

11th Annual Report 2002-2003

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KEI INDUSTRIES LIMITED

11th Annual Report 2002 - 2003

BOARD OF DIRECTORS

Mr. Anil Gupta	Managing Director
Mr. Sunil Gupta	Whole Time Director
Mr. Pawan Bholusaria	Director
Mr. K. G. Somani	Director
Mr. Vijay Bhushan	Director
Mr. Vikram Bhartiya	Director

AUDITORS

M/s Jagdish Chand & Co.
Chartered Accountants
New Delhi

BANKERS

DENA BANK
PUNJAB NATIONAL BANK
ING VYSYA BANK LTD.

SHARE TRANSFER AGENT

MAS SERVICES PVT. LTD.
AB-4, Safdarjung Enclave
New Delhi - 110 029
Tel. : 26104142, Fax : 26181081

REGISTERED OFFICE

D-90, Okhla Industrial Area,
Phase - I, New Delhi - 110 020.

KEY MANAGEMENT PERSONNEL

DEEPAK GUPTA	Executive Director - S.S. Wire
A. R. GHOSE	Vice President (Cable)
CHIRAG GARG	Executive Director
P. K. AGGARWAL	General Manager (P&A)
RAJEEV GUPTA	General Manager (Finance)
MANOJ KAKKAR	General Manager (Mktg-S&W India-Cable)
S. K. MOHANTY	General Manager (Mktg-JFTC&Cable Export)
P.K. GHOSE	General Manager (Works)
K.C. SHARMA	Dy. General Manager (Works-Cable)
ANIL KHERA	Dy. General Manager (Mktg-Export ss wire)

**NOTICE**

The 11th Annual General Meeting of the Members of the Company will be held at Hamdard Convention Center (Hall No.1) Jamia Hamdard, Hamdard Nagar, Near Batra Hospital, New Delhi – 110 062 on the 30th day of September, 2003 at 10.30 A.M. to transact the following business:

ORDINARY BUSINESS :

1. To consider and adopt balance sheet as at 31st March 2003, Profit & Loss Account for the year ended on that date and the report of the board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri K.G. Somani, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a director in place of Shri Anil Gupta, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remuneration and in this regard to consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT M/s. JAGDISH CHAND & CO., Chartered Accountants, New Delhi be and are hereby appointed auditors of the company from the conclusion of this Annual General Meeting of the company until the conclusion of the next Annual General Meeting of the company on such remuneration as shall be fixed by the Board of Directors of the Company".

SPECIAL BUSINESS :

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as ordinary Resolution:-
"RESOLVED THAT, pursuant to the provisions of Sections 198,269,309 and other applicable provision if any, of the Companies Act, 1956 read with Schedule XIII of the said act, the Company hereby approves the reappointment of Shri Anil Gupta as Managing Director of the Company for a period of five year w.e.f. 1st August, 2003 on such remuneration and terms & conditions, as set out in the Explanatory Statement annexed to the Notice Convening this Annual General Meeting".
"RESOLVED FURTHER THAT the remuneration set out in the explanatory statement be paid to Shri Anil Gupta, Managing Director as minimum remuneration in the event of absence or inadequacy of profits in any year".
"RESOLVED FURTHER THAT the Board of the Directors of the Company be and is hereby authorised to do all such acts, deeds matters and things as may considered necessary, desirable or expedient for the purpose of giving effect to these resolutions".
6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as ordinary Resolution:-
"RESOLVED THAT, pursuant to the provisions of Sections 198,269,309 and other applicable provision if any, of the companies Act, 1956 read with Schedule XIII of the said act, the Company hereby approves the reappointment of Shri Sunil Gupta as Whole Time Director of the Company for a period of five year w.e.f. 1st August, 2003 on such remuneration and terms & conditions, as set out in the Explanatory Statement annexed to the Notice Convening this Annual General Meeting".
"RESOLVED FURTHER THAT the remuneration set out in the explanatory statement be paid to Shri Sunil Gupta, Whole time Director as minimum remuneration in the event of absence or inadequacy of profits in any year".
"RESOLVED FURTHER THAT the Board of the Directors of the Company be and is hereby authorised to do all such acts, deeds matters and things as may considered necessary, desirable or expedient for the purpose of giving effect to these resolutions".

