tackle macro-economic weakness. As these steps materialize, growth is expected to gradually start improving later this year and trend growth is expected to be restored next year. Sight must not be lost of the fact that by any cross-country comparisons, India still remains a front runner. (source: RBI Annual Policy 2012-13)

INDUSTRY SCENARIO

Cables are the crucial infrastructure backbone of an economy, the critical elements that wire up the length and breadth of the country. The prospects of the Cable Industry are interlinked with the health of other industries viz: power, telecom, railways, real estate, steel, infrastructure etc., government's procurement policies, strategic diversifications and switching over to integrated manufacturing. The cable industry is fragmented with number of players in organized sector and many more in the unorganized sector. To bring economies of scale in this industry there is a need to reduce finance cost and to bring in technology and quality improvements which may be sometimes sacrificed under the intense competition. As a result, relatively low margins are plaguing the industry. However, with the growth of other related industries, the Indian cable industry is indeed bound to grow & prosper.

OPPORTUNITIES IN VARIOUS SECTORS

Government of India's Eleventh Five Year Plan emphasized the need for removing infrastructure bottlenecks for sustained growth. It, therefore, proposed an investment of US \$500 billion in infrastructure sectors through a mix of public and private sectors to reduce deficits in identified infrastructure sectors. As a percentage of the gross domestic product (GDP), investment in infrastructure was expected to increase to around 9 per cent. For the first time the contribution of the private sector in total investment in infrastructure was targeted to exceed 30 per cent. Total investment in infrastructure during the Eleventh Plan is estimated to increase to more than 8 per cent of GDP in the terminal year of the Plan -- higher by 2.47 percentage points as compared to the Tenth Plan. The private sector is expected to be contributing nearly 36 per cent of this investment. (source: indiabudget.nic.in)

POWER

The Indian Power Industry is one of the largest and most important industries in India as it fulfills the energy requirements of various other industries. It is one of the most critical components of infrastructure that affects economic growth and the well-being of our nation.

The Government is investing in this industry through various development schemes: -

- The Rural Electrification Program is an effort to lighten up villages which have faced acute shortage of Power over the years.
- Power for All by 2012' plan aims at a per capita consumption of 1000kwh by the end of the 11th Five Year Plan (2007-12).
- The Accelerated Power Development and Reform Program (APDRP) is being implemented so that the desired level of 15 per cent AT&C (Aggregate Technical and Commercial) loss can be achieved by the end of 11th plan (Currently it is 30%).



The Positive trend in the power sector is most important catalyst for the cable and wire industry. Cables play a crucial part in all three aspects of the power sector - generation, transmission and distribution. Therefore, the trend of cable and wire industry is to a great extent dependent upon the power sector.

STEEL SECTOR

The steel industry has witnessed good growth in past few years. Global steel production touched 1527 MMT in 2011 against 1429 MMT in 2010 - an increase of 6.8% over the previous year. All major steel producing countries reported growth. In 2011, India emerged as the world's fourth largest steel producer after China, USA and Japan. India produced 71 MMT of crude steel in 2011-12 against 68MMT in 2010-11.

India's per capita consumption of 57 kgs is still way behind the developed economies which means a huge growth potential for the country in steel production. As per the latest forecast, India is poised to become the world's second-largest steel producer by 2015. **The increased production and the expansion plans of the steel sector will in turn boost demand for cables as it is required for setting up new facilities.**

REAL ESTATE SECTOR

The real estate sector in India is being recognised as an infrastructure service that is driving the economic growth engine of the country, according to industry experts. In fact, foreign direct investment (FDI) in the sector is expected to increase to US\$ 25 billion in the next 10 years, according to a latest industry body report.

The Reserve Bank of India (RBI) has granted permission to foreign citizens of Indian origin to purchase property in India for residential or commercial purposes. The purchase consideration should be met either out of inward remittances in foreign exchange through normal banking channels or out of funds from NRE/FCNR accounts maintained with a bank in India.

According to the latest reforms, FDI up to 100 percent under the automatic route in townships, housing, built-up infrastructure and construction-development projects (which would include, but not be restricted to, housing, commercial premises, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional level infrastructure) is allowed subject to certain guidelines (also for investment by NRIs)

FDI flows into housing and real estate in April-March 2011-12 stood at US\$ 731 million, according to the Department of Industrial Policy and Promotion (DIPP) Sources: Consolidated FDI Policy Department of Industrial Policy and Promotion (DIPP), CII Real Estate Whitepaper and Ministry of Housing & Urban Poverty Alleviation

Growth in the real estate sector is essential to the cables and wires industry.

