

KEI
Wires and Cables

The power behind the power™



**True strength in
testing times**

KEI Industries Limited

Annual Report 2008-09

Corporate information



BOARD OF DIRECTORS

Mr. Anil Gupta, Chairman-cum-Managing Director

Mrs. Archana Gupta, Director

Mr. Pawan Bholusaria, Director

Mr. K.G. Somani, Director

Mr. Vijay Bhushan, Director

Mr. Vikram Bhartia, Director

Mr. Rajeev Gupta, Executive Director (Finance)

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Kishore Kunal

AUDITORS

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

BANKERS

Dena Bank

Punjab National Bank

ING Vysya Bank Ltd.

State Bank of Hyderabad

Yes Bank Ltd.

Standard Chartered Bank

ICICI Bank Ltd.

Bank of India

HSBC Bank Ltd.

HDFC Bank Ltd.

ABN Amro Bank

State Bank of Patiala

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SHARE TRANSFER AGENT

MAS Services Ltd.

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New Delhi - 110 020,

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Email: info@masserv.com | Website: www.masserv.com

CORPORATE & REGISTERED OFFICE

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

Ph.: +91-11-26818840/8642/ | Fax: +91-11- 26811959/7225

Email: keiind@vsnl.com | Website: www.kei-ind.com

WORKS OFFICE

- SP-919-920, 922 RIICO Industrial Area, Phase-III, Bhiwadi, Dist. Alwar (Rajasthan) - 301 019.
- 99/2/7 Madhuban Industrial Estate, Village Rakholi, Silvassa, (D&H) - 396 240.
- Plot No.A- 280/281/282/283, RIICO Industrial Area, Chopanki, Dist. Alwar (Rajasthan) - 301 019.

KEY MANAGEMENT PERSONNEL

Mr. Manoj Kakkar, Chief Operating Officer

Mr. S.L. Kakkar, President

Mr. Pawan Aggarwal, Vice-President

Mr. K.C. Sharma, Vice-President (Works)

Mr. Ashwini Kumar Gupta, Vice-President (Marketing)

Mr. S.C. Sharma, GM (EPC)

Mr. N.K. Bajaj, GM (Wires & Flexibles)

Mr. A.K. Maity, Sr. GM (Works)

Mr. Ajay Mehra, GM (Works - SS Wire)

Mr. Dilip Barnwal, GM (Works - Silvassa)

Mr. Dayanand Sharma, GM (Works - Chopanki)

Mr. N.S. Yadav, GM (Q.C)

Mr. Ajit Dinesh Durve, GM (International Business)

Mr. Munishvar Gaur, GM (Business Development)

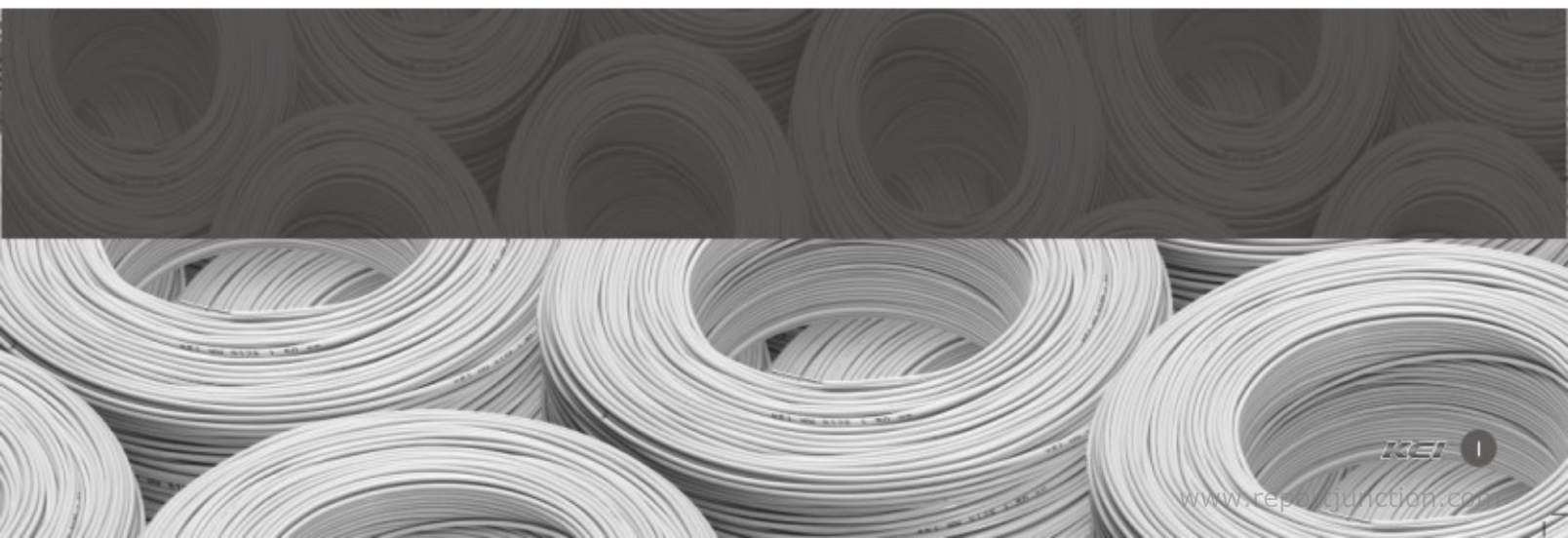
Mr. Krishna D. Tamhankar, DGM (International Business)

