CORDS

Annual Report 2012-13

Cords Cable Industries Limited

CONTENTS **Page No.**

BOARD OF DIRECTORS

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

KEY MANAGEMENT PERSONNEL

Mr. V. K. Beri
Chief Executive Officer (Designate)

Mr. Varun Sawhney
Vice President (Marketing, HR & IT)

Mr. H. K. Pandita
Vice President (Marketing)

Mr. Amitabha De
Assistant Vice President (Strategic Business)

Mr. Sandeep Kumar
General Manager (Accounts & Finance)

Mr. S. K. Bagga
General Manager (Technical)

Mr. Dinesh Shukla
President (Operations)

Mr. Rahul Prashar
Vice President (PEM & Operations)

Mr. Gaurav Sawhney
Vice President (Finance & Banking)

Mr. Anil Gupta
General Manager (Technical)

Mr. Satinder Bedi
Head (Sourcing)

COMPANY SECRETARY & COMPLIANCE OFFICER

Ms. Geetanjali S. Kumar

REGISTRAR AND SHARE TRANSFER AGENT

Link Intime India Private Limited
44, Community Centre, 2nd Floor, Naraina Industrial Area,
Phase I, Near PVR Naraina, New Delhi-110028
Tel No- +91-011-41410592,93,94
Fax No- +91-011-41410591
Email-delhi@linkintime.co.in

BANKERS & FINANCIAL INSTITUTIONS

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

STATUTORY AUDITORS

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

STOCK EXCHANGES

Bombay Stock Exchange Limited
National Stock Exchange of India Limited

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 Investors - csco@cordscable.com
- For Others - ccil@cordscable.com

Website - www.cordscable.com

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) Hyderbad (3) Kolkata

MANAGEMENT DISCUSSION & ANALYSIS

Since its inception, Cords Cable Industries has diversified its business model and has shown significant presence in both the domestic as well as the international markets, serviced largely the institutional segments and has catered both the private and the public sector clients. The company continued to fine tune its production output to meet country's changing demands. The company met the budding demand for high-quality customized cables that included control, instrumentation, thermocouple cables and power cables. Specialty cables have emerged as a significant market on account of the growth in sophisticated applications in many vital sectors of the Indian as well as the world economy.

ECONOMIC OVERVIEW

GLOBAL : Although global prospects have improved again, the road to recovery in the advanced economies is expected to remain bumpy. World output growth is forecast to reach 3¼ percent in 2013 and 4 percent in 2014. Global gross domestic product, which slowed in mid-2012 is recovering, and a modest acceleration in quarterly GDP is expected during the course of 2013. That progress will be masked in the annual data, however, with whole-year growth for 2013 projected at 2.2 percent, a touch slower than in 2012. The strengthening of quarterly growth will show up in whole-year global GDP growth of 3.0 percent for 2014 and 3.3 percent in 2015.

In the major advanced economies, activity is expected to gradually accelerate, following a weak start to 2013, with the United States in the lead. In emerging market and developing economies, activity has already picked up steam. Advanced economy policymakers have successfully defused two of the biggest threats to the global recovery - a breakup of the euro area and a sharp fiscal contraction in the United States caused by a plunge off the “fiscal cliff.” However, some other old dangers remain and new risks have come to the fore. In the short term, risks mainly relate to developments in the euro area, including uncertainty about the fallout from events in Cyprus and politics in Italy as well as vulnerabilities in the periphery. In the medium term, the key risks relate to adjustment fatigue, insufficient institutional reforms, and prolonged stagnation in the euro area as well as high fiscal deficits and debt in the United States and Japan. The United States and Japan still need to devise and implement strong medium-term fiscal consolidation plans. The euro area needs to strengthen the Economic and Monetary Union.

In emerging markets and developing economies, some tightening of policies appears appropriate in the medium term. This tightening should begin with monetary policy and be supported with prudential measures as needed to rein in budding excesses in financial sectors. Growth in emerging market and developing economies is projected at 5.3% in 2013 (vis-a-vis 5.1% in 2012).

The extreme risks and swings perceptions that have driven global capital and output markets have eased significantly, even as new risks and challenges have gained in prominence. On the whole, an environment of progressively lower global tail risks and continued structural reforms in various economies will favourably impact global growth outlook in 2013.

