

# **12th Annual Report 2003-2004**

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## **KEI INDUSTRIES LIMITED**

## 12th Annual Report 2003 - 2004

### BOARD OF DIRECTORS

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

<b>CHIRAG GARG</b>	Executive Director
<b>A. R. GHOSE</b>	Vice President (Cable)
<b>P. K. AGGARWAL</b>	General Manager (P&A)
<b>RAJEEV GUPTA</b>	General Manager (Finance)
<b>MANOJ KAKKAR</b>	General Manager (Mktg-West India-Cable)
<b>S. K. MOHANTY</b>	General Manager (Mktg-North-Cable Export)
<b>KANAK RAJAN</b>	General Manager (Mktg-South-Cable)
<b>ANIL KHERA</b>	General Manager (Mktg-Export SS Wire)
<b>P.K. GHOSE</b>	General Manager (Works)
<b>K. C. SHARMA</b>	General Manager (Works-Cable)
<b>ALOK SHAH</b>	Asst. General Manager (Mktg-East-Cable)

**NOTICE**

The 12TH 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, 2004 at 10.30 A.M. to transact the following business:

**ORDINARY BUSINESS :**

1. To consider and adopt balance sheet as at 31st March 2004, 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 Vikram Bhartiya, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Shri Vijay Bhushan, 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".

**NOTES:**

1. 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.
2. 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.
3. Member / proxies should bring the attendance slip sent herewith duly filled in for attending the meeting.
4. The Register of Members and Share Transfer Books will remain close from 24.09.2004 to 30.09.2004 (both days inclusive).
5. Members are requested to address all their correspondence including change of address, to the Registrar and Share Transfer Agent MAS SERVICES PVT. LTD., AB-4, Safdarjung Enclave, New Delhi -110029.
6. Member who hold shares in dematerialised form are requested to bring their Clint ID and DP ID numbers for easy for identification of attendance at the meeting.
7. Shareholders are requested to bring their copy of Annual Report at the meeting.
8. At the ensuing Annual General Meeting, Shri Vikram Bhartiya and Shri Vijay Bhushan, 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, 2004

**2003 - 2004**


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**ANNEXURE TO NOTICE**


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

- a) **Name** : Shri Vikram Bhartiya
- Date of appointment** : 02.08.1994
- Education Qualification** : B. Tec. From IIT Khargpur
- Expertise in specific Functional area** :

Shri Vikram Bhartiya qualified B. Tec. From IIT Khargpur and has 39 Years of industrial experience. He was a member of the Confederation of Indian Industries. Presently he is Managing Director of M/s Jupiter Engineering Works (P) Ltd.

- List of out side Directorship** : M/s Jupiter Engineering Works (P) Ltd.

- Chairmen/Member of the Committee of Board of Directors of the Company** :
- : Audit Committee
  - : Shareholders Grievance Committee
  - : Remuneration Committee

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

- b) **Name** : **Shri Vijay Bhushan**
- Date of Appointment** : 02.08.1994
- Education Qualification** : MBA From Delhi University
- Expertise in specific Functional area** :

Mr. Vijay Bhushan served as the Chairman of Federation of Indian Stock Exchanges representing 20 Stock Exchanges of the Country from 2002 to 2004. He was nominated as Member of SEBI's Secondary Market Advisor Committee in 2002 and SEBI's Apex Committee for Securities Market Awareness Campaign in 2002 and Also nominated as Member of SEBI's Committee on Participation of Securities Brokers in Commodity Forward Markets.

He was elected as the President of the Delhi Stock Exchange Association Ltd. for 2001-2002. He was Member of the Committee on Settlement of Issues and Dispute Resolution Committee of National Stock Exchange from 1998-2001. He was also elected as the Director to the Board of the Delhi Stock Exchange Association Ltd. from 1996-98, and was actively involved in introducing the Trade Guaranteed Fund and Modified Badla Mechanism in Delhi Stock Exchange. He was instrumental in building a net work of procurement agents of M/s Bharat Bhushan & Co. to achieve the status of No. 1 position in public issue in North India During the Year 1993-94.