NOTES :

1. The Relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not to be a member of the Company. Proxy form is attached herewith.
3. The instrument appointing the proxy should however be deposited at the Registered office of the company not less than 48 hours before the commencement of the meeting.
4. Member / Proxies should bring the attendance slip sent herewith duly filled in for attending the meeting.
5. The Register of members and Share Transfer Books will remain close from 24.09.2003 to 30.09.2003 (both days inclusive).
6. Members are requested to address all their correspondence including change of address, to the Registrar and Share Transfer Agent MAS SERVICES PRIVATE LIMITED, AB-4, Safdarjung Enclave, New Delhi – 110 029.
7. Documents referred to in the Notice and the explanatory statement are open for inspection at the Registered Office of the company during office hours on all working days except Sundays and Holidays between 10.30 a.m. to 1.00 p.m. upto the date of Annual General Meeting.
8. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
9. Shareholders are requested to bring their copy of Annual Report at the meeting.



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10. At the ensuing Annual General Meeting, Shri K.G. Somani and Shri Anil Gupta, retire by rotation and being eligible offer themselves for reappointment. The information or details pertaining to these directors to be provided in terms of Clause 49 of the listing agreement with the stock exchange are annexed here with.

By Order of Board
For KEI INDUSTRIES LIMITED

(ANIL GUPTA)
Managing Director

Place : New Delhi
Dated : 31st July, 2003

EXPLANATORY STATEMENT PURSUANT TO SEC. 173(2) OF THE COMPANIES ACT, 1956.

As required by section 173(2) of the Companies Act, 1956, the following explanatory statement sets out material facts relating to the Special Business under item numbers 5 & 6 of the accompanying Notice dated 31st July 2003.

Item No.5

At the 6th Annual Meeting of the Company held on 21.09.98, the members of the Company had approved the appointment of Shri Anil Gupta as Managing Director of the Company on payment of remuneration for a period of 5 years from 1st August, 1998. His term of appointment were latest revised in 10th Annual General Meeting of the Company held on 30.09.2002. The present term expires on 31st July, 2003. Subject to shareholders' approval, the Board of Directors at their meeting held on 31st July, 2003 have reappointed Shri Anil Gupta as Managing Director for a further period of five year w.e.f. 01.08.2003.

The Remuneration Committee of the Board of Directors has recommended the same remuneration as was previously approved by the shareholders in 10th Annual General Meeting of the Company.

The terms and conditions of the reappointment of Shri Anil Gupta as the Company's Managing Director are as follows:-

- a) **Salary**
At the rate of Rs.70,000/- per month.
- b) **Perquisites**
Perquisites shall be restricted to an amount equal to not exceeding Rs.6,00,000/- per annum. The said perquisites are classified into following three categories A, B & C.

Category - A

- i) **Housing** : The expenditure by the company on hiring furnished accommodation for him will be subject to the following ceilings:

- a) Rs.30,000/- per month.
In case the accommodation provided to him is owned by the company, ten percent of his salary be deducted by the Company.
- b) In case the company does not provide him accommodation he will be paid rent allowance at the rate of Rs.30,000/- per month.

The expenditure incurred by the Company on gas, electricity water and furnishings evaluated as per income-tax rules, 1962.

- ii) **Medical Reimbursement**: Expenses incurred for himself and his family subject to ceiling of one month's salary in a year or three months salary over a period of three years.
- iii) **Club Fees**: Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.

Category - B

The company's contribution for him to provident fund, superannuation fund or annuity fund in accordance with the Rules and Regulations of the Company. Such contributions will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income-Tax Act, 1961.

Category - C

Car with a driver for use on the Company's business and telephone at residence provided that personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to him. The provision of car and telephone will not be considered as perquisites.