Mr. Krishan Kariwal, DGM (International Business)

Mr. Alok Saha, DGM (Marketing)

Mr. Gaurav Sahi, Head Corporate Communications

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Strength emanates not
just from winning.
Strength expresses
not just in succeeding
when times are good.

Quite the contrary,
true strength evolves from
an innate resolve to
combat all struggles and
defy all hardships.

True strength emerges
from an indomitable will
to survive the testing
times and perform
despite the complexity of
challenges.



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True strength is what KEI convincingly and consistently demonstrated in 2008-09, a year marked by one of the worst economic crises witnessed in the history of the world.

A year when advanced economies experienced their sharpest declines and banking sector witnessed its worst collapse ever. A year when commodity volatility exacerbated the crisis and currency volatility intensified the woes. A year when the country's industrial growth decelerated and infrastructure sector progress - along with almost all its constituent sectors - abated. A year when the financial crisis across the globe interrupted the growth momentum of India.

At KEI, we are proud to state that in a year marked by negative events, we have positive performance to report.

In a scenario where de-growth was the buzz word, we sustained our sales growth. In an environment where expansion plans were put on hold, we successfully completed both our planned expansion projects. In an economy where capital was hard to access, we successfully generated an ECB and completed our FCCB buyback. In a backdrop where promises were rolled back, we stayed committed to adding new markets, segments, capabilities and clients. In a marketplace where trust and integrity were hard to come by, we ensured the fulfillment of all our obligations to all stakeholders. In a year when pessimism ruled supreme, optimism is what we delivered for all who expected nothing less from us.



KEI at a glance

Our business

KEI Industries Limited (hereafter referred to as KEI) is engaged in the business of manufacturing and marketing power cables - Low Tension, High Tension and Extra High Voltage, control and instrumentation cables, specialty cables, rubber cables, flexible and house wires, submersible cables, OVC/poly wrapped winding wires and stainless steel wires that address the cabling requirements of a wide spectrum of sectors.

Our market position

KEI ranks amongst the top three cable manufacturing companies in the country and amongst the few that have the wherewithal and expertise to manufacture specialty cables including braided cables, fire survival and zero halogen cables.

Our sectoral diversity

KEI's cables enjoy wide acceptability across diverse sectors namely power utilities, cement, steel, industrial, railways and refineries, amongst others, required by prestigious corporate clients and industry stalwarts.

Our manufacturing prowess

KEI has world-class swing manufacturing facilities at Bhiwadi (Rajasthan), Silvassa (D&N H) and 100% export oriented unit at Chopanki with installed capacity for 54,000 km of LT cables and 5,600 km of HT cables.