He was actively involved in Merchant Banking Activities from 1994-96 and also actively associated with the Primary and Secondary Market of Stock Exchange since 1981.

- List of out side Directorship** :
- 1) Bharat Bhushan Equity Traders Ltd.
  - 2) Bharat Bhusahn Share & Stock Brokers Ltd.
  - 3) Bharat Bhushan Insurance Brokers Pvt. Ltd.
  - 4) Bharat Nidhi Ltd.
  - 5) Paramount Communication Ltd.
  - 6) The Delhi Stock Exchange Association Ltd.
  - 7) Bharat Bhushan Technologies Pvt. Ltd.

- Chairmen/Member of the Committee of Board of Directors of the Company** :
- : Shareholders Grievance Committee
  - : Remuneration Committee

- Chairman/Member of the Committee of Board of Directors of other Companies** :
- : Audit Committee
  - : Shareholder Grievance Committee
  - : Remuneration Committee
  - : Disting Committee

**DIRECTOR'S REPORT****To The Members**

Your Directors take pleasure in presenting their 12th Annual Report for the year ended 31.03.2004. Briefly stated the financial results of operation are: -

	<b>Amount in Rs. 01.04.03 to 31.03.04</b>	<b>Amount in Rs. 01.04.02 to 31.03.03</b>
Sales and other income	<b>1086386467</b>	869719261
Profit before interest, Depreciation and tax	<b>89186096</b>	76395783
Less : Financial Charges ( Net)	<b>56031830</b>	49118839
Depreciation	<b>17557799</b>	17204972
Profit before tax	<b>15596467</b>	10071972
Provision for Taxation    — General	<b>1275000</b>	793000
— Deferred	<b>5382095</b>	1818029
Profit after tax	<b>8939372</b>	7460943
Add : Balance Brought Forward	<b>77661147</b>	70198797
Add : Taxation for earlier years	<b>2231</b>	1407
Amount available for Appropriations	<b>86602750</b>	77661147
Transfer to General Reserve	<b>—</b>	<b>—</b>
<b>Balance Carried Forward</b>	<b>86602750</b>	<b>77661147</b>

During the year 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. 5364.23 lacs in 2002-03 to Rs. 6474.46 lacs in 2003-04. Stainless Steel Wire Products Contributed Rs. 1875.00 lacs in 2003-04 as compared to Rs. 2325.78 lacs in 2002-03. Winding, Flexible & Home Wire Cable contributed Rs. 1007.70 lacs in 2003-04 as against Rs. 693.84 lacs in 2002-03. Profit after tax is higher at Rs. 89.39 lacs during 2003-04 as compared to Rs. 74.61 lacs during 2002-03.

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 :**

Due to improvement in economy and implementation of infrastructure and power projects the demand for power control and instrumentation cables picked up during the year due to which company was able to have good order book. In stainless wire division due to spiraling prices of Stainless steel products there was decrease in sales of Stainless wire due to pricing factors. Due to change in technology the demand for Jelly filled telecommunication cables reduced drastically.

In Jelly filled telecommunication cables division due to forecast of continuation of lower demand in near future also, the company utilized a portion of plant & machinery of this division for production of Control/instrumentation/ Power cables. In Winding, Flexible & House wiring division the thrust continued to be on increasing sales through dealers network.

By installing balancing equipment and utilizing part of Jelly filled telecommunication cables machinery company has increased installed capacity of cables from 10000 Kms. to 14000 Kms.

Sales of the Company have increased from Rs. 8694.71 lacs to Rs. 10863.86 lacs. Profit before tax has increased to Rs. 155.96 lacs from Rs. 100.72 lacs.