In the event of loss or inadequacy of profits of the Company in any year during the term of Shri Anil Gupta's appointment, he shall be paid minimum remuneration by way of salary and perquisites not exceeding the limits specified above. Shri Anil Gupta shall be entitled to leave in accordance with the Rules of the Company from time to time in force as applicable to the Senior executive of the Company.

The reappointment and remuneration of Shri Anil Gupta as the company's Managing director requires the approval of the member of the Company in General Meeting in terms of Part III of schedule XIII to the Companies Act, 1956 ('the Act') and the remuneration payable also requires the approval of the Company in General Meeting under Section 309 of the Act.

The remuneration of Shri Anil Gupta on the terms proposed satisfies the conditions laid down in schedule XIII to the Act and a Return in the prescribed form (alongwith a certificate under Clause (3) of Part III of schedule XIII to the Act) under section 269(2) of the Act will, as required be filed with the Registrar of Companies, NCT of Delhi. The Board considers that the remuneration payable to Shri Anil Gupta is commensurate with his duties and responsibilities as the managing Director of the Company.

The resolution set out in the convening Notice has to be considered accordingly and the Board recommends its acceptance.



Shri Anil Gupta is interested in remuneration payable to him. Shri Sunil Gupta being related to Shri Anil Gupta may be deemed to be interest in this resolution. This may also be regarded as an abstract of Shri Anil Gupta's terms of remuneration payable as Managing Director of the Company and memorandum of interest under section 302 of the Act.

Item No.6

At the 6th Annual Meeting of the Company held on 21.09.98, the members of the Company had approved the appointment of Shri Sunil Gupta as Whole time Director of the Company on payment of remuneration for a period of 5 years from 1st August, 1998. His term of appointment were latest revised in 9th Annual General Meeting of the Company held on 23.08.2001. The present term expires on 31st July, 2003. Subject to shareholders' approval, the Board of Directors at their meeting held on 31st July, 2003 have reappointed Shri Sunil Gupta as Whole time Director for a further period of five year w.e.f. 01.08.2003.

The Remuneration Committee of the Board of Directors has recommended the same remuneration as was previously approved by the shareholders in 9th Annual General Meeting of the Company.

The terms and conditions of the reappointment of Shri Sunil Gupta as the Company's Whole time Director are as follows :-

- a) **Salary**
At the rate of Rs.50,000/- per month.
- b) **Perquisites**
Perquisites shall be restricted to an amount equal to not exceeding Rs.6,00,000/- per annum. The said perquisites are classified into following three categories A, B & C.

Category - A

- i) **Housing** : The expenditure by the company on hiring furnished accommodation for him will be subject to the following ceilings:
 - a) Rs.30,000/- per month.
In case the accommodation provided to him is owned by the company, ten percent of his salary be deducted by the Company.
 - b) In case the company does not provide him accommodation he will be paid rent allowance at the rate of Rs.30,000/- per month.

The expenditure incurred by the Company on gas, electricity water and furnishings evaluated as per income-tax rules, 1962.

- ii) **Medical Reimbursement**: Expenses incurred for himself and his family subject to ceiling of one month's salary in a year or three months salary over a period of three years.
- iii) **Club Fees**: Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.

Category - B

The company's contribution for him to provident fund, superannuation fund or annuity fund in accordance with the Rules and Regulations of the Company. Such contributions will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income-Tax Act, 1961.

Category - C

Car with a driver for use on the Company's business and telephone at residence provided that personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to him. The provision of car and telephone will not be considered as perquisites.

In the event of loss or inadequacy of profits of the Company in any year during the term of Shri Sunil Gupta's appointment, he shall be paid minimum remuneration by way of salary and perquisites not exceeding the limits specified above. Shri Sunil Gupta shall be entitled to leave in accordance with the Rules of the Company from time to time in force as applicable to the Senior executive of the Company.