Our mark of excellence

An ISO 9001:2000 certified Company, KEI adheres to the most stringent quality standards laid down by BRE (UK), IN, ASTM, IEEE, IEC, BS, DE, SABs, NZ, AS, NEMA, NFC, BVQL, DNV, CPRI, ERDA, IDEMI, EIL, PDIL and SYT and also meets the quality standards of leading external consultants etc.

Our performance

In 2008-09, KEI reported revenues of Rs 969.68 cr and profit after tax of Rs 1.25 cr. The Company's shares are listed on the Bombay Stock Exchange, National Stock Exchange and Stock Exchanges in Kolkata. GDR and FCCB are listed overseas on the Luxembourg Stock Exchange.







“ Amongst the most notable milestone in our 2008-09 odyssey was the successful execution of our expansion and up-gradation of our two state-of-the-art manufacturing facilities at Bhiwadi and Chopanki (Export Oriented Unit). ”

Dear Shareholders,

Report

I write to you not just at the end of another fiscal, but more importantly, after one of the most tumultuous business years experienced historically. By all accounts it was a challenging year. It was a year when a severe banking crisis in the US sub-prime market triggered a collapse of financial institutions across the world. Global markets plunged, leading to sharp erosion in the asset values across advanced and emerging economies. Household wealth, income and consumer demand declined drastically, impacting businesses around the world.

India, although more resilient than other markets, was also impacted, as was evident from curtailment in its growth momentum, dismal performance of the export sector, decline in industrial output, and finally the slowdown in the pace at which bank credit flowed to the commercial sector. And intensifying this already complex economic environment was the excessive volatility in both commodity prices and currency rates, which severely impacted the profitability of corporates across sectors and markets.

FINANCIAL PERFORMANCE

Given the adverse economic backdrop, it gives me immense satisfaction to report that, braving the odds and defying the downturn, your Company not only maintained its sales

at Rs 1055.76 cr, a 7.65 % growth over the previous year, but more importantly worked relentlessly on delivering on its promises and plans, which we believe is a testament of the inherent strength and character of the Company. I would also state that despite inadequacy of profits, the Board has recommended a dividend payout, subject to shareholder approval, with the objective of rewarding shareholders for the trust they have shown in the Company at all times.

While your Company reported a positive sales growth, profitability suffered significantly – from Rs 43.52 cr in 2007-08 to Rs 1.25 cr in 2008-09 on the back of excessive volatility in both raw material prices and currency exchange rates. To put things in perspective, the prices of your Company's key raw materials - copper & aluminum - plummeted heavily and to unprecedented levels on the London Metal Exchange. Aggravating this crisis further was the concurrent appreciation of the dollar by approximately 20% which in turn drastically increased the purchase price for copper on the quantities hedged or under imports. The combined forces of declining raw material prices coupled with an appreciating dollar resulted in sharp erosion in the value of inventories held by the Company along with devaluation of finished goods stock of the Company,



which along with steep increase rates severely impacting your Company's overall profitability in the current fiscal.

LOOKING BEYOND 2008

Having said that, we strongly believe that the worst is truly behind us and an exciting future beckons all of us at KEI, especially with India looking much better on the business perspective. The spurt in demand - especially in the power & infrastructure sectors - coupled with the recommencement of industrial expansion projects, which were put on hold since October 2008, have started taking off. Add to that the upswing in core sector growth rates - cement, steel, coal - and the scenario is one of healthy revival for the Indian economy and clear reasons for the restoration of optimism.

OPERATIONAL PERFORMANCE

I would like to take you through some of the salient highlights of your Company's operations in the year under review - achievements which clearly endorse the inherent strengths of the Company.

Expansion plans: Amongst the most notable milestone in our 2008-09 odyssey was the successful execution of our expansion plans and up-gradation plans at our two state-of-the-art manufacturing facilities at Bhiwadi and Chopanki (export oriented unit). We have

commenced commercial production for HT cables up to 33 kV from our Chopanki plant (installed capacity 2,600 km), simultaneously upgraded existing facility at Bhiwadi to manufacture HT cables between 33kV – 132 kV and put in place additional capacities for LT cables production (installed capacities 10,000 kms). What makes this achievement especially praiseworthy is that the plans were completed at a time when most ongoing expansion projects across the globe were abruptly put on hold. Your Company is confident that with enhanced capacities in place for Low Tension, High Tension and Extra High Tension cables - especially HT and EHV, KEI is attractively placed to leverage the huge demand upsurge emanating from the industrial and power utilities segments in the country.

