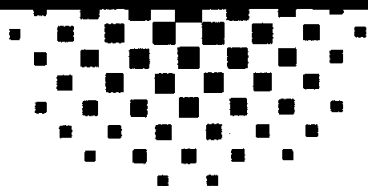
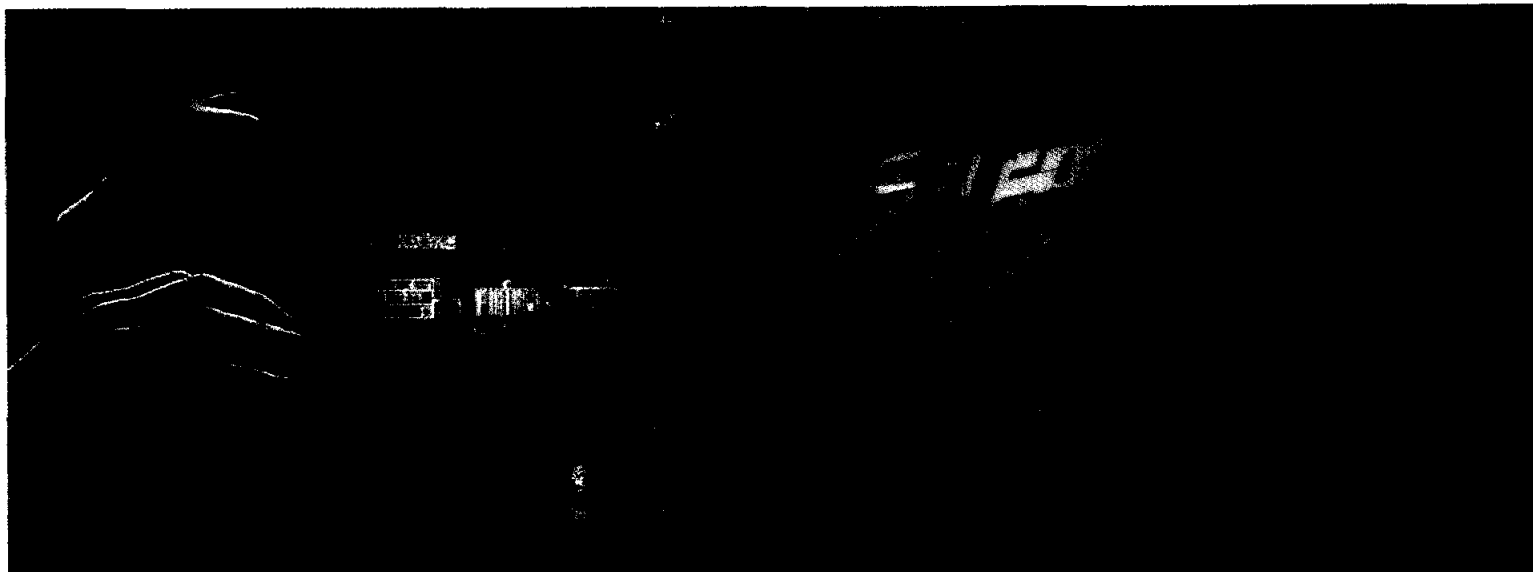


Twelfth Annual Report 2000



KRONE



At home everywhere in the world of communications



Krone India New Premises



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BOARD OF DIRECTORS

Mr. Manfred Schneider (Chairman)

Mr. Robert Fitzgerald

Mr. K. Bala Chandran

Mr. Herbert F Kroll

Mr. Vivek Kulkarni

Mr. C.R. Dua

MANAGING DIRECTOR

Mr. K. Bala Chandran

**GENERAL MANAGER-FINANCE
AND COMPANY SECRETARY**

Mr. R. Ganesh

REGISTERED OFFICE AND FACTORY

10 (C), II Phase, Peenya
Bangalore 560 058

CORPORATE OFFICE

43, Hosto Centre, III Floor,
Millers Road, Bangalore 560 052

AUDITORS

M/s. Deloitte Haskins & Sells
Chartered Accountants

BANKERS

Canara Bank
Deutsche Bank

LEGAL ADVISORS

Dua Associates
Mulla & Mulla & Craigie Blunt & Caroe.

REGISTRAR & SHARE TRANSFER AGENTS

M/s. Karvy Consultants Limited
TKN Complex,
No. 51/2 Vanivilas Road,
Opp. National College,
Basavanagudi,
Bangalore 560 004.

NOTICE TO MEMBERS

Notice is hereby given that the 12th Annual General Meeting of KRONE Communications Limited will be held on Monday, the 30th April 2001 at 10.00 a.m at Hotel Atria, No. 1, Palace Road, Bangalore 560 001 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended 31st December 2000, the Balance Sheet as at that date and the Reports of the Directors and the Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. Herbert F Kroll who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. C.R. Dua who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration. The retiring auditors M/s. Deloitte Haskins & Sells, Chartered Accountants, being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modification, the following resolution as Ordinary Resolution :

"RESOLVED that Mr. Vivek Kulkarni be and is hereby appointed a Director of the Company."

