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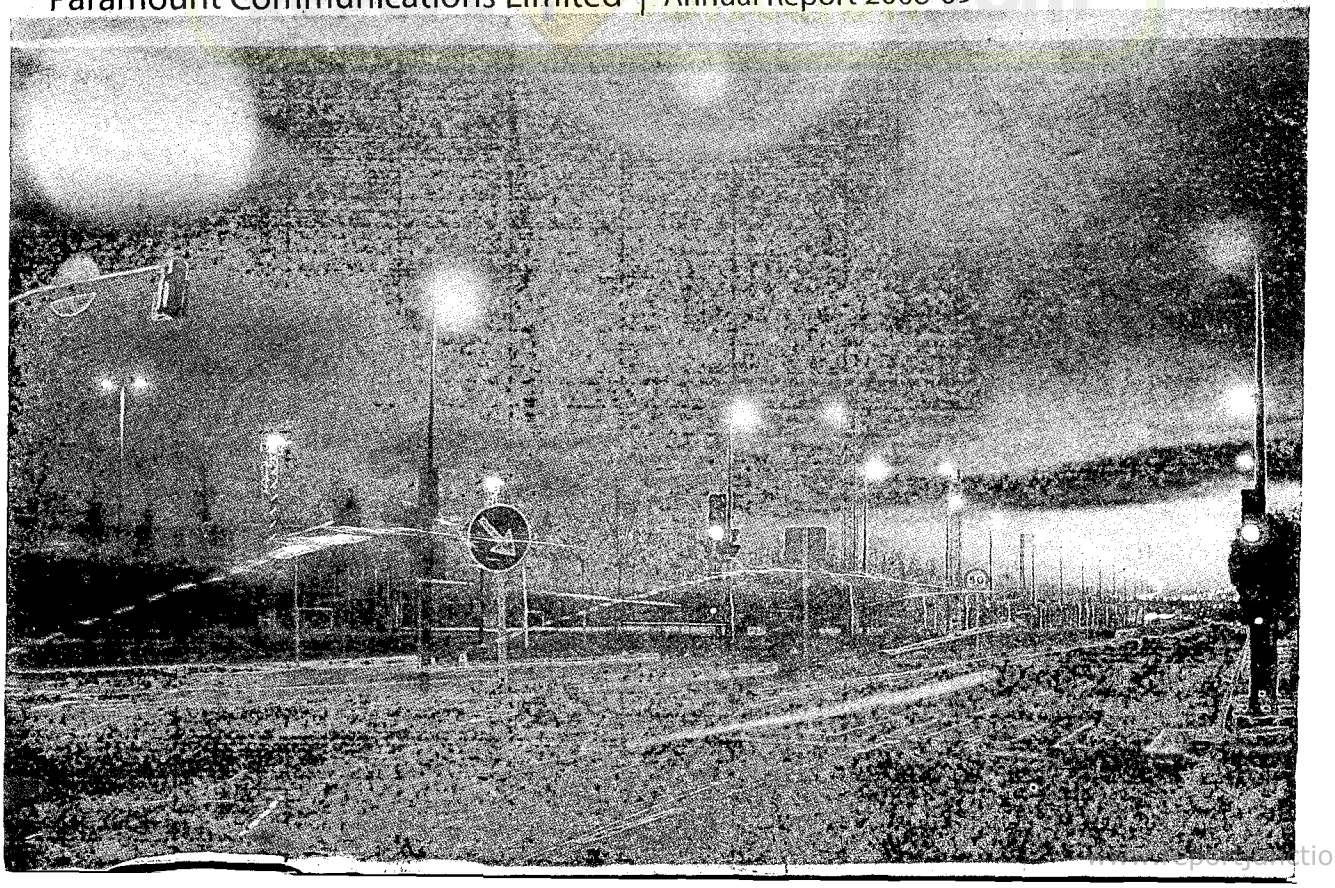
Paramount CABLES

Harnessing synergies.
Fortifying progress.