(Sources: World Economic Outlook, International Monetary Fund ; worldbank.org ; pwc.co.uk)

INDIA : India's recent slowdown is partly rooted in external as well as domestic causes. The strong post-financial-crisis stimulus led to stronger growth in 2009-10 and 2010-11. However, the boost to consumption, coupled with supply side constraints, led to higher inflation. Monetary policy was tightened, even as external headwinds to growth increased. The consequent slowdown, especially in 2012-13, has been across the board, with no sector of the economy unaffected, even though, in late 2012, the Indian government announced reforms and deficit measures to reverse India's slowdown.

With output expansion of 4.5 per cent in Q3 of 2012-13, the lowest in 15 quarters, cumulative GDP growth for the period April-December 2012 declined to 5.0 per cent from 6.6 per cent a year ago. This was mainly due to the protracted weakness in industrial activity aggravated by domestic supply bottlenecks, and slowdown in the services sector reflecting weak external demand. The Central Statistics Office (CSO)'s advance estimate of GDP growth for 2012-13 of 5.0 per cent implies that the economy would have expanded by 4.7 per cent in Q4. The growth of industrial production slid to 0.6 per cent in February 2013 from 2.4 per cent a month ago, mainly due to contraction in mining and electricity generation and slowing growth in manufacturing. Consequently, on a cumulative basis, growth in industrial production decelerated to 0.9 per cent during 2012-13 (April-February) from 3.5 per cent in the corresponding period of the previous year. CSO's advance estimate lowered the growth in agriculture and allied activities to 1.8% in 2012-13, compared to 3.6% 2011-12.

Headline inflation, as measured by the wholesale price index (WPI), moderated to an average of 7.3 per cent in 2012-13 from 8.9 per cent in the previous year. The easing was particularly significant in Q4 of 2012-13, with the year-end inflation recording 6.0 per cent.

Since July last year, the Indian rupee has fallen by about 28% against the US dollar - one of the biggest declines among Asian currencies. Also, the current account deficit (CAD) came in at an all-time high of 6.7 per cent of GDP in Q3 of 2012-13. There are indications that it may have narrowed in Q4 largely on account of the trade deficit declining, with exports returning to positive growth after contracting in the first three quarters and non-oil non-gold imports and gold imports declining.

An analysis of corporate performance during Q3 of 2012-13, based on a common sample of 2,473 non-government non-financial companies, indicates that growth of sales as well as profits decelerated significantly. Early results of corporate performance in Q4 indicate continuing moderation in sales. With global growth unlikely to improve significantly in 2013, the outlook for industrial activity may remain subdued and growth in services may remain sluggish. However, conditional upon a normal monsoon, agricultural growth could return to trend levels.

It will be fair to state, however, that the slowdown is not just confined to India and that there has been a general slowdown in the global economy which has been passing through a rather prolonged phase of uncertainty. Overall, during 2013-14, economic activity is expected to show a modest improvement over last year, with a pick-up likely in the second half of the year. Accordingly, the baseline GDP growth for 2013-14 is projected at 5.7 per cent.

(Sources: indiabudget.nic.in ; Central Statistics Office ; bbc.co.uk ; Economic Times ; Monetary Policy Statement 2013-14, Reserve Bank of India)

INDUSTRY SCENARIO

Cables being a crucial component across industries, manufacturers produce whole host of cables such as power cables, fire safe cables, single cores, multi cores and data cables etc. In India, while the wire and cable industry is moving over the past 20 years from unorganized to organized sector, around 35 per cent of the industry is still in the unorganized sector. There are multiple players in the market, including Indian as well as international, and the Indian market consists of both branded and unbranded cables. Cables and wires are also imported to meet the ever-growing requirement. The wire and cable industry comprises 40 per cent of the electrical industry. Within the next 5 years this is expected to be doubled. 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. Whilst sluggish growth in power sector and escalating imports of electrical equipment may impact the commercial viability of a part of domestic electrical equipment industry, the business environment for Cable industry is showing signs of industrial and infrastructure growth. The future outlook in terms of investment in the infrastructure sector also seems good. This indicates that demand for the cable business ought to improve further. We are optimistic that with sustained, efficient production, the industry will recover in the upcoming quarters.