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution :

"RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and is hereby amended by

modifying the existing Article no. 132 of the Articles of Association of the Company as follows :

Article – 132 : A Director who is either in the whole-time employment of the Company or a Managing Director may be paid remuneration either

- a. by way of a monthly payment or
- b. at a specified percentage of the net profits of the company or
- c. partly by one way and partly by the other :

Provided that except with the approval of the Central Government such remuneration shall not exceed.

- a. five percent of the net profits for one such Director,
- b. ten percent of the net profits if there are more than one such Director, for all of them together."

"RESOLVED further that where in any financial year during the currency of tenure of the managerial person the Company has no profits or its profits are inadequate, the remuneration payable shall be restricted to the limits specified in Schedule XIII of the Companies Act, 1956, as amended from time to time."

8. To consider and, if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution :

"RESOLVED that pursuant to Sections 198, 269, 309 and all other applicable provisions if any, of the Companies Act, 1956, read with Schedule XIII to the said Act, the Company hereby accords its approval for the appointment of Mr. K. Bala Chandran as Managing Director of the Company on whole time basis effective

October 1, 2000 for a period of five years and for payment of remuneration on terms mentioned below :

A. Salary :

Rs. 28,87,000/- per annum with the authority granted to the Board of Directors to grant such increases as may be decided by the Board from time to time.

B. Variable Performance Bonus :

not exceeding 45% of the Annual Salary based on certain performance criteria to be laid down by the Board of Directors of the Company.

C. Perquisites :

In addition to the above, he will be entitled to the following benefits and facilities as per policy / rules of the Company in force from time to time.

1. Company maintained car with driver.
2. Telephone at residence.
3. Payment of gratuity.
4. Reimbursement of annual club membership / subscription fees subject to a limit of Rs. 45,000/- per annum.
5. Annual Furniture maintenance allowance subject to a limit of Rs. 25,000/- per annum.
6. Hospitalisation and accident insurance.

D. Subject to superintendence, control and directions of the Board, he shall perform such duties and functions as would be commensurate with his position as the Managing Director of the Company and as

may be delegated to him by the Board from time to time.

E. The Company or he shall be entitled to terminate this appointment by giving six months notice in writing."

BY ORDER OF THE BOARD

R. Ganesh

General Manager - Finance and
Company Secretary

Place : Bangalore

Date : February 28, 2001

NOTES :

1. The relative Explanatory Statements pursuant to Section 173 (2) of the Companies Act, 1956, in respect of Special Business under Sl. No. 6,7 and 8 is annexed hereto.
2. A member entitled to attend and vote at this Meeting is entitled to appoint a Proxy to attend and vote instead of himself and Proxy need not be a Member of the Company.
3. The instrument appointing a Proxy should be deposited at the Corporate Office of the Company not less than 48 hours before the meeting.
4. The Register of Members and the Share Transfer Books of the Company will be closed from 20.04.2001 to 28.04.2001 (both days inclusive).
5. Members are requested to notify immediately any change in their addresses directly to Company's Registrar.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT 1956**Item No. 6**

Mr. Vivek Kulkarni was appointed as Additional Director with effect from 27th April 2000 and vacates his office at this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 and Articles of Association of the Company. A notice under Section 257 of the said act has been received from a Member signifying his intention to propose the name of Mr. Vivek Kulkarni for appointment as a Director of the Company. Mr. Vivek Kulkarni has filed with the Company his consent to act as a Director.

The Directors recommend his appointment as a member of the Board in the interest of the Company.

None of the Directors except Mr. Vivek Kulkarni, are concerned or interested in the resolution.

Item No. 7

The proposed amendment to Article 132, is based on Section 269 and 309 of the Companies Act, 1956. The amendment would enable the Company to adopt the current provisions of the Companies Act, 1956, with regard to managerial remuneration.

None of the Directors except Mr. K. Bala Chandran are concerned or interested in the resolution.

The Board recommends the resolution for approval of the shareholders.

Item No. 8

Mr. K. Bala Chandran was appointed by the Board as an Additional Director effective 28th June 2000 and as the Managing Director of the Company effective 1st October 2000 for a period of five years.

The remuneration and perquisites as set out in the resolution are in accordance with the provisions of the Companies Act, 1956.

The Notice and Explanatory Statement may be treated as an abstract of the terms of appointment and payment of remuneration to Mr. K. Bala Chandran as required to be circulated under Section 302 of the Companies Act, 1956.