Paramount Communications Limited | Annual Report 2008-09



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यद्यदाचरति श्रेष्ठस्तत्तदेवेतरो जनः।
स यत्प्रमाणं कुरूते लोकस्तदनुवर्तते ॥

LATE SHRI SHYAM SUNDER AGGARWAL

Founder - Paramount Communications Limited

(6.10.1936 - 16.12.1999)

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

- Bhagwad Gita, 3.21

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Corporate Information

OARD OF DIRECTORS

Mr. Sanjay Aggarwal, *Chairman and CEO*
Mr. Sandeep Aggarwal, *Managing Director*
Mr. Satya Pal, *Director*
Mr. S.P.S. Dangi, *Director*
Mr. Vijay Bhushan, *Director*

REGISTERED OFFICE

E-125 Naraina Industrial Area, Phase-1,
Naraina, New Delhi - 110 028, India
Phone(s): +91-11-45618800-900, +91-11-25897421-30
Fax: +91-11-25893719, 20
E-Mail: pcl@paramountcables.com
Website: www.paramountcables.com

WORKS

Unit 1:
SP-30A, SP-30B, E-31, SP-76 (Part), SP-77 and SP-77A,
Khushkhera Industrial Area, Distt. Alwar, Rajasthan, India

Unit 2:
Plot No. 37, Industrial Estate, Dharuhera, Haryana, India

AUDITORS

Jagdish Chand & Co.
Chartered Accountants, New Delhi, India

BANKERS

State Bank of India
State Bank of Patiala
Dena Bank
Standard Chartered Bank
ICICI Bank Limited
Yes Bank Limited
Barclays Bank PLC
The Hongkong and Shanghai Banking Corporation Limited

REGISTRAR & SHARE TRANSFER AGENTS

M/s. Link Intime India Private Limited
A-40 Naraina Industrial Area, Phase-II
New Delhi - 110 028, India
Phone No: +91-11-51410592-594(3 Lines)
Fax No.: +91-11-51410591

CHIEF COMPLIANCE OFFICER

Mr. Ratan Aggarwal

KEY MANAGEMENT PERSONNEL

Mr. O.P. Kwatra, *Consultant-Operations*
Mr. Manmeet Singh Anand, *Head- Business Development*
Mr. Ratan Aggarwal, *CFO & Company Secretary*
Mr. D.S. Muchhal, *President-Operations*
Mr. P.K. Agarwal, *Vice President-Marketing*
Mr. Ravi Prakash Gupta, *Vice President-Commercial*
Mr. R.K. Marwah, *Vice President-Technical*
Mr. O.P. Tiwari, *Vice President-Manufacturing*
Mr. S.K. Suri, *General Manager-Marketing*
Mr. Kailash Pareek, *Senior Deputy General Manager-Marketing*
Mr. Sumer Misri, *Deputy General Manager-Marketing*
Mr. Rajeev Gupta, *Deputy General Manager-Marketing*
Mr. N.K. Gupta, *Deputy General Manager Finance & Accounts*
Mr. Sanjay Gupta, *Assistant General Manager-Commercial*
Mr. B.P. Bhardwaj, *Assistant General Manager-Commercial*
Mr. R. Gourinath, *Assistant General Manager-Marketing*
Mr. R.S. Tanwar, *Chief Manager-Marketing*
Mr. Amit Gupta, *Chief Manager- Legal Affairs & Dy. Company Secretary*
Mr. Ajay Dhar, *Chief Manager- EDP*

