



9th
ANNUAL REPORT
2002-2003

Paramount Communications Limited
(An ISO 9001 and 14001 Company)

यद्यदाचरति श्रेष्ठस्तत्तरेवेतरो जनः ।
स यत्प्रमाणं कुरुते लोकस्तदनुवर्तते ॥



Shri Shyam Sunder Ji Aggarwal

(Chairman & Founder)

6th October, 1936 to 6th December, 1999

What a great man does, is followed by others,
People go by the example he sets.

– Bhagwad Gita, 3.21



Paramount Communications Limited

Board of Directors	: Shri. Sanjay Aggarwal Shri. Sandeep Aggarwal Shri. Satya Pal Shri. S. P. S. Dangi Shri. Vijay Bhushan	Chairman & CEO Managing Director
Registered office	: M- 4 , " Bahubali " , 59/17, New Rohtak Road, New Delhi - 110 005.	
Works	: Unit 1 (Manufacturing Control, Instrumentation, Power, Jelly Filled Telephone Cable and Optical Fibre Cables) SP 30A Khushkhhera Industrial Area, Distt. Alwar, Rajasthan	
	: Unit 2 (Manufacturing Jelly Filled Telephone Cables) Plot No. 37, Industrial Estate, Dharuhera, Haryana.	
Auditors	: M/s. Jagdish Chand & Co., Chartered Accountants,	
Bankers	: DENA BANK STATE BANK OF INDIA	
Share Transfer Agents	: M/s. Intime Spectrum Registry Limited A-31, 3rd Floor, Naraina Indl. Area, Phase-I, Near PVR Cinema, New Delhi - 110 028. Phone No.: 51410592-594 Fax No.: 51410591	
Chief Compliance Officer	: Shri Ratan Aggarwal	
Vice President (Finance) & Company Secretary	: Shri Ratan Aggarwal	
Sr. Vice - President (Dharuhera Unit)	: Shri D. S. Muchhal	
Vice President (Khushkhhera Unit)	: Shri N. K. Sabharwal	



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NOTICE

Notice is hereby given that the **9th Annual General Meeting** of the Members of the Company will be held at **SHAH AUDITORIUM, SHRI DELHI GUJRATI SAMAJ MARG, NEAR INTERSTATE BUS TERMINAL, DELHI-110054** on **Thursday, the September 18, 2003 at 11:30 A.M.** to transact the following business:

ORDINARY BUSINESS:

- 1 To consider and adopt the Balance Sheet as on March 31, 2003 and Profit and Loss account of the company for the year ended March 31, 2003 and the reports of the Board of Directors and Auditors thereon.
- 2 To appoint a Director in place of Shri Sanjay Aggarwal, who retires by rotation and being eligible, offers himself for re-appointment.
- 3 To appoint a Director in place of Shri S.P.S. Dangi, who retires by rotation and being eligible, offers himself for re-appointment.
- 4 To appoint Statutory 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 reappointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting 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 Change in designation of Chairman:

To consider and if thought fit, to pass, with or without modifications, the following resolutions as Special Resolution:

"RESOLVED THAT in accordance with the articles of association of the company and Section 198, 269, 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and rules made thereunder and the resolution passed by the Board of Directors of the company in their meeting held on 31st October, 2002 regarding change in designation of Shri Sanjay Aggarwal from Chairman and Whole-time Director to Chairman & Chief Executive Officer of the company w.e.f. 01-12-2002 for the unexpired period for which he is to hold office as per the agreement made with the company, the consent be and is hereby accorded for change in designation of Shri Sanjay Aggarwal as approved by the Board of Directors of the company provided all other terms and conditions of his appointment and remuneration will however remain same."

6 To consider and if thought fit, to pass, with or without modifications, the following resolutions as Special Resolution:

"RESOLVED THAT subject to all applicable provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956 and the rules framed thereunder, Listing Agreement(s), SEBI (Delisting of Securities Guidelines, 2003) and all other relevant guidelines/ rules/ regulations prescribed by SEBI and Stock Exchanges concerned and/or any other regulatory authority and such approvals, consents, permissions or sanctions, as may be necessary, approval of shareholders of the company be and is hereby accorded to the Board of Directors of the company (hereinafter referred to as the "Board" which term shall be deemed to include any committee thereof for the time being exercising the powers conferred by the Board) for seeking voluntary delisting of the equity shares of the company from The Delhi Stock Exchange Association Ltd., New Delhi, The Calcutta Stock Exchange Association Ltd., Kolkata, The Stock Exchange, Ahmedabad and The Jaipur Stock Exchange Ltd., Jaipur at such time as the Board may in its absolute discretion, consider appropriate and on such terms and conditions as may be stipulated and/or mutually agreed to in the best interest of the company.