OPPORTUNITIES IN VARIOUS SECTORS

The broad vision and aspirations which the Twelfth Plan seeks to fulfil are reflected in the subtitle: 'Faster, Sustainable, and More Inclusive Growth'. The total investment in infrastructure sectors in the Twelfth Plan is estimated to be 55.7 lakh crore, which is roughly one trillion dollars at prevailing exchange rates. The share of private investment in the total investment in infrastructure rose from 22 per cent in the Tenth Plan to 36.61 per cent in the Eleventh Plan. It will have to increase to about 48 per cent during the Twelfth Plan if the infrastructure investment target is to be met. The Eleventh Plan succeeded in raising investment in infrastructure from 5.04 per cent of GDP in the Tenth Plan to 7.2 per cent of GDP in the Eleventh Plan. The Twelfth Plan aims to raise it further to 9 per cent of GDP by 2016–17.

POWER

Power is a critical infrastructure for economic growth. Power is considered to be a core industry as it facilitates development across various sectors of the Indian economy, such as manufacturing, agriculture, commercial enterprises and railways. The power sector consists of generation, transmission and distribution utilities and is a crucial component of India's infrastructure. India's rapid growth over the past decade has increased power demand, which is still largely unmet. In order to meet the increase of electricity, massive addition to the installed generating capacity in the country is required. The capacity addition during the Twelfth Plan period is estimated at 88,537 MW comprising 26,182 MW in the central sector, 15,530 MW in the state sector, and 46,825 MW in the private sector respectively. The capacity addition target for the year 2012-13 was set at 17,956 MW. As against it, a capacity of 9,854 MW was added till 31 December 2012.

Besides the initiatives like Aggregate Technical and Commercial losses and Restructured APDRP and the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) under Rural Electrification initiative, the Ministry of Power launched an initiative for development of coal-based super critical Ultra Mega Power Projects (UMPP) of about 4000 MW capacity each. Four UMPPs, viz. Sasan in Madhya Pradesh, Mundra in Gujarat, Krishnapatnam in Andhra Pradesh, and Tilaiya in Jharkhand have already been transferred to the identified developers and are at different stages of implementation. Three units of Mundra UMPP each of 800 MW were commissioned in March, July, and October 2012. The fourth and fifth units are expected to achieve commercial operation by September 2013. Other awarded UMPPs are expected to come up in the Twelfth Plan (except the last unit of the Tilaiya UMPP, which is likely to come up in the Thirteenth Plan).

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

STEEL SECTOR

Indian steel industry plays a significant role in the country's economic growth. India has acquired a central position on the global steel map with its giant steel mills, acquisition of global scale capacities by players, continuous modernization and up-gradation of old plants, improving energy efficiency, and backward integration into global raw material sources. India's rank in the world order of steel production remained unchanged at fourth slot with an output of 76.7 M.T, despite logging the higher growth of 4.2%, among major producing nation in 2012. World crude steel production reached 1548 MT for the year 2012, up by 1.2% compared to 2011 as per World Steel Association (WSA).

India is looking to source advance technologies developed by Korean manufacturers among others for bringing about process innovation in the steel industry and increasing availability of new products in the India market. Further, if the proposed expansion plans are implemented as per schedule, India may become the second largest crude steel producer in the world by 2015-16.

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 has come a long way by becoming one of the fastest growing markets in the world. It is not only successfully attracting domestic real estate developers, but foreign investors as well. The growth of the industry is attributed mainly to a large population base. The sector comprises of four sub-sectors- housing, retail, hospitality, and commercial. While housing contributes to five-six percent of the country's gross domestic product (GDP), the remaining three sub-sectors are also growing at a rapid pace, meeting the increasing infrastructural needs.

The Reserve Bank of India (RBI) has granted permission to foreign citizens of Indian origin to purchase property in India for residential or commercial purpose. RBI has permitted estate developers and housing finance companies to raise up to US$1 Billion through External Commercial Borrowing (ECB) route during the 2012-13 fiscal. The government has allowed 51% FDI in multi-brand retail subject to conditions.