The reappointment and remuneration of Shri Sunil Gupta as the company's Whole time director requires the approval of the member of the Company in General Meeting in terms of Part III of schedule XIII to the Companies Act, 1956 ('the Act') and the remuneration payable also requires the approval of the Company in General Meeting under Section 309 of the Act.

The remuneration of Shri Sunil Gupta on the terms proposed satisfies the conditions laid down in schedule XIII to the Act and a Return in the prescribed form (alongwith a certificate under Clause (3) of Part III of schedule XIII to the Act) under section 269(2) of the Act will, as required be filed with the Registrar of Companies, NCT of Delhi. The Board considers that the remuneration payable to Shri Sunil Gupta is commensurate with his duties and responsibilities as the Whole time Director of the Company.

The resolution set out in the convening Notice has to be considered accordingly and the Board recommends its acceptance.

Shri Sunil Gupta is interested in remuneration payable to him. Shri Anil Gupta being related to Shri Sunil Gupta may be deemed to be interest in this resolution. This may also be regarded as an abstract of Shri Sunil Gupta's terms of remuneration payable as Whole time Director of the Company and memorandum of interest under section 302 of the Act.

By Order of Board
For **KEI INDUSTRIES LIMITED**

(ANIL GUPTA)
Managing Director

Place : New Delhi
Dated : 31st July, 2003

2002 - 2003**ANNEXURE TO NOTICE**

Information under clause 49 of the listing agreements regarding reappointment of the Directors under item no. 2 & 3 of the notice

a) Name : Shri K. G. Somani
 Date of appointment : 02.08.1994
 Education qualifications : B.com., F.C.A., A.C.I.S., A.C.S.
 Expertise in specific Functional area :

Shri Somani Qualified as a Chartered Accountant in the year 1963. He is a fellow member of The Institute of the Chartered Accountants of India, New Delhi. He was elected as a member of the Central Council of The Institute of Chartered Accountants of India in the year 1979, and was a Council Member during 1979-1992.

He was the President of the Institute in 1988-89. He has worked on all the standing committees during his continued membership of the council during 1972-1992., has been chairman of Professional Development Committee, Board of Studies and the Company Law Committee of the Institute during this period.

He was the Chairman of the Technical Standards Committee of South Asian Federation of Accountants (SAFA). He has participated in a large number of Seminars and Conferences all over India and Abroad.

Shri Somani was a member of the Central Direct Tax Advisory Committee during 1988-1989.

He was the Indian nominee on the Council of International Federation of Accountants Newyork during June, 1990 to December, 1992.

He is partner of Messers K. G. Somani & Co., Chartered Accountants and has been in public practice for over 30 years. He has been auditing the Accounts of Nationalised Banks, Insurance Companies, Government and Public Companies.

He is Director in a number of Public Companies.

He is also a member of The Institute of Company Secretaries of India.

He has a sound knowledge of Finance, Companies Act, tax law and has handled a large number of audits and cases related to sick units before B.I.F.R. and its Appellate Authority. Since the firm M/s K. G. Somani & Co. was registered with S.E.B.I. As Merchant Banker Cat. IV. He is well versed with the merchant banking activities, raising resources, etc.

List of outside Directorship : 1) M/s K.G.Somani Management Consultants (P) Ltd.
 2) M/s Classic Enterprises Ltd.
 3) M/s NTB Peosmith Irrigation Ltd.

Chairman/Member of the Committee of Board of Directors of the Company : Audit Committee

Chairman/Member of the Committee of Board of Directors of other Companies. : Nil

b) Name : Shri Anil Gupta
 Date of Appointment : 01.08.1998
 Education Qualifications : M.Com.
 Expertise in specific Functional area :

20 years experience in managing the KEI Group of Companies, as a partner of erstwhile Krishna Electrical Industries thereafter as Managing Director of M/s KEI Industries Limited and Promoter Director of M/s Matchless Engineers Limited (now merged with M/s KEI Industries Limited) which has successfully executed implementation of SS Wire Manufacturing project at Bhiwadi and Cable expansion project at Bhiwadi in Rajasthan. He looks after the policies of marketing, production, quality control and product development. As Managing Director he is responsible for motivating the team of professionals to implement management policies.

