



19th ANNUAL REPORT

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GEM CABLES & CONDUCTORS LIMITED

No1. BADAM SOHNA APARTMENTS
RAJBHAVAN ROAD, HYDERABAD - 500 082



G E M
CABLES



GEM CABLES & CONDUCTORS LTD

BOARD OF DIRECTORS

Dr.M.Venkataratnam IAS (Retd.)

Chairman

Shri. K.V.R.Sastry

Shri. B.Ray

Shri. Narasimha Murthy

Shri. Bipin R. Shah

Shri. P.C. Gupta

Shri. N.J.Rao

Shri. P.Jitendra Kumar

Shri. Y.Kamesh

Managing Director

Shri. K.V.S.Rao

Executive Director

Registered Office

No. 1 Badam Sohana Apartments,
Rajbhavan Road, **Hyderabad-482.**
Chitkul Village, Patancheru, Medak Dist.

Works

Branches

Plot No.24, SriVidya 3/386,
Godavari Street, Ganga Nagar,
Chennai-600 0091.

36/286, Anand Nagar ,OM CHS Ltd,
Nehru Road, Vakola, Santacruz (East),
Bombay - 400 055.

Associates

Al Shrouq Electrical Establishment,
P.B.No. 2141, **Sharjah. (U.A.E.)**

Bankers

M/s. Indusind Bank Ltd.,

Auditors

M/s G.K.Rao & Co.
Chartered Accountants,
Secunderabad.

Listed at

Hyderabad Stock Exchange Ltd.,
D.No. 3-6-275, Himayathagar,
Hyderabad - 500 029.

The Stock Exchange, Mumbai,
Phirozejee Jeebhoy Towers,
Dalal Street, **MUMBAI - 400 001**

The Stock Exchange,
Kamadhenu Complex, Panjarapole
Ahmedabad - 380 015.

Registrars

M/s Sathguru Management Consultants
Private Ltd., Plot.No.15, Hindinagar
Panjagutta, **Hyderabad - 500 034.**



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Directors Report.

Dear Members,

Your Directors present herewith the 19th Annual Report of the Company for the period ending with 31.03.2000. As may be seen the Company has suffered its first massive loss on account of many a factor which were beyond its control and purview.

As you are aware that Electricity Boards are the major customers for the products of the Company and your Directors are alluding to the fact that the chronic sickness prevailing in this segment which has totally eroded their financial viability has severely effected the Company's marketing policies and consequently the performance has taken a severe beating this financial year.

The apathy with which the Central and State Governments have been responding to the privatisation efforts of the Power Industry have also belied the expectations of our marketing efforts which perceived greater marketing potential when policy announcements were made.

It is a matter of great concern to your Board that the High Voltage Cable plant is lying idle on account of non availability of sufficient orders for that line. Your Company has got the Cables type tested in European Laboratories in addition to getting the type test approvals from the Country's premier testing laboratory, M/s. CPRI. The technical capabilities of your company to manufacture these highly sophisticated high voltage cables have been endorsed by the successful typetesting of the cables produced by it by these prestigious laboratories.

Your Company's efforts to stem the tide of events although have been proceeding on an emphatic note, they have not yet borne fruit. Your Directors are hopeful and that coupled with that the situation of all round economic resurgence will stabilise the situation. As power is used every day in all walks of life it is only a matter of time before the fortunes of the Company will be shored up.

The Financial Results are as follows.

Gross Loss	Rs.120.67 lacs
Add Interest	Rs.327.61 lacs
Add Depreciation	Rs. 61.06 lacs
Less Other Income	Rs.289.90 lacs
Net Loss	Rs.219.43 lacs

Market Scenario:

In view of the very bad payment position and inordinate delays in realisations for the supplies made to the Electricity Boards, your company has decided to wean away from these markets and to start marketing its products to private customers and projects. As a result of these vigorous efforts in the last year, your Board is happy to state that the offers of the Company are receiving good response and that your company is all set to be awarded with orders of more than

Rs.1600.00 lakhs in the next three months including orders on hand.