"FURTHER RESOLVED THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, usual or expedient to give effect to the above resolution including delegating of authority to the Chairman & CEO or any of the Directors or any of the Officers of the company in connection therewith."



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- 7 To consider and if thought fit, to pass, with or without modifications, the following resolutions as Special Resolution:
- "RESOLVED THAT approval be and is hereby given, pursuant to provisions of Section 149 (2A) of the Companies Act, 1956, to the commencement by the company of a new business, provided in clause 40 of the "Other Objects" of the Memorandum of Association of the company, namely, that of the business as buyers, sellers, importers, exporters, stockists, agents, commission agents, forwarding and clearing agents, distributors, warehouseman, merchants, traders, sales organizers, representatives of manufacturers of all kinds of commodities, goods, articles, materials and things and for that purpose, to buy, to sell, exchange, market, pledge, distribute, install, service, maintain or otherwise deal in all kinds of commodities, goods, articles, materials and things"

By Order of the Board

Place : New Delhi.
Dated : 24-07-2003

(Ratan Aggarwal)
Company Secretary

NOTES:

- 1 The relevant Explanatory Statement pursuant to Section 173 (2) of the Companies Act 1956 in respect of business under item No. 5, 6 & 7 is annexed hereto.
- 2 The 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 be a member of the company. The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the company not less than 48 hours before the time for holding the aforesaid meeting. Proxy Form is attached herewith.
- 3 The Register of Members and Transfer Book of the company shall remain close from Monday, 15th September, 2003 to Thursday, 18th September, 2003 (both days inclusive).
- 4 Members/proxies should bring the attendance slip duly filled in for attending the meeting.
- 5 Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification for attendance at the meeting.
- 6 Members are requested to note that all correspondence relating to share transfer should be addressed to company's Registrars and Transfer Agents, M/s Intime Spectrum Registry Ltd., A-31, 3rd Floor Naraina Indl. Area, Phase-1, Near PVR Cinema, New Delhi-28.
- 7 Shareholders are requested to bring their copy of Annual Report at the meeting.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT IN TERMS OF SECTION 173 (2) OF THE COMPANIES ACT, 1956

Item No. 5

Shri Sanjay Aggarwal represents the company to the foreign buyers and the customers in India. There was a need to change his designation as Chairman & Chief Executive Officer of the company. The Board of Directors of your company has already approved the change in designation of Shri Sanjay Aggarwal from Chairman and Whole-time Director to Chairman & Chief Executive Officer of the company w.e.f. 01-12-2002 for the unexpired period for which he is to hold office as per the agreement made with the company.

Pursuant to the provisions of the Companies Act, 1956 and the rules made thereunder, the changes in designation, as approved by the Board of Directors of the company, of Shri Sanjay Aggarwal requires the approval of the members of the Company in General Meeting.

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

Shri Sanjay Aggarwal, and Shri Sandeep Aggarwal are concerned or interested in the said item in their personal capacity and also being related to each other. No other Director of the company is concerned or interested in the proposed change in the designation. Memorandum of interest under section 302 of the Act has already been sent to the shareholders at the time of approval for change in designation by the Board of Directors of the company.

Item No. 6

The Securities and Exchange Board of India has come out with new Delisting guidelines which permits voluntary delisting of securities of a listed company from Stock Exchanges subject to certain terms and conditions as mentioned therein.

The Company's Equity shares are presently listed on the following Stock Exchanges:

- (i) The Delhi Stock Exchange Association Ltd. New Delhi
- (ii) The Stock Exchange, Mumbai
- (iii) The Calcutta Stock Exchange Association Ltd., Kolkata
- (iv) The Stock Exchange, Ahmedabad
- (v) The Jaipur Stock Exchange Ltd., Jaipur

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The equity shares of the company are not being traded in a material way regularly at Stock Exchanges other than The Stock Exchange, Mumbai. The trading volumes on the Company's equity shares in Stock Exchanges other than BSE are extremely low. The Company's equity shares are specified by the Securities and Exchange Board of India ("SEBI") for settlement only in dematerialized form by all investors. With the extensive networking of BSE terminals to other cities, the investors have access to trade and deal in the Company's equity shares across the country. Further the company can reduce costs in the form of listing fees to the Stock Exchanges other than BSE. It is therefore felt that continued listing with The Delhi Stock Exchange Association Ltd., New Delhi, The Calcutta Stock Exchange Association Ltd., Kolkata, The Stock Exchange, Ahmedabad and The Jaipur Stock Exchange Ltd., Jaipur does not provide any significant tangible advantage to the members of the company.