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YEAR UNDER REVIEW 2008-09

Performance & Strategic Direction

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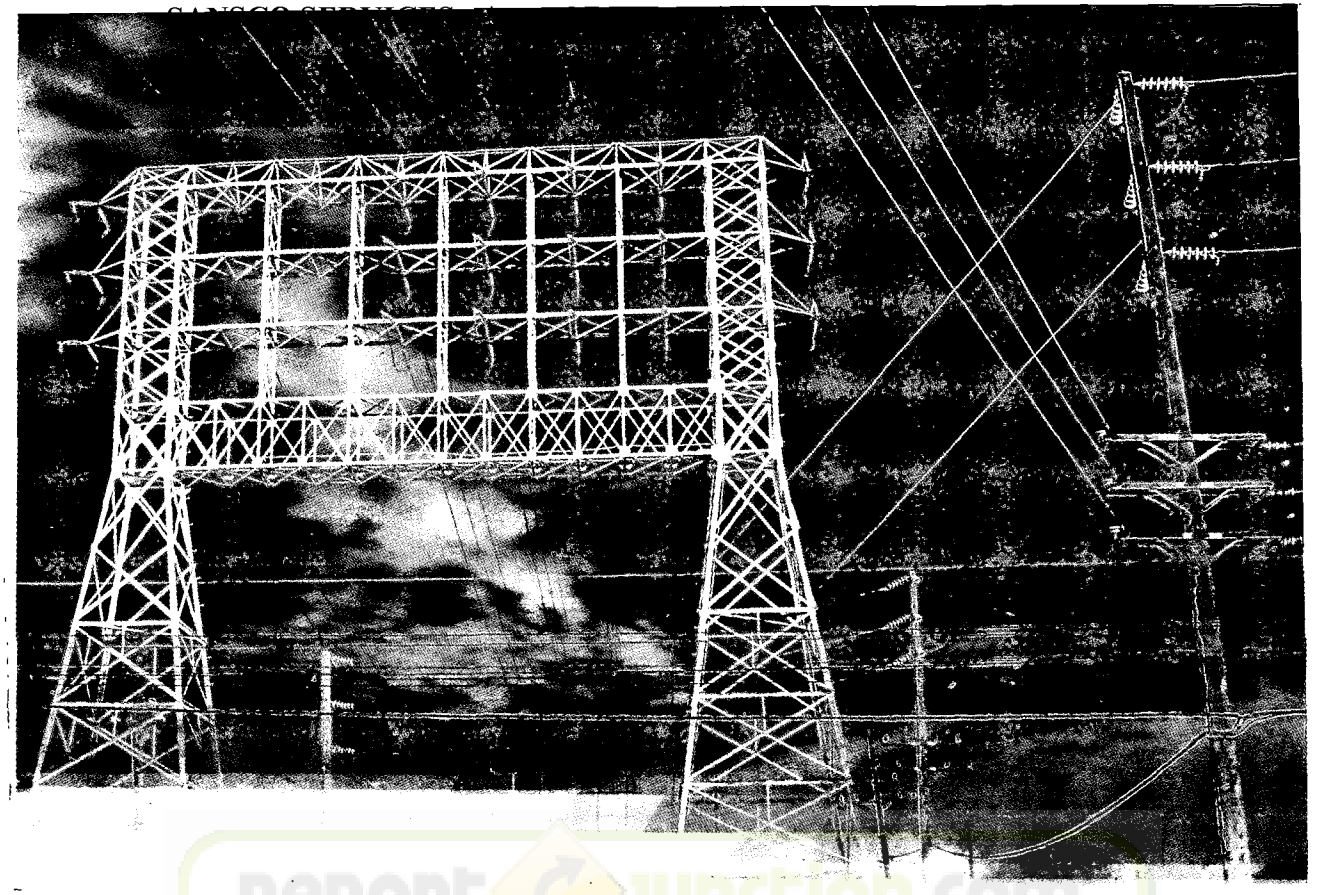

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// We are all faced with a series of great opportunities brilliantly disguised as impossible situations. //

Nothing exemplifies this thought better than the financial year 2008-09.

Marked by orchestrated downslides across economies and pained by synchronized collapses across financial institutions, the financial year 2008-09 will best be remembered as a year dotted with unprecedented 'impossible situations', such that have never been witnessed before in history.

In such a climate of economic turmoil, it is evident that no business model can emerge unscathed and no leadership skills can remain untested.

What is explicit, however, is that the degree of comprehensiveness with which a company reviews and re-evaluates its strengths and strategies, re-engineers business processes and enforces best practices, directly determines the possibility of its emerging as a far stronger, sturdier and successful organization than ever before.