**FUTURE OUTLOOK :**

Current year has started on a robust note 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 Power, Instrumentation and Control cables it is expected that Company's turnover will increase substantially during the year. However, due to continuous increase in raw material prices, margins continue to be an area of concern to the management. Company is making efforts to improve sales realizations, wherever possible.

**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.

**CORPORATE GOVERNANCE :**



## 2003 - 2004

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 Vikram Bhartiya, Director of the company retires by rotation at the end of 12th AGM and being eligible offers himself for reappointment.

Shri Vijay Bhushan, Director of the company retires by rotation at the end of 12th 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, 2004, 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, 2004 on a 'going concern' basis.

### FIXED DEPOSITS:

There are no overdue fixed deposits as on 31st March, 2004.

### 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 Vysya 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, 2004

**(ANIL GUPTA)**  
MANAGING DIRECTOR &  
CHAIRMAN OF THE MEETING

**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, 2004.

**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. | <b>Cables</b><br>Company participated in exhibitions in foreign countries for promotion of its products. Products as per requirements of foreign markets were developed.<br><br><b>Stainless Steel Wires</b><br>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. 2275.52 Lacs   |
| Outgo  | : Rs. 241.56 Lacs  |

Place : New Delhi  
 Dated : 31st July, 2004

**2003 - 2004**

## **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.

Company is aggressively concentrating on in fracture and power projects for sale of its cables. Company also is marketing some of its cable products through dealer network.

Due to improvement in economy and implementation of infrastructure and power projects the demand for power control and instrumentation cables picked up during the year due to which company was able to have good order book. In stainless wire division due to spiraling prices of Stainless steel products there was decrease in sales of Stainless wire due to pricing factors. Due to change in technology the demand for Jelly filled telecommunication cables reduced drastically.

In Stainless steel wire division due to volatile raw material prices the company shifted its focus from international market to domestic market. In Jelly filled telecommunication cables division due to forecast of continuation of lower demand in near future also, the company utilized a portion of plant & machinery of this division for production of Control/instrumentation/ Power cables. In Winding, Flexible & House wiring division the thrust continued to be on increasing sales through dealers network.

By installing balancing equipment and utilizing part of Jelly filled telecommunication cables machinery company has increased installed capacity of cables from 10000 Kms. to 14000 Kms.

However due to all round increase in Raw material prices the margins under all products of the company continued to remain under pressure.

### **Future Outlook**

It is expected that barring unforeseen circumstances, demand for Company's products will increase. With Company's thrust on marketing of Power, Instrumentation and Control cables it is expected that Company's turnover will increase substantially during the year. However, due to continuous increase in raw material prices, margins continue to be an area of concern to the management. Company is making efforts to improve sales realizations, wherever possible.

Due to new telecom technologies and emphasis on Wireless in local loop (WLL) by telecom operators, no improvement in demand and prices of Jelly Filled Telephone Cables is expected. However, the company is using machinery and other infrastructure meant for JFTC in production of other cables.

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, innovative products development and cost control measures to spearhead its competitive strategy in domestic and overseas market.

### **How your Company fared**

Growth in various segments of the company is given below:

<b>Segments</b>	<b>Sales 2003-04 (Rs. In Lacs)</b>	<b>Sales 2002-03 (Rs. In Lacs)</b>	<b>Growth %</b>
Cables	6474.46	5364.23	20.00%
Stainless Steel Wire	1875.00	2325.78	-19.00%
Winding, Flexible & House wires	1007.70	693.84	45.24%
Jelly Filled Telephone Cable	133.73	48.15	177.73%

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 is good and the company is giving due emphasis on enhancement of quality, cost control and production of these products. The spiraling raw material prices are also





a cause of major concern to the company.

**Technology Risk**

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

**Financial Risk**

The company has adequate system to control financial risks. The Company has adequate system and control to monitor the adequate inventory levels so as to reduce the cost of capital.