The company is therefore contemplating voluntary delisting of its shares from the Delhi, Kolkata, Ahmedabad and Jaipur Stock Exchanges at an appropriate time in the future. In line with the SEBI (Delisting of Securities) Guideline, 2003 the required members approval is being sought by a special resolution for enabling voluntary delisting of equity shares from the aforesaid Stock Exchanges. The delisting will take effect after all approvals, permissions and sanctions from the appropriate authorities including Stock Exchanges concerned are received. It is further proposed to give authority to the Board in this connection.

The Board recommends the resolution for your approval.

None of the Directors of the company is concerned or interested in the said resolution.

Item No. 7

With the experience gained in the export business and to tap the business opportunity thrown open by globalization of business, it is now considered commercially prudent by the Board of Directors of the company to start trading activities and to deal in all kinds of commodities, goods, articles, materials and things as and when the opportunity received by the company.

The proposed new business, more particularly described in the resolution, under the existing circumstances may conveniently and advantageously be combined with the present business of the company.

The Board recommends the resolution for your approval.

None of the Directors of the company is concerned or interested in the said resolution.

By Order of the Board

Place : New Delhi.
Dated : 24-07-2003

(Ratan Aggarwal)
Company Secretary

ANNEXURE TO NOTICE

Detail of Directors seeking re-appointment in ensuing Annual General Meeting to be held on 18th September, 2003 pursuant to the requirement of clause 49 of the Listing Agreement.

Name of the Director	Sh. Sanjay Aggarwal	Shri S. P. S. Dangi
Date of Birth	21.10.1962	26.10.1933
Date of Appointment	01.11.1994	08.11.1994
Expertise in Specific Functional Area	Eminent businessman with vast knowledge in cable and telecom industry	Vast experience in cable and telecom industry
List of Outside Directorship	1. Paramount Wires & Cables Ltd. 2. Paramount Telecables Ltd. 3. Paramnet.com Ltd.	1. BWL Limited
Chairman/Member of the Committee of Board of Directors of the Company.	1. Shareholder/Investors Grievance Committee. 2. Chairman- Share Transfer Committee	1. Chairman-Audit Committee 2. Remuneration Committee
Chairman/Member of the Committee of the Board of directors of other Companies.	1. National Committee on Communication, CII 2. Small & Medium Enterprises Committee, CII 3. Economic & Taxation Committee, Northern Region, CII 4. Task Force on Telecom Equipment Manufacturers ASSOCHAM 5. Budget & Exim Policy Committee, TEMA 6. Audit Committee, PWCL	1. Chairman-Audit Committee BWL Limited 2. Remuneration Committee - BWL Limited



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MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

The company has two manufacturing units. The ISO 14001 and ISO 9001: 2000 certified is Dharuhera plant of the company manufactures all types of JFTC cables. The Khuskhera plant of the company which also ISO 9001: 2000 certified has developed a huge variety of specialized cables and wires for diversified usage and offer a single source for a comprehensive range of cables needed virtually by all the sectors of the economy viz, Telecom, Railway, Space Research, Thermal and Nuclear Power Plants, Petrochemicals, Fertilisers, Steel, Electronic and various other industries. The range of telecom cables include Optical Fibre Cable, Foam Skin/Solid PE insulated multipair / multiquad jelly filled cables, Aerial Cables, Telecom Installation Cables, Co-axial Cables, Drop Wires etc. The Khuskhera Plant of the company also manufactures cables for Power and Industrial sectors including control cables, signal (instrumentation) cables, thermocouple compensating cables, power cables, railway signaling cables, railway axle counter cables, flame retardant low smoke cables, fire survival cables etc. The second plant at Dharuhera manufactures all type of Jelly filled telephone cables.

The financial year 2002-2003 was a difficult year for Jelly Filled Telephone Cable (JFTC) and Optical Fibre Cable (OFC) industries. The excess production capacity for these cables in the country coupled with lower demand has resulted in severe competition leading to steep decline in prices and decrease in volume. This has affected the working results of the company adversely leading to lower sales volume and lower operating margin.

To counter the downturn in telecom cable business, the company has focused more during the year on other specialized cables.