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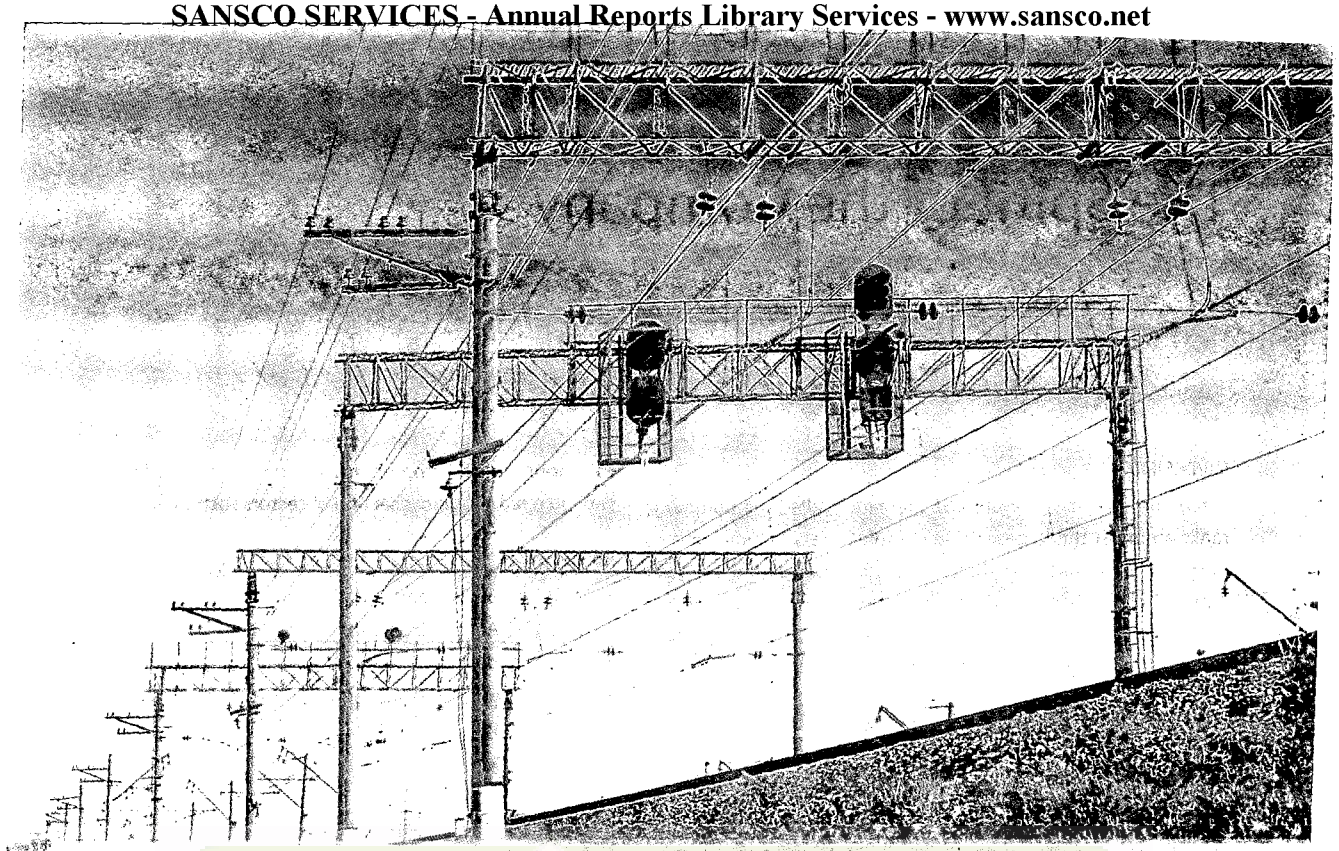

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The Paramount Strategy

Responding to the challenging global and domestic economic and industrial scenario, we embarked on further diversification and de-risking of our business model.

Countering the uncertain market environment of slackened demand and dampened profitability, we endeavoured to foray into the fast-growing, high-margin, domestic retail building wires segment.

Understanding the significance of a truly differentiated and superior product offering, we capitalized on the combined legacy of Paramount and AEI Cables of over 170 years experience in the cable manufacturing industry.

Harnessing our competitive strengths, we focused on introducing a revolutionary and technology-led product that features as the first of its kind in the Indian building wires industry.

Leveraging our capabilities to think tangentially, we continued to pioneer in new solutions to meet unique demands for specialized cables across the entire gamut of customers' cabling needs.

Acquiring AEI Cables LTD., UK, we strengthened our foundations through the resultant multi-faceted synergies of organisational integration and, created a multi-national corporation that is primed to deliver an even greater performance in the future.

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The Spirit of the Company

DIVERSIFIED

Paramount Communications Ltd. (hereafter called the Company) ranks amongst the largest cable manufacturers in India with its business organised into three strategic business units: Power Cables, Railway Cables and Telecom Cables. Extending its business model further, the Company recently forayed into the vibrant Building Wires segment with its brand of excellence.

VERSATILE

Amongst the few players in the Indian cable industry to service the cabling needs of all major infrastructure segments, Paramount has put in place versatile multi-product manufacturing capacities. This provides the Company with the flexibility to ramp-up or scale-down manufacturing activities in tandem with market realities. Adding to its versatility, is the Company far-reaching presence across diverse, fast-growing sectors - telecommunication, railways, power, space research, thermal & nuclear power plants, petrochemical, fertilizers, steel, electronics and various other industries - coupled with one of the most comprehensive and technologically advanced product ranges in the industry.