FDI flows into the construction sector for the period April-February 2012-13 stood at US$ 1,260 million, according to the department of industrial policy and promotion (DIPP). (Source: www.ibef.org/industry/real-estate-india.aspx)

Growth in the real estate sector is essential to the growth of wires and cable industry.

AIRPORT MODERNIZATION

The aviation sector is one of the prime movers for economic growth and a strategic element of employment generation, besides providing air transport for passengers and goods. The rapid expansion of air transport network and opening up of the infrastructure to private sector participation can potentially fuel the growth of air traffic in India and the government envisages an investment of $12.1 billion in the airport sector during the 12th plan period.

To enhance airport infrastructure in India, modernization of existing airport infrastructure in metro and non-metro cities and construction of Greenfield airports were contemplated. The government has envisaged a modernization plan with a view to develop and modernize 37 non-metro airports which have been identified based on regional connectivity, development of regional hubs, places of major tourist attraction, and potential for development as business hubs. 100% FDI is allowed through the automatic route for Greenfield Airport in the country. The Twelfth Five Year Plan (2012-17) envisages an investment of Rs.65,000 crore at Indian airports, of which a contribution of about Rs.50,000 crore is expected from the private sector. The Airports Authority of India (AAI) has undertaken, through public-private partnership ventures, the restructuring and modernization of Delhi and Mumbai airports at a cost of about Rs.25,000 crore with state-of-the-art facilities. In Bangalore and Hyderabad, the government has initiated the construction of Greenfield airport through Build Own Operate and

Transfer (BOOT) basis with private sector participation. Expansion of Bangalore International Airport Ltd. (BIAL) has been undertaken at an estimated cost of Rs.1,479 crore.

Increased activity in Airport modernization shall add to the demand for specialized cables.

RAILWAYS (including Metro-rails)

The Ministry of Railway Vision 2020 addresses one of the biggest development challenges of contemporary India. By pursuing bold and unprecedented ambitious targets in the much-needed expansion and modernization of the railway network in India, Vision 2020 aims at considerably enhancing the Indian Railways' contribution to the national goal of achieving double-digit GDP growth rate on a sustainable basis.

Some of the major goals set for 2020 in the document include:

(a) Establishing quality of service benchmarked to the best of the railway systems in the world;
(b) Target to achieve Zero accidents;
(c) Target to achieve Zero failures in equipments;
(d) Utilizing at least 10% of its energy requirement from renewable sources;
(e) Instituting a foolproof eco-friendly waste management system;
(f) Completing 4 high speed corridors of (2000 kms) and plan development of 8 others.

Dedicated Freight Corridor Project: The Eastern and Western Dedicated Freight Corridors (DFC) are a mega rail transport project being undertaken to increase transportation capacity, reduce unit costs of transportation, and improve service quality. The Eastern DFC (1839 route kilometres [RKM]) extends from Dankuni near Kolkata to Ludhiana in Punjab, while the Western DFC (1499 RKM) extends from the Jawahar Lal Nehru Port (JNPT) in Mumbai to Dadri /Rewari near Delhi. A special purpose vehicle, the Dedicated Freight Corridor Corporation of India Limited has been set up to implement the project. Out of 10,703 ha of land to be acquired for the project, 7,768 ha (73 per cent) has already been awarded under the Railway Amendment Act (RAA) 2008. The Eastern and Western DFC projects are being funded through a mix of bilateral/multilateral loans, gross budgetary support (GBS), and PPP. The Western DFC is being funded by the Japan International Cooperation Agency (JICA) up to 77 per cent of the total cost. Funding has been tied up and award of civil contract of 900 km is in process. The remaining portion of the project construction cost will be borne by the Ministry of Railways as equity funding. The Ludhiana to Mughalsarai section (1183 km) of the Eastern DFC is being funded by the World Bank up to 66 per cent of the project cost. Funding for the first sector, viz. Khurja-Kanpur (343 km), has been tied up and award of civil contract is under way. Funding tie up with the World Bank for the remaining sectors is also in process. The Mughalsarai-Sonnagar sector (122 km) will be funded by Indian Railways' own resources. Civil construction work of this sector is in progress. The Dankuni-Sonnagar section (534 km) of the Eastern DFC will be implemented through PPP mode. Apart from the Eastern and Western DFCs, a feasibility study has also been undertaken on four future freight corridors, viz. East-West Corridor (Kolkata-Mumbai), North-South Corridor (Delhi-Chennai), East Coast Corridor (Kharagpur-Vijayawada) and Southern Corridor (Goa-Chennai). A pre-feasibility study of the Chennai-Bangalore Freight Corridor is also being proposed. After commissioning of the Eastern and Western DFCs, it is planned to upgrade the speed of passenger trains to 160-200 kmph on the existing routes. A feasibility study for upgradation of speed of passenger trains to 160-200 kmph on the existing Delhi-Mumbai route has been undertaken with co-operation from the Government of Japan in 2012-13. Huge quantity of high quality specialized cables are expected to be used in this ambitious project.