BUSINESS ANALYSIS & OUTLOOK

Jelly Filled Telephone Cables (JFTC)

The company sold 3.34 LCKM of JFTC resulting in 79% decrease vis-à-vis the previous year. The turnover of this product at Rs.1889.26 lacs was lower by 84% as compared to the previous year. BSNL, the company's major customer for JFTC had floated a tender for 215 LCKM of JFTC in the year 2002 as against 441 LCKM quantity tendered in 2001. Due to extremely low prices counter-offered by BSNL against this tender, many bidders like us were constrained to accept orders for quantities much lesser than their capacities. BSNL ended up procuring acceptances for just 116 LCKM out of the total 215 LCKM quantity tendered from the whole industry.

BSNL and Private Operators are planning to rely largely on Wireless in Local Loop for installing direct exchange lines. The demand for JFTC is therefore expected to further decline substantially. The decline in prices and volume of JFTC has resulted in structural changes in JFTC industry.

The company has taken effective steps during the year 2002-2003 to meet this challenge by diversifying its product mix, exploring export opportunities and by reducing overheads.

Optical Fibre Cable (OFC)

The company sold 3676.801 KMs of Optical Fibre Cables having a total value of Rs. 555.57 lacs during the year 2002-2003. This was the first full year for the OFC Division and the company has been able to stabilize its OFC production during the year. The company could not do well in OFC business as the demand and prices for OFC continue to remain severely depressed both in domestic and international market.

PVC Cables

The company sold 8254.456 KMs of other cables (mainly PVC cables) having total value of Rs.5939.22 lacs resulting in 301% increase vis-à-vis previous year. This includes Control, Instrumentation, Power and Signaling cables etc. The company expects to procure good business of PVC cables in future also.

FINANCIAL PERFORMANCE

The company achieved total sales turnover of Rs.8489.21 lacs for the year ended 31st March, 2003 as compared to Rs.13616.20 lacs during the previous year. The total turnover of the company has declined by 37.65 % as compared to the previous year.



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The company has made exports of Rs.104.59 lacs and deemed exports of Rs.454.40 lacs during the year ended 31st March, 2003 which represents 6.58% of the total sales turnover of the company.

The company has achieved profit before interest, depreciation and tax of Rs. 362.77 lacs inspite of lower demand of JFTC and -OFC.

Financial charges decreased by 32% from Rs. 272.68 lacs to Rs.187.09 lacs.

Borrowing position

The borrowings excluding working capital facilities as at 31st March, 2003 are Rs. 610.55 lacs. These borrowings include Sales Tax Deferment Loan of Rs.529.89 lacs. The debt equity ratio of the company as at 31-03-2003 is 0.19:1 as compared to 0.25:1 as at 31-03-2002.

Fixed Assets

Gross Fixed Assets as at 31st March, 2003 are 4183.34 lacs as compared to Rs.4094.42 lacs as at 31st March, 2002 due to the addition of certain balancing equipment.

Working Capital

Levels of inventories as at 31st March, 2003 are Rs.1794.45 lacs as compared to Rs.436.98 lacs as at 31st March, 2002 since bulk orders of JFTC were received quite late and were under execution at the end of the year.

Sundry Debtors as at 31st March, 2003 are Rs. 1971.91 lacs as compared to Rs. 1584.05 lacs as at 31st March, 2002.

Earning per Share

Earning per share for the year ended 31st March, 2003 is 0.38 as compared to 6.00 for the year ended 31st March, 2002.

Internal Control Systems

The company has adequate internal control procedures commensurate with the nature and size of its business. The company's system primarily covers the aspects such as:

1. Control over operating parameters and various factors relating to production.
2. Efficient use and protection of resources.
3. Accuracy and promptness of financial reporting.
4. Compliance with laws and regulations.

The company has a well-defined organizational structure, well documented policies, guidelines and clearly defined authority levels.

RISK MANAGEMENT

Business Risk

Due to the declining demand of OFC in the global market and prevailing industry scenario, the company's optical fibre unit is unable to generate profits. With the introduction of Mobile and WLL technology, the demand for JFTC has declined drastically resulting in less turnover and lower profitability, which has driven the whole cable industry into a bad shape. The future of specialised cables seems to be comparatively better and the company is giving its due emphasis on these cables.