Paramount has a comprehensive product range addressing the cabling needs of a cross section of sectors such as :

Power :

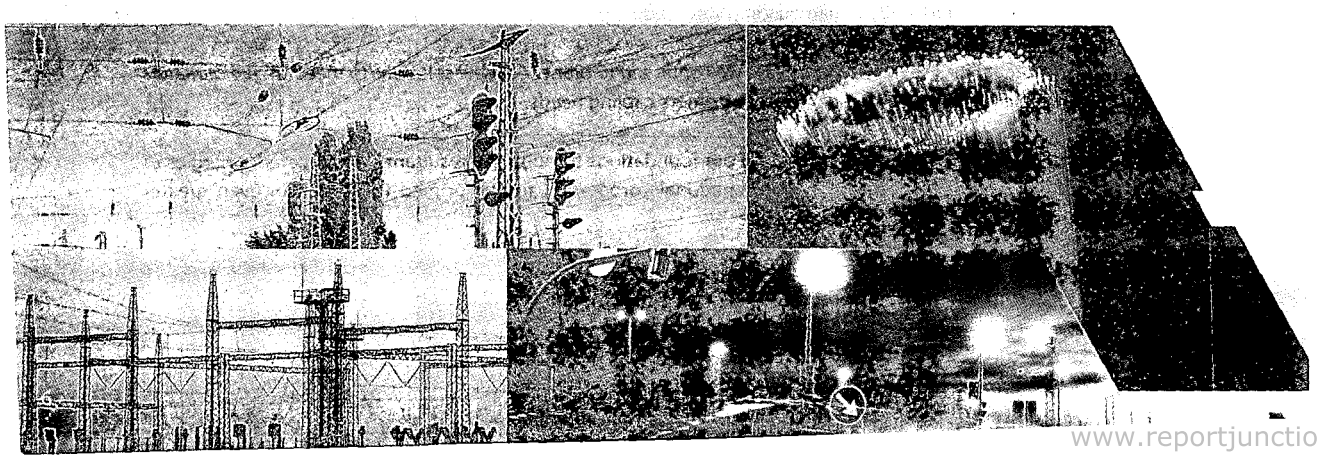
- High Tension (HT) and Low Tension (LT) Power Cables
- HT and LT Aerial Bunch Cables (ABC)
- Control and Instrumentation Cables
- Thermocouple Extension and Compensation Cables
- Fire Resistant Low Smoke Cables

Railway :

- Signalling cables
- Axle counter cables

Telecom :

- Jelly Filled Telephone Cables (JFTC)
- Optical Fibre Cables (OFC)
- Aerial Bunch Telecom Cables
- Installation Cables for Electronic Exchanges
- Hook-up / Jumper / Drop Wire



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...In a crisis, be aware of the danger - but recognize the opportunity.

—Richard Nixon

CUSTOMER-CENTRIC

As a testament to its product quality, competitive pricing and customer servicing, the Company has over the years, catered to the cabling needs of major industry stalwarts namely NTPC, BHEL, PGCIL, Areva, Reliance Energy, Siemens, L&T, NDPL, BSNL, MTNL, various electricity Boards and also the Indian Railways, SRO, amongst others. The Company's international footprint spans over 20 countries, including the UK, Russia, Ukraine, Sri Lanka, Kenya, Tanzania and Qatar. The Company has two wholly owned subsidiaries – Paramount Holdings Ltd., Cyprus and AEI Cables Ltd., UK.

SPECIALIZED

The Company specializes in offering custom-made specialty cables developed through strong in-house R&D, extensive technical research, sound engineering practices and comprehensive design and development skills. Paramount manufactures speciality cables for use in hazardous environments, with fire retardant and heat resistant properties. The Company also holds the distinction of being the sole vendor with near zero rejection rates for Railway Axle Counter Cables.

WORLD-CLASS

Paramount has two state of the art manufacturing plants located in Khushkhera, Rajasthan and Dharuhera, Haryana, along with AEI's top class manufacturing facilities at Birtley near Newcastle in the UK.