List of outside Directorship : 1) M/s KEI Cables (P) Ltd.

Chairman/Member of the Committee of Board of Directors of the Company : Nil

Chairman/Member of the Committee of Board of Directors of other Companies. : Nil

**KEI INDUSTRIES LIMITED****DIRECTOR'S REPORT**

To The Members

Your Directors take pleasure in presenting their 11th Annual Report for the year ended 31.03.2003. Briefly stated the financial results of operation are :-

	Amount in Rs. 1.4.02 to 31.3.03	Amount in Rs. 1.4.01 to 31.3.02
Sales and other income	869719261	712027772
Profit before interest, Depreciation and tax	76395783	76418907
Less : Financial Charges (Net)	49118839	38100969
Depreciation	17204972	12988468
Profit before tax	10071972	25329470
Provision for Taxation — General	793000	2800000
— Deferred	1818029	5511858
Profit after tax	7460943	17017612
Add : Balance Brought Forward	70198797	64836284
Add : Taxation for earlier years	1407	344901
Amount available for Appropriations	77661147	82198797
Transfer to General Reserve	—	12000000
Balance Carried Forward	77661147	70198797

Despite severe competition and sluggish economy the company was able to improve its performance both in terms of sales and profits. The improvement was possible due to increase in turnover of cables from Rs. 4748.07 lacs in 2001-02 to Rs. 5364.23 lacs in 2002-2003. Stainless Steel Wire Products Contributed Rs. 2325.78 lacs in 2002-03 as compared to Rs. 1985.64 lacs in 2001-02. Winding, Flexible & House Wire Cable contributed Rs. 693.84 lacs in 2002-03 as against Rs. 114.53 lacs in 2001-02. Profit after tax is lower at Rs.74.61 lacs during 2002-03 as compared to Rs.170.18 lacs during 2001-02.

Due to commitments towards term loan repayments and in order to conserve the financial resources of the company no dividend is recommended for the year by the Board of Directors.

REVIEW OF OPERATIONS :

During the year the company launched its house wire & flexible wire under brand name of 'KEI' in major way Specific market development comprising of product launch, brand promotion, sales promotion, dealer appointment was carried out. Major production & sales of these products being carried out from plant at Silvassa in Union Territory of Dadra & Nagar Haveli. This resulted in higher sales of these products.

Company aggressively scouted for overseas markets for cables. Company also started marketing of control, instrumentation and power cables through dealer network. All these efforts of the company have resulted in higher sales of these products.

By installing balancing equipment company has increased installed capacity of cables from 7500 Kms. to 10000 Kms.

Stainless Steel Wire division of the company continues to show steady progress in term of sales growth. Company's thrust on domestic markets has resulted in increased sales in this division. However, due to depreciation in dollar export margins were under pressure in this division also.

However, sale prices of all the products of the company remained depressed due to increase in competition and slack demand. This has resulted in reduced margins.

Due to unremunerative prices offered by Bharat Sanchar Nigam Ltd. (BSNL) for Jelly Filled Telephone Cables (JFTC), company did not accept the order offered by BSNL. Since BSNL & MTNL are virtually monopoly buyers of JFTC, Company's plant at Silvassa for manufacturing JFTC remained grossly under utilised.

Sales of the Company have increased from Rs. 7114.30 lacs to Rs.8694.71 lacs. Profit before tax has decreased to Rs. 100.72 lacs from Rs. 253.29 lacs.

FUTURE OUTLOOK :

Current year has started on a positive mode and with emphasize by Government on powers sector reforms and infrastructure development, it is expected that barring unforeseen circumstances, demand for Company's products will increase. With Company's thrust on marketing of winding, flexible and house wiring cables and exports it is expected that Company's turnover will increase substantially during the year. However, margin continue to be an area of concern to the management. Company is making efforts to improve sales realisations, wherever possible.