AIRPORT MODERNIZATION

In 2011-12, airport infrastructure development continued at a significant pace. In 18 non-metro airports, various upgradation works like expansion of terminal buildings, aprons, taxiways, and aerobridges have been taken up. At IGI Airport, Delhi, upgradation of the existing cargo terminal and construction of a Greenfield cargo terminal have been undertaken. At Mumbai Airport, the airport development project is under way. In order to meet the requirements of increasing traffic, work relating to expansion of the terminal building and apron was undertaken at Bangalore International airport. Government also gave 'in-principle' approval for setting up of a greenfield airport at Karaikal in Puducherry and Shirdi in Maharashtra. **Increased activity in Airport modernization shall add to the demand for specialized cables.**

RAILWAYS (including Metro-rails)

The Ministry of Railways Vision 2020 document envisages the railway sector's share in the GDP to increase from the existing level of 1 per cent to about 3 per cent and its revenues to grow by 10 per cent annually over the next ten years. Some of the major goals set for 2020 in the document include:

- (a) laying of 25,000 km of new lines;
- (b) quadrupling of the 6,000 km network with segregation of passenger and freight lines;
- (c) electrification of 14,000 km;
- (d) completion of gauge conversion;
- (e) upgradation of speed to 160-200 kmph for passenger trains; and
- (f) construction of 2,000 km of high-speed rail lines.

METRO-RAIL: The government had approved the implementation of the Bangalore Metro Rail Project of 42.3 km length by Bangalore Metro Rail Corporation Ltd. (BMRCL). The project commenced on 20th January 2007 and is targeted for completion by 31st March 2013. Government had earlier approved the implementation of the east-west metro corridor of 14.67 km length in Kolkata by Kolkata Metro Rail Corporation Ltd (KMRCL). The project is targeted for completion by 31st January 2015. The Chennai Metro Rail Project of 46.5 km length by Chennai Metro Rail Ltd. (CMRL) has also been approved. The project is targeted for completion by 31st March 2015. Recently, Phase III of Delhi Metro for 103.5 km at a total cost of ` 35,242 crore has also been approved and is targeted for completion by 2016. The metro extension to Faridabad has also been sanctioned and is targeted for completion by March 2014. In addition, metro rail projects have been taken up on PPP basis in Mumbai for Versova-Andheri-Ghatkopar (11.07 km) and Charkop to Mankhurd via Bandra (31.87 km) and in Hyderabad (71.16 km) with viability gap funding (VGF) from the Government of India. Apart from this, Jaipur Metro is also underway.

Thus, Ministry's Vision 2020 coupled with an enormous potential for demand for cables in the various Metro Rail Projects shall boost the demand for special cables.

HYDROCARBONS

OIL AND GAS: Production of crude oil, during the financial year 2011-12 is estimated at 38.19 million metric tonnes (MMT), which is about 1.33 per cent higher than the 37.70 MMT produced during 2010-11. Domestic crude oil production during April-December 2011-12 was 28.70 MMT showing a growth of 1.9 per cent over the same period of the previous year. Natural Gas production during April-December 2011-12 was 36.19 billion cubic metre (BCM) as compared to 39.68 BCM during the same period of the previous year.

Under New Exploration Licensing Policy, 103 oil and gas discoveries have been made by private/joint venture (JV) companies in 34 blocks and more than 600 MMT of oil equivalent hydrocarbon reserves have been added. As on 1 April 2011, investment made by Indian and foreign companies was of the order of US \$15.88 billion, out of which, US \$8.51 billion was on hydrocarbon exploration and US \$7.37 billion on development of discoveries.

CBM: India has the fourth largest proven coal reserves in the world and holds significant prospects for exploration and exploitation of CBM. Under the CBM policy, 33 exploration blocks have been awarded. Out of the total available coal-bearing area of 26,000 sq. km for CBM exploration in the country, exploration has been initiated in about 17,000 sq. km. The prognosticated CBM resources in the country are about 92 trillion cubic feet (TCF), out of which only 8.92 TCF has so far been established. Commercial production of CBM in India has now become a reality with current CBM gas production of about 0.23 million metric standard cubic metre per day (MMSCMD).