MISSION

- To connect people and empower the nation by servicing every cabling and wiring need of its people and all its sectors and industries, and to eventually expand globally.
- To develop, strengthen and firmly etch the 'Paramount Cables' brand as a hallmark in the global cables industry.
- To set industry benchmarks in every area of our business: manufacturing and business processes, usage of modern technology, quality raw materials and finished products, safety, labour welfare, human resource development, client servicing and transparent corporate governance policies.
- To adopt an environment-friendly growth policy and contribute meaningfully to human and animal welfare in the best possible manner.
- To deliver exceptional value to all stakeholders.

STRENGTHS

- Versatile manufacturing base
- Comprehensive product basket present across diverse fast-growing sectors
- Offering one-stop solutions
- Strong research orientation
- Quality orientation
- De-risked business model

CREDENTIALS

- Awarded ISO 9001 and 14001 by Moody International for stringent quality of all Paramount products.
- Conforming to the most demanding national and international specifications including:

Indian Specifications

Bureau of Indian Standards (BIS), Indian Railway Specifications (IRS), Indian Telecom Department (ITD), Telecom Engineering Centre (TEC) and Engineers India Ltd. (EIL) etc.

International Specifications

British Standard Specifications (BSS), American Standard for Testing Methods (ASTM), International Electro Technical Committee Specifications (IEC) and Vereingte Deutsche Elktrotechniker (VDE) etc. Also licensed by the Bureau of Indian Standards (BIS) to mark its products with IS7098 Part1 (for XLPE Power Cables), IS 14255 (for Aerial Bunch Cables), IS 694 (for unarmored PVC Cables) and IS 1554 Part1 (for armored PVC Cables up to 1.1 KV).

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Sanjay Aggarwal, Chairman & CEO

"Life's ups and downs provide valuabl windows of opportunity and critica stepping stones to build the future yo want."

Letter from the Chairman and CEC

Dear Stakeholders,

The years of Paramount's existence have created an organisation culture of continual change and radical progression. It's a change that has been steered as much and as often by the transforming economic environment, as the evolving demands of our customers. The year 2008-09 was unique however, in the Company's odyssey. It was a year when both, the demands of our customers and the global economic environment, underwent a stark change - a change that almost threatened to derail our growth trajectory....and would have done so, but for our inherent strengths and intrinsic ability to find opportunity in adversity.

And that is precisely how we steered ourselves through the complexities of this difficult year- looking for new opportunities and making the most of them; leveraging our strong capabilities in the cables space to find new segments for growth and successfully foraying into them and driving our innovative skills to deliver exceptional value to all our stakeholders.

In this year of unprecedented global economic turmoil, when our business model was tested as much as that of other companies within and outside India, it is indeed remarkable that not only did we firmly stand our ground, but in fact moved cautiously, but steadily ahead to expand our operational excellence into new segments of growth. Responding distinctively to the changing environment, we surged ahead to expand our portfolio into the building wires segment.

FINANCIAL PERFORMANCE

What I feel is truly remarkable about this expansion, is that we surged ahead despite the overall negative financial situation gripping the Company during the year.

Hit by the overall recessionary trends within and outside th country, with dwindled demand and plummeting input prices, th Company's top-line and particularly the bottom-line, suffered severe blow. In the year under review, your Company's turnove stood at Rs. 4,923.88 Million, marking a marginal decline from th previous fiscal and reported a net loss of Rs. 293.61 Million a compared to a net profit of Rs. 327.70 Million during th previous year 2007-08. As mentioned earlier, the huge erosion i profitability was primarily due to inventory loss on account o steep fall in raw material prices coupled with intense volatility i currency rates.

To give you a clearer perspective, our key raw materials, Copper and Aluminium, saw prices shooting up to new levels till about the third quarter of the financial year under review, only to come crashing down thereafter. As a result of these wide and frequent fluctuations in major input prices, the value of our inventories declined drastically and together with severe dollar appreciation, our profitability was affected adversely.

TACKLING THE CHALLENGES

The challenges, quite obviously, were unprecedented. But as I mentioned earlier, with our focused planning and far-sighted policies, we strategised a business model that could effectively address these challenges. Let me now take you through our strategy to tackle this difficult period.

For your Company, like with the industry at large, it was indeed a difficult period. While this was not the first time your Company found itself in such a difficult situation (the glut in the JFTC market around 2002 had also severely affected your Company's growth), it was a more difficult and complex situation than ever before.

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