One significant achievement in this regard is that your Company has doubled its marketing efforts in UAE & Yemen. It is expected that the demand for the products of your Company will greatly increase on account of the spurt in the prices of the oil which spurs the governments there to take up more and more projects. In fact we are all set to receive an order worth US \$ 11 millions, for which approval from the ADWEA is awaited.

In the meanwhile, your Company has also started manufacturing cables for other customers on job work basis. Even though this is being done on experimental basis, we are happy to inform you that your Company could generate Rs.80.48 lakhs as job work income, which is equivalent to sales of Rs.549.79 lakhs. Your Company is hopeful that it would be able to get more job orders in this direction, which will help your company to reduce the financial burden on account of the huge working capital requirements and reduce the element of risk of blockage of funds due to the failure of the customer to pay. By and large it is earnestly hoped that our energetic efforts to overcome the present difficulties and to emerge successful ultimately in the near future must succeed and it is our endeavour to meet the expectations of the valued investors.

At this point of time it has to be noted that the overall market situation continues to be unfavourable, with very lowered off take from major customers and with the very bad payment situations. This, naturally results in great competition for the orders from the customers whose payment terms are good. Consequentially, the margins on these orders are taking a very big dent and the prices of the products are infact, lower than what they were three years ago, despite the fact that there is marked increase in cost of raw material and other inputs, including power.

Human Resources:

Your Company's manpower has not been effected in spite of the all-round problems faced by the Company and it continues to maintain cordial relations with employees.

Particulars of Employees:

There are no employees employed by the Company whose particulars are required to be given as per section 217 (2A) of the Companies Act,1956 read with Companies (particulars of employees) Rules 1975.

Foreign Exchange Earning and Outgo.

During the year export earnings are Rs.372.37 lacs. The outgo of foreign exchange on account of travel related expenses are Rs.0.83 lacs

Cashflow Statement.

In accordance with the listing agreements with various Stock Exchanges, the Cashflow Statements for the year ended 31.03.2000 is enclosed.



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Financial restructuring:

Efforts are being put in by your company to reduce the financial burden on the company, which has resulted on account of the bad realisations from the customers. In this direction, your company is planning to enter into settlements with the lenders and it is expected that this exercise will greatly reduce the interest burden in the coming years. Once the funding plans are finalised and approved, your company proposes to go ahead in this direction and it is expected that the settlements would be completed in the next financial year. Your Company has already entered into this kind of settlement with M/s. ICICI for which the repayment is due in the month of March, 2001. No sooner the major export order your company is expecting is received, your Company will proceed ahead with its plans of restructuring.

Energy Conservation

Conservation of Energy, technical absorption etc., in Form A,B are enclosed at Annexure 1 as required under Section 217(1)(E) of the Companies Act, 1956.

Investor Support.

The Company's shares have been brought under the purview of compulsory demat with effect from 25th September, 2000 by SEBI. Therefore your Company has appointed M/s.Sathguru Management Consultants Private Limited as the new Registrar for both physical and electronic transfer. Your Company has already entered into an agreement with CDSL& NSDL for this facility. The Company's ISIN is INE 582B01017.

Acknowledgements

Your Directors convey their appreciation for the services rendered by the Employees and Staff. They also place on record the advice and guidance received from the Indusind Bank and Financial Institutions like ICICI & IDBI in tiding over the difficulties. Your Directors also place on record their gratitude for the trust placed in it by the Customers of the Company.

By Order of Board.

Place: Hyderabad Sd/-Dr.M.Venkata Ratnam, IAS,Retd.,
Date : 02 09 2000. Chairman.

ANNEXURE TO DIRECTORS' REPORT COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES.

A. Conservation of Energy

a. Energy Conservation measures:

Besides adding capacitors for power factor improvement energy conservation is being improved by bringing about greater awareness among employees for optimal use of energy. Specific action is being pursued such as :

- Conversion of drive Motors into Thyristor DC driven ones from the existing AC induction motors.
- Timely switching off the mains when production on a particular machine is not undertaken.
- Providing external thermal insulation to the barrel heaters to reduce thermal loss.
- Provision of digital temperature controllers for all heating equipment in place of the rheostats.

b. Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

- None.

c. Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

Impact has not been measured.

d. Total energy consumption and energy consumption per unit of production as per Form A in respect of industries specified in the schedule thereto:

Not applicable.