SHALE GAS: Shale gas can potentially emerge as an important new source of energy in the country. India has several shale formations which seem to hold shale gas. These formations are spread over several sedimentary basins. The Directorate General of Hydrocarbons (DGH) has initiated steps to identify prospective areas for shale gas exploration. A multi-organizational team (MOT) has been formed by the government for analysing the existing data set and suggesting the methodology for shale gas development in India. Further, the Ministry of Petroleum and Natural Gas has signed a memorandum of understanding (MoU) with the USA on 6 October 2010 for assessment of shale gas resources in India, imparting training to Indian geo-scientists and engineers, and providing assistance in formulation of regulatory frameworks.

REFINING: The total refining capacity in the country as on 1 January 2012 was 193.39 MMTPA, of which 116.89 MMT was in the public sector, 6.00 MMT was joint ventures, and the balance 70.50 MMTPA in the private sector. Out of the 21 refineries operating in the country, 17 are in public sector, 3 in private sector, and 1 is a joint venture. With the impetus on increasing the refinery capacity, it is expected to increase to 214.07 MMTPA by the end of 2011-12. Refinery production (crude throughput) during 2010-11 had reached 206.15 MMT, showing an increase of 6.9 per cent compared to 192.77 MMT in 2009-10.

Company is actively supplying cables to the Hydrocarbon sector & the impetus on the above shall boost the demand for cables.

With strong investments proposed across sectors, the cable industry in India is slated for a strong growth going forward.

RISKS AND CONCERNS

Liquidity Risk

Liquidity risk arises out of lack of adequate funds in the day to day operations. The Company manages the liquidity risk through prudent resource planning to ensure the availability of adequate funds at all times to meet its obligations on its liabilities as well as disbursement on due dates.

**Finance Cost Risk**

Finance Cost risk arises due to payment of high rate of interest on term loans and other fund & non fund based facilities being availed by the Company from banks and other financial institutions. The Company tries to minimize this risk by keeping a check on the interest rates charged by various banks and by sweeping its long term/short term loans with banks charging lesser interest rates.

Raw Material Price Fluctuation:

Price Volatility in Company's Basic Raw Materials - Copper, Aluminum, Steel, PVC etc. can severely impact the profits of the Company. To mitigate this risk, the Company inculcates price escalation clause for large orders and hedges these raw-material on the commodity exchange.

Foreign Exchange Risk:

Company imports few of its raw materials and is also engaged in exports its products. Exchange rate fluctuations may have an impact on the performance of the company. To mitigate this risk, the Company resorts to forward booking where deemed appropriate.

FINANCIAL REVIEW**Results of Operations**

During the year under review, turnover of the Company grew by over 30% Y-o-Y with Net Sales from Operations of Rs. 37680.74 Lacs, as against Rs. 28961.07 Lacs in FY'11. This growth was driven partly by expansion in production capacity, development of new products and company's entry in to newer markets & segments.

The Operational Profit, before making provision for interest and depreciation & amortisation, amounted to Rs. 3562.15 Lacs as against Rs. 2504.93 Lacs in the previous year. Thus, registering a growth of over 40% in Operational Profit.

The Profit before tax during the year stood at Rs.743.01 Lacs. Whilst Rs.536.31 lacs were earned as Net Profit during the year under review.

(Rs. in Lacs)

Particulars	FY'12	FY'11
Gross Sales	40311.06	31117.50
Net Income from Operations	37680.74	28961.07
Total Expenditure	34118.59	26456.14
(a) Consumption of Raw Material	30097.55	22959.58
(b) Manufacturing Operation	1676.65	1418.18
(c) Staff Cost	1675.74	1217.23
(d) Administrative & Other Expenses	668.65	861.15
OPBITDA	3562.15	2504.93
Depreciation & Amortisation	677.50	434.19
OPBIT	2884.65	2070.74
Finance Charges (Net)	2292.59	1409.71
OPBT	592.06	661.03
Non Operating Income / Other Income	150.95	127.66
PBT	743.01	788.69
Current Year Tax	138.03	51.25
Deferred Tax	68.67	200.32
Wealth Tax	—	—
PAT	536.31	537.12