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Due to advent of new telecom technologies and emphasis on Wireless in Local Loop (WLL) by telecom operators, the demand for JFTC continues to decrease and this is cause of major concern to the company.

LISTING OF SHARES :

Company's equity shares are listed at Delhi, Mumbai & Calcutta Stock exchanges and the company has paid its upto date listing fees. Company's shares are in compulsory dematerialisation w.e.f. 30th October, 2000 as notified by Securities & Exchange Board of India. M/s. MAS SERVICES PRIVATE LIMITED, AB-4, Safdarjung Enclave, New Delhi-110 029 are registrar and share transfer agent for dematerialised as well as physical shares also.

CORPORATE GOVERNANCE :

As per listing agreement with Stock Exchange, Compliance with code of Corporate Governance has been made w.e.f. 31st October 2002. The report on Corporate Governance as prescribed by the listing Agreement is annexed and forms a part of Annual Report. The Auditors Certificate on compliance of the provisions of Corporate Governance as mentioned in the listing Agreement is also attached.

DIRECTORS :

Shri Anil Gupta, Director of the company retires by rotation at the end of 11th AGM and being eligible offers himself for reappointment.

Shri K.G. Somani, Director of the company retires by rotation at the end of 11th AGM and being eligible offers himself for reappointment.

DIRECTOR'S RESPONSIBILITY STATEMENT :

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed.

- That in the preparation of the annual accounts for the financial year ended 31st March, 2003, the applicable accounting standards had been followed.
- That the directors had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review.
- That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- That the directors have prepared the accounts for the financial year ended 31st March, 2003 on a 'going concern' basis.

SUBSIDIARIES :

As required under the Companies Act, 1956, a copy of the Annual Accounts of KEI International Limited along with director's report, auditor's report for the year 2002-2003 are attached herewith. A statement pursuant to section 212 the Companies Act, 1956 is also attached.

As Required under listing requirements company's consolidated financial statements along with its subsidiary are also attached herewith.

FIXED DEPOSITS:

There are no overdue fixed deposits as on 31st March, 2003.

AUDITORS :

M/s Jagdish Chand & Co., Chartered Accountants, auditors of the company will retire at the conclusion of the ensuing AGM and are eligible for reappointment as per certificate furnished by them under section 224 (1B) of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES:

There are no employees whose particulars are required to be given under section 217 (2A) of the Companies Act, 1956 read with the companies (Particulars of Employees) Rules 1975.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO :

The information as regards conservation of energy, technology absorption and foreign exchange earnings and outgo as required under section 217(1) of the Companies Act, 1956 read with the companies (disclosure of Directors) rules, 1988 is annexed hereto as per annexure and forms an integral part of the report.

ACKNOWLEDGMENTS :

Your Directors express their deep appreciation and sincere thanks to various departments of central & state governments, Dena Bank, Punjab National Bank & ING Vysaya Bank Ltd. for their valuable assistance and co-operation.

Industrial relations remained cordial during the year. The Directors wish to place on record their appreciation for the contribution made by employees at all levels during the year.

FOR AND ON BEHALF OF THE BOARD

Place : New Delhi
Dated : 31st July, 2003

(ANIL GUPTA)
MANAGING DIRECTOR

(SUNIL GUPTA)
WHOLE TIME DIRECTOR

**ANNEXURE OF THE DIRECTOR'S REPORT**

Disclosure of particulars with respect to conservation of energy, technology absorption, foreign exchange earning and outgo under section 217(1)(e) read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of Director's report for the year ended 31st March, 2003.