Technology Risk

There is no significant change in the basic technology for the manufacture of cables. Continuous improvements do take place to improve performance. The company keeps track of the latest trends in the cable industry globally. The company has an in-built quality assurance system whereby the product is tested at every stage for its quality and technical accuracy. The management of the company is giving Quality Assurance and Research its highest priority. Continuous improvements in the existing products and enhancement of product offerings will enable the company to emerge as a reliable, cost competitive and quality provider of complete cable solutions.



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Financial Risk

The company's investments from time to time are made after due analysis and study. The company has adequate system to control financial risks. The company has adequate system and control to monitor adequate inventory levels so as to reduce the cost of capital, which is going up day by day as the cable industry at present is passing through a difficult time.

Human Resources

Human Resources is the most valuable asset of the company as it is the ultimate key to the success of the organization. Employee relations were cordial and peaceful. The company is committed to foster a high performance environment which characterizes the organizational climate that delivers the business strategy. The company has low labour turnover and has adequate system to reward and recognize the employee contribution towards the growth of the company.

Cautionary Statement

Statements 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.

AUDITORS' CERTIFICATE

The Members,

Paramount Communications Limited

New Delhi

We have examined the compliance of conditions of corporate governance by Paramount Communications Limited for the year ended on 31st March, 2003 as stipulated in clause 49 of the Listing Agreement of the said company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of corporate governance as stipulated in the abovementioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that no investor grievance is pending for a period exceeding one month against the company as per the records maintained by the Shareholders and Investors' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

for JAGDISH CHAND & CO.
CHARTERED ACCOUNTANTS

(J. C. GUPTA)
PARTNER

Place : New Delhi

Dated : 24.06.2003



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REPORT ON CORPORATE GOVERNANCE

In compliance with the clause 49 of the Listing Agreement with the Stock Exchanges the company hereby submits the report on the matters mentioned in the said clauses and practice followed by the company:

1. COMPANY'S PHILOSOPHY ON THE CODE OF GOVERNANCE

Corporate Governance as understood by the company and its management means following up best & prudent business practices, adherence to utmost transparency, disclosures and fairness in the business operations and to ensure fair play. The best business practices convey that the company should not only operate within the regulatory framework but it should operate with ethics also.

Corporate governance entails and ensures accountability of the persons in charge of the company on the one hand and develops benefits to the investors, customers, vendors and the society at large on the other hand.

The code of corporate governance as introduced by the Securities and Exchange Board of India, is to be complied with under the provisions of the Clause 49 of the Stock Exchange Listing Agreement by the company effective from 31st March, 2002. The company feels that the code of corporate governance is an excellent tool to secure the corporate excellence in the country.

The detailed compliance status with respect to the provisions of corporate governance are as under :-

2. BOARD OF DIRECTORS

The Board of Directors of the Company comprises of an optimum combination of Executive & Non-Executive Director(s). The present strength of the Board is 5 (Five) and out of which 3 (three) are independent and Non-Executive Director(s). The Independent & Non-Executive Director(s) do not have any material pecuniary relationship or transactions with the company, promoters, management which may affect their judgements in any manner. The Board meets at least once in a quarter to consider amongst other matters, the quarterly unaudited financial results of the company.

The Board of Directors have in their meeting held on 31.10.2002 changed the designation of Shri Sanjay Aggarwal, from Chairman and Whole-time Director to Chairman & CEO of the Company w. e. f 01.12.2002, however the said change in designation is made subject to the approval of shareholders at the Annual General Meeting of the Company.

The Board consists of eminent persons with considerable professional expertise and experience in Cable Industry, Finance, Capital Market and the allied fields.

Composition and category of Directors as at 31st March, 2003 is as follows :

Category	Name of the Directors
Promoter/Executive Directors	Sh. Sanjay Aggarwal Sh. Sandeep Aggarwal
Promoter Non Executive Director	—
Non Promoter Executive Director	—
Non Executive and Independent Directors	Sh. S.P.S. Dangi Sh. Satya Pal Sh. Vijay Bhushan

Attendance of each Director at the Board Meetings, last Annual General Meeting and Number of other Directorship and Chairmanship/Membership of Committee of each Director in various Companies is given herein below :

Name of the Director	Attendance Particulars		No. of other directorships & Committee member/chairmanship		
	Board Meetings	Last AGM	Other Directorships	Committee Memberships	Committee Chairmanship
Sh. Sanjay Aggarwal	4	Yes	2	6	1
Sh. Sandeep Aggarwal	4	Yes	2	3	1
Sh. S.P.S. Dangi	4	Yes	1	4	2
Sh. Satya Pal	4	Yes	2	4	1
Sh. Vijay Bhushan	4	No	8	6	2