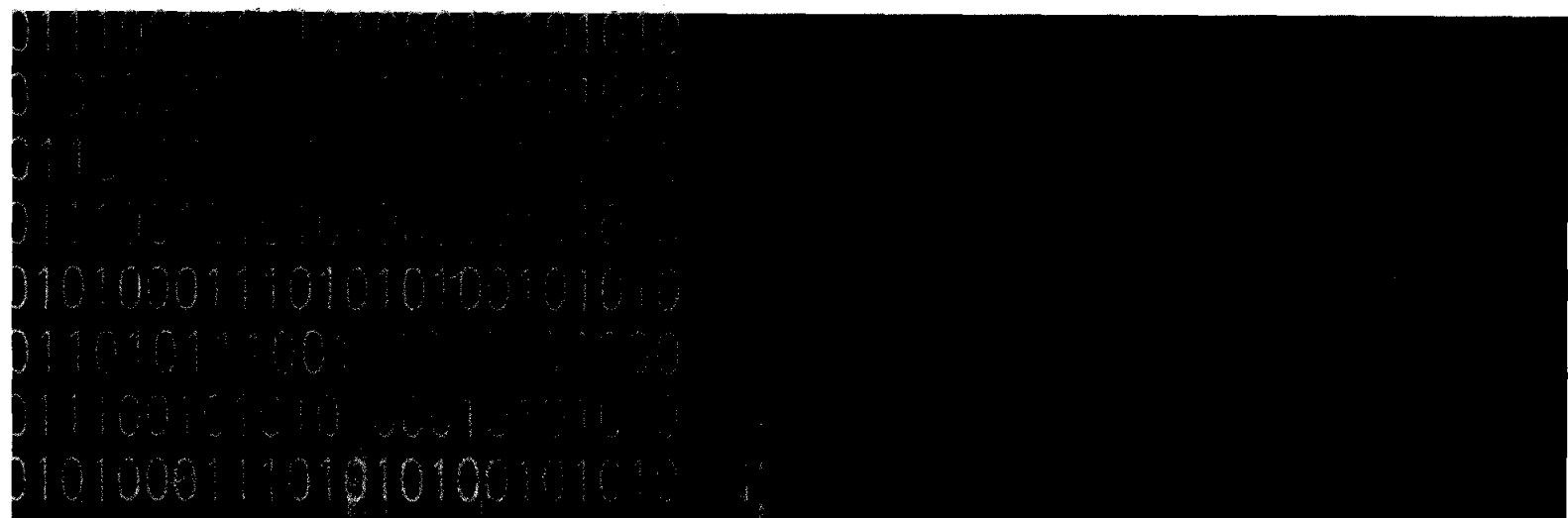
None of the Directors except Mr. K. Bala Chandran are concerned or interested in the resolution.

The Board recommends the resolution for approval of the shareholders.

BY ORDER OF THE BOARD

R. Ganesh
General Manager - Finance and
Company Secretary

Place : Bangalore
Date : February 28, 2001



KRONE



MESSAGE FROM THE MANAGING DIRECTOR

Dear Shareholders,

The Company has steered through another year of eventful success. While Sales Income in 2000 rose by 14.27%, profits rose by 15.3% in comparison to 1999.

There were three key activities that demanded unusual efforts on the part of management and employees during the last year:

1. The manufacturing operations were successfully relocated to a much larger, company owned premises. The building area of 30,000 Sq.ft over a land area of 80,000 Sq. ft now offers ample scope for expansion and growth that the coming years would demand.
2. The Company has also installed an Enterprise Resource Planning System. We believe that this will fundamentally stabilize and strengthen our business processes to facilitate strategic initiatives for conducting business in the 'new economy' – or what I prefer to call the 'invisible continent'.
3. Thirdly though related to normal commerce, the Sales Income from our Premis/Net range of cabling solutions registered a growth of over 200% during 2000 as compared to 1999.

Marking another major milestone in our Access/Net business, the company also successfully launched the LSA-NT high density MDF, to address the metro markets of the large switch manufacturers in India. Going ahead, this product range will be an important focus for the domestic market here.

Mixed feelings still permeate through the telecom sector despite sweeping changes that were brought about by corporatising the DoT as BSNL. The stage is being set for no-holds-barred highly competitive convergent services to be rendered in the not too distant future. In the short term though, decisions of switching purchases by BSNL were inordinately delayed, while ambitious expansion plans for roll-out are being discussed to put India on the road-map of a potentially large market within the Asia Pacific region.

The future holds some key challenges for the company viz:

1. We recognize the need to carve a niche for ourselves in this voraciously competitive environment largely driven by price. While on the one hand we will leverage the global technological expertise of the parent company, we will also engineer growth by creating more value in the market place.
2. We plan to do this by graduating from a 'commodity mode' to a 'solutions and consultative mode' with our customers. Besides the value that the company brings in terms of technology, we will reinforce this with individual entrepreneurialism. We have already taken some small but important steps in this direction with our Fibre solutions.
3. In the visible dimension, we wish to deploy most effective production practices, good supply chain management and optimum outsourcing.
4. Achieve seamless integration of sales, marketing, production and financial operations to respond to the flexibility of our customers, with an innate agility derived from exploiting new communication technologies.

In conclusion I would like to thank the staff and management of the Company for unstinting efforts in 'raising the bar' again. While on that subject I would also like to specially recognize the spirit of the company in rising to the occasion when one of the worst human tragedies beheld by human eyes struck the state of Gujarat during January 2000. Though a drop in ocean, the company matched an all-employee contribution of Rs.1,10,005/- and donated a total of Rs.2,20,010/- on behalf of Krone Communications Ltd., towards rehabilitation.

Within Krone, hope and humanity live as much as the ability to meet the challenges of business.

K. Bala Chandran
Managing Director

Place : Bangalore
Date : February 28, 2001

HUMAN CAPITAL