1. CONSERVATION OF ENERGY :

- | | |
|---|--|
| (a) Energy conservation measures taken | : In view of measures taken in earlier years no fresh measures were required to be taken during the year. Power consumption is continuously monitored. |
| (b) Additional investments and proposal if any, being implemented for conservation of energy. | : No major additional investment is required. |
| (c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods. | : Not applicable |
| (d) Total energy consumption & energy consumption per unit of production as per Form A of the Annexure. | : Not Applicable |

2. TECHNOLOGY ABSORPTION :

- | | |
|----------------------------|--|
| (a) Research & Development | : Details in house analytical laboratory is there for the fine-tuning of operations. Accordingly, success has been achieved in increasing the quality of goods with higher yield percentage. |
| (b) Technology Absorption | : The company neither entered into any technical foreign collaboration nor received/ imported any technology from any foreign organisation. |

3. FOREIGN EXCHANGE EARNING AND OUTGO :

- | | |
|--|--|
| (a) Activities relating to export initiatives taken to increase exports, developments of new export markets for products and export plans. | Cables :
Company participated in exhibitions in foreign countries for promotion of its products. Products as per requirements of foreign markets were developed.

Stainless Steel Wires :
The company was able to develop new customers, new markets with its thrust on exports during the year. Foreign customers were regularly followed up by visits as well as by other means. |
| (b) Total foreign exchange used & earned : | |
| Earnings | : Rs. 2042.65 Lacs |
| Outgo | : Rs. 303.41 Lacs |

Place : New Delhi

Dated : 31st July, 2003

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MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The principal business of **KEI INDUSTRIES LIMITED** at present is the manufacture and sale of Cable and Power Cable, House wire & Flexible wire, Winding wire, Jelly Filled Telephone Cable and Stainless Steel Wire. During the year Company launched its house wire & flexible wire under brand name of 'KEI' in major way through dealer market.

Company is aggressively concentrating on overseas market of cables for exports. Company also started marketing of its cable product through dealer network.

JFTC orders during the year under review were accepted on selective basis as the price offered by BSNL was unremunerative. Company's plant for manufacturing JFTC was under utilised. Less price realization coupled with declining demand witnessed a significant decline of profitability of JFTC manufacturers.

Stainless Steel wire division of the company continues to show steady progress in terms of sales growth. Company's thrust on domestic market apart from the export market has resulted in increased sales in this division.

Future Outlook

Due to power sector reforms and infrastructure development in the country it is expected that demand for Company's cable product will increase. With the Company's thrust on more and more approval with corporate clients and marketing of winding, flexible & house wire and cable exports, it is expected that Company's turnover would increase substantially during the year. Margins are under pressure but Company is making efforts to improve sales realisations.

Due to new telecom technologies and emphasis on Wireless in local loop (WLL) by telecom operators, there will be significant decline in demand and operating profits in the Jelly Filled Telephone Cable.

There is good domestic market for Stainless Steel Wire product and company is focussing on it.

Competitive Strategy

The Company is focusing on rapid response time, faster delivery and innovative product development to spearhead its competitive strategy in domestic and overseas market.

How your Company fared

Growth in various segments of the company is given below:

Segments	Sales 2002-03 (Rs. In Lacs)	Sales 2001-02 (Rs. In Lacs)	Growth %
Cables	5364.23	4748.07	12.98%
Stainless Steel Wire	2325.78	1985.64	17.13%
Winding, Flexible & House wires	693.84	114.53	505.81%
Jelly Filled Telephone Cable	48.15	5.13	838.60%
Others	262.71	260.93	0.68%
TOTAL	8694.71	7114.30	

More information on the Company's performance is contained in the Director's Report.

Internal Control System

The system of Internal Control provides for maintenance of proper accounting records, reliability of financial information and assures safeguarding of assets against unauthorized use or disruption.

Risk Management

Business Risk

The Company's JFTC plant is fully operational but due to introduction of WLL technology demand for JFTC has declined drastically resulting in lower demand and lower profitability. The future of Cables, Power cable, House wire and Flexible, Winding wire and Stainless Steel wire seems to be quite better and the company is giving due emphasis on enhancement of quality and production of these products.

Technology Risk

There is no significant change in the basic technology for the manufacture of cable and stainless steel wire. The Company will certainly keep tracks of the new trends in the cable and stainless steel industry globally.