B. Technology Absorption.

a. Efforts made in technology absorption as per Form B is given below :

Form for disclosure of particulars with respect to absorption. Research and Development (R & D)

1. Specific areas in which R & D efforts have been put in by the Company are:

- a) Development of 33 KV XLPE Cables, 11 KV ABC Cables and Cables with Elastomeric Insulation.
- b) Development of XLPE (Silane Cross Linkable) Compound with improved handling characteristics and shelf life, under the trade name of "GEMOXYLENE" and to obtain patent for the same.



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- d) Implementation of computerised thickness control process for extrusion.
- e) Various process modifications for improving the machinery performance and product performance at various levels.

2. Benefits derived as a result of the above R & D:
All the above items mentioned in Item No.1 have been implemented and taken in actual production, resulting in cost and time saving and delivering a perfect product, which in turn, ensures customer satisfaction.
3. Future plan of action :
To commercially develop Elastomeric Cables for Wind Farms, Air Port Cables, EHV Cables, Cables for under water applications.

Technology Absorption, Adaptation and Innovation.

1. Efforts in brief, made towards technology absorption, adaptation and innovation.
To continue further development, with the efforts of the in house research and development of XLPE Cables of Higher Voltage & Elastomeric Cables for various applications.
 2. Benefits derived as a result of the efforts eg. product improvement, cost reduction, product development import substitution etc.
 - a) Continuing leadership in South India in respect of the range of the Company.
 - b) Introduction of 11 kv XLPE Power Cables, ABC Cables, Mining Cables etc.,
 3. Imported Technology (Imported during the last 5 years reckoned from the beginning of the financial year):
 - a) Technology Imported : None.
- C. Foreign Exchange Earnings and outgo:
- f. Activities relating to exports :
 - i. Earnings by way of export : Rs.372.37 Lacs.
 - ii. Outgo by way of expenses : Rs. 0.83 lacs.

By Order of the Board
Sd/- Dr.M.Venkata Ratnam, IAS., Retd.,
Chairman

Place: Hyderabad.
Date: 02.09.2000.

AUDITOR'S REPORT

To
The Members,
Gem Cables & Conductors Ltd.,
Hyderabad.

We have audited the attached Balance Sheet of Gem Cables & Conductors Limited as at 31.03.2000 and the Profit & Loss Account for the period ended on that date annexed thereto in which the Accounts of the branches are incorporated and report that

1. As required by the Manufacturing and other Companies (Auditor's Report) Order 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 & 5 of the said order.
2. Further to our comments in the annexure referred to paragraph 1 above we report that:
 - a. The Company has to make provision for legal expenses, insurance premium and interest on ICICI & ITC Classics loan to the extent given under item no.9 of Schedule-H (notes forming part of Balance Sheet.)
3. 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.
4. In our opinion proper Books of Accounts as required by Law have been kept by the Company in so far as appears from our examination of such books.
5. The Balance Sheet and Profit & Loss Account referred to in the Report are in agreement with the Books of Accounts.
6. In our opinion the Balance Sheet and Profit and Loss Account complies with the Mandatory Accounting Standards subject to the Accounting Standards as laid in Schedule - H Notes forming part of accounts, as referred in Sec. 211(3c) of the Companies Act. 1956.
7. In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit & Loss account read together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required by the Companies Act, 1956 and give a true and fair view.
 - i) In so far as it relates to the Balance Sheet of the state of affairs of the Company as at 31st March 2000 and
 - ii) In so far as it relates to the Profit & Loss account of the Loss of the Company for the period ended on 31st March 2000.

FOR G.K.RAO & CO.,
Chartered Accountants
Sd/-Pawan Kumar
Partner

Place: Hyderabad
Dated:02.09.2000