**Human Resource**

The Company has adequate system to reward and recognize the employee contribution towards the growth of the Company. The effort to reduce/replace employees and "do more with less" is continuing.

The Company has continued its drive to enhance the skill and competence of its human resources. On the other hand, the Company is stressing on building an environment of accountability combined with teamwork and initiative, through innovative performance based incentive structures, objective-setting programs and training seminars.

**Cautionary Statement**

Statement in the Management Discussions and Analysis describing the company's objectives, projections, estimates, expectations are "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax, corporate and other laws and other incidental factors.



**2003 - 2004**

## **REPORT ON CORPORATE GOVERNANCE**

### **1. Company's philosophy:**

The company believes in adopting best practices in the area of corporate governance and follows the principles of full transparency and accountability by providing information on various issues concerning the Company's business and financial performance to its shareholders.

The Board considers itself as the Trustee of its Shareholders. During the period under review, the Board continued its pursuit by adopting and monitoring of corporate strategies, prudent business plans, major risks and ensuring that the company pursues policies and procedures to satisfy its social, legal and ethical responsibilities. The Company has fully complied with Corporate Governance code as required under listing agreement with stock exchanges.

### **2. Board of Directors:**

Composition of the Board of Directors (as on 31st March, 2004)

Name of the Director	Category of Directorship	Number of other Directorship	Number of Committee membership in all Companies	No. of Board Meeting Attended	Attendance at last AGM
Mr. Anil Gupta	Promoter, Managing Director	2	None	6	Yes
Mr. Sunil Gupta	Promoter, Whole Time Director	2	1	6	Yes
Mr. Pawan Bholusaria	Non-Executive Independent Director	2	2	4	Yes
Mr. K.G. Somani	-do-	3	1	1	No
Mr. Vijay Bhushan	-do-	7	7	1	No
Mr. Vikram Bhariya	-do-	1	3	4	Yes

### **Meeting of Board of Directors :**

There were six Boards meetings held during the year ended 31.03.2004. These were on 13.05.2003, 30.6.2003, 31.07.2003, 31.10.2003, 08.12.2003 and 31.01.2004. The last Annual General Meeting (AGM) was held on 30.09.2003

All the directors are liable for retirement by rotation.

### **3. Audit Committee**

The Audit Committee headed by Mr. Pawan Bholusaria is working according to the terms of Reference under Section 292A of the companies Act and the guidelines set out in the listing agreements which inter alia, include overseeing financial reporting processes, reviewing with the management the financial statements, accounting policies and practices, adequacy of internal control systems, adequacy of internal audit function and discussion with internal auditors on any significant findings financial and risk management policies. During the year ended 31.03.2004, four audit committee were held on 30.06.2003, 31.07.2003, 31.10.2003 and 31.01.2004. Mr. Pawan Bholusaria, Chairman of the Audit Committee was present at the last Annual General Meeting held on 30.09.2003.

The composition of the Audit Committee and the attendance of the Members in the meetings are as under :

Name of the Director	Category	Profession	No. of meetings attended
Mr. Pawan Bholusaria	Director (Chairman)	Chartered Accountant	4
Mr. K.G. Somani	Director (Member)	Chartered Accountant	1
Mr. Vikram Bhartiya	Director (Member)	Business	4

**Note :** Mr. Rajeev Gupta, General Manager (Account & Finance) acts as the Secretary to the Committee.

### **4. Shareholders Grievance Committee**

The "Shareholders Grievance Committee" looks in to redressing investor's grievances/complaints such as non- receipt of Balance sheet, non- receipt of dividends and share transfers related works. During the year ended 31.3.2004, two Shareholders grievances committee meeting were held on 30.6.2003 and 31.10.2003.

The composition of the committee and attendance of the members at the meeting is as under:

Name of Director	No. of meetings attended
Mr. Vijay Bhushan (Chairman)	1
Mr. Sunil Gupta (Member)	2
Mr. Vikram Bhartiya (Member)	2