METRO-RAIL: Recently, the 103.5 km Phase III of Delhi Metro at a total cost of Rs.35,242 crore was approved and targeted for completion by 2016. The metro extension to Faridabad has also been sanctioned. In addition, the government has also approved the extension of Delhi Metro from Dwarka to Najafgarh (5 km), Yamuna Vihar to Shiv Vihar (2.7 km), and Mundka to Bahadurgarh (11.50 km) as part of Delhi Metro Phase III. The Bangalore Metro Rail Project of 42.3 km length is targeted for completion by December 2013. The first leg of 7 km has already been commissioned on 20 October 2011. The government also 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 31 January 2015. The Chennai Metro Rail Project of 46.5 km length by Chennai Metro Rail Ltd. (CMRL) at a total estimated cost of Rs.14,600 crore is targeted for completion by 31 March 2015. The Kochi Metro Rail Project of 25.6 km by Kochi Metro Rail Limited (KMRL) at a completion cost of Rs.5,181.8 crore was also approved. In addition, metro rail projects are taken up in Mumbai on PPP basis 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. Presently, the Government of Rajasthan is also implementing 7 km of metro rail with funding entirely from the state government.

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

HYDROCARBONS:

OIL AND GAS: Crude oil and natural gas production in 2012-13 were 0.6 per cent and 14.5 per cent less respectively compared to the previous fiscal. The refineries turned in a better performance with their cumulative 181 million tonnes crude throughput, almost 7 per cent more than the previous fiscal's achievement and a little over 2 per cent of the planned target for public and private/joint venture companies' crude oil production was 37.864 million tonnes as against the 2011-12 achievement of 38.089 million tonnes. The planned target for 2012-13 was 40.046 million tonnes. For private/JV companies, natural gas production was 32.9 per cent less than the 2011-12 achievement.

The decline in natural gas production (to 40,676 million cubic meters) was 14.5 per cent. The planned target was 41,309 million cubic meters. Such a performance was not totally unexpected since the output from KG basin operated by Reliance Industries continued to fall. For private/JV companies, natural gas production was 32.9 per cent less than the 2011-12 achievement. India may offer as many as 68 blocks or areas for exploration of oil and gas in the 10th round of New Exploration Licensing Policy (NELP) this year.

CBM: Coal Bed Methane is an unconventional energy segment in India. In 2012-13, the country's total methane production stood at approximately 0.32 million standard cubic m a day (mmscmd), enough to generate approximately 80 MW of power, meeting the energy needs of a mere 40,000 urban middle-class households having one air conditioner each. The country began commercial production of CBM in 2007 and the companies involved in the market are consolidating. With a total of 33 blocks distributed so far, the policy has been successful in attracting substantial investments in CBM exploration.

SHALE GAS: Shale gas or natural gas trapped in sedimentary rocks (shale formations) below the earth's surface is the new focus area in the US, Canada and China as an alternative to conventional oil and gas for meeting growing energy needs. Joining the global race to tap unconventional hydrocarbon sources to meet energy needs, India will launch its maiden bid round for exploration of shale gas during the 12th Plan Period (2012-17). The country is believed to have about 63 trillion cubic feet of recoverable shale gas reserves, more than 20 times the size of the country's largest gas deposit, KG-D6 block in the Krishna-Godavari basin off the