International segment: With exports constituting almost 15 % of the Company's revenues, it forms a key constituent of KEI's strategic framework. In the year under review, your Company embarked on developing new countries and markets enabling it to further expand global footprint. Your Company has also identified a number of offbeat markets for its future foray - markets where brisk development work is expected to trigger strong demand for the Company's wide range of power cables.

Domestic power cables segment: The domestic HT power cables segment is another key area where your Company performed exceedingly well, as manifest from the sourcing of three prestigious projects for supply of HT cables. Prime amongst them is our highest single order from Kerala State Electricity Board for supply of HT cables for its power distribution utility networks. In addition, your Company expanded its sectoral coverage & diversity through the supply of HT cables to the oil & gas sector, a sector witnessing maximum traction, investment & growth. Lastly, your Company was awarded two projects by NTPC, India's largest power company for supply of HT cables for their power station projects. We believe these three important projects for supply of HT cables firmly entrench our position in the HT cables space and endorse our quality and capabilities in a segment which we entered just two years back. Your Company is confident that it can replicate the success achieved in HT cables to other new areas into which it has just ventured or where it plans to enter.

Domestic house wires segment: KEI embarked on an aggressive brand building exercise to make its house wires brand a



“ The domestic HT power cables segment is another key area where your Company performed exceedingly well, as manifest from the sourcing of three prestigious projects for supply of HT cables. ”

household and trusted name in the domestic market. To achieve this, the Company launched a sustained 360 degree campaign wherein it leveraged multiple media including television. The results vindicated our strategy and investment: house wires division reported a 100% increase in the last 6 months, defying even the realty slowdown and endorsing the solid demand and patronage for the KEI brand.

To enhance presence in both the domestic and international market, your Company steadfastly increased its dealers and distributors / associates network to cover the remotest and most interior areas in the country and simultaneously added distributors / associates in the international markets spanning various key countries and markets to give a fillip to its overseas presence.

EPC segment: Your Company further strengthened its capability in the EPC space through demonstrated success in building 400 kV rating switch yards / power stations. Currently the Company is executing two turnkey jobs for 400 kV power sub stations on a construct-install-commission-test basis. Going forward, KEI is consolidating its pre-

qualifications to garner bigger and better business in the EPC space with its proven expertise setting the foundation for more profitable projects in this segment.

EHV segment: Your Company's next leap in its growth plans encompasses extending Extra High Voltage (EHV) capabilities from its current 132 kV to 220 kV. With the EHV space marked by higher margins and lower competition and with power transmission and distribution projects in class A & B cities - the key sector driving demand for EHV - expected to witness tremendous growth going ahead, KEI is confident of capitalizing on the opportunities unfolding in this space.

OTHER DEVELOPMENTS

Endorsing the KEI credibility is the successful generation of External Commercial Borrowings (ECB) that led to re-purchase of FCCB at a good discount. We believe that this will help lower our future liabilities and improve cash flows thereby providing a strong fillip to the Company's profitability in the future.

OUTLOOK

With a commanding leadership presence in the power cables industry coupled with

excellent demand prospects emanating from core infrastructure and power segments, your Company intends to concentrate and consolidate its presence in the high margin EHV cables space on the one hand and further strengthen its leadership position in the LT, HT cables, House wires and Specialty cables segment both in India and overseas. We are confident that with a clear focus and vision on our core business along with the continuous identification and consequent foray into newer synergistic, fast growing & high margin segments, KEI will achieve its revenue target of Rs 2000 cr by March 2011.

CONCLUSION

I want to thank our Board of Directors for their counsel and support, and our employees for their tireless efforts in ensuring that KEI delivers on its ambitious promises and plans. But most of all, I thank you for your confidence and look forward to your continued encouragement as we stride resolutely into a new year filled with hope, optimism and success.

Anil Gupta

Chairman-cum-Managing Director