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RPG CABLES LIMITED

22nd Annual Report 2003 - 2004

RPG

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BOARD OF DIRECTORS (AS ON 6TH AUGUST, 2004)

Mr. H.V. Goenka, *Chairman*
Mr. R.A. Naik
Mr. Haigreve Khaitan
Mr. J.M. Mukhi
Mr. V.N. Nadkarni
Mr. P.K. Mohapatra
Mr. A.K. Chakraborty
(Co-opted as Nominee from IFCI Ltd. w.e.f. 30-6-2004)
Mr. Vinay Agarwal
(01.04.2004 to 31.07.2004)
Mr. Vijay Phatarphekar, Managing Director
(appointed on 1-8-2004)

COMPANY SECRETARY

Mr. Bharat Thakkar
(upto 31.7.2004)

AUDIT COMMITTEE

Mr. R.A. Naik
Mr. P.K. Mohapatra
Mr. Haigreve Khaitan

SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

Mr. R.A. Naik
Mr. P.K. Mohapatra
Mr. Haigreve Khaitan

REGISTRARS AND TRANSFER AGENTS

Alpha Systems Pvt. Ltd.
30, Ramanna Residency, Ground Floor,
IV Cross, Sampige Road,
Malleswaram, Bangalore-560 003.
Ph.: 080-23460815-818
Fax: 080-23460819
Email: alfint@vsnl.com

MANAGEMENT TEAM

Mr. Vinay Agarwal, *Managing Director*
(from 1-4-2004 to 31-7-2004)
Mr Vijay Phatarphekar, *Managing Director*
(appointed on 1-8-2004)
Mr. A.K. Sharma, *Vice-President &*
SBU Head-Telenet Solutions
Mr. Nikhil Gupta, *Vice-President – Finance & IT*

REGISTERED OFFICE

Hebbal Industrial Area,
Hootagalli, Belavadi Post,
Mysore - 571 186.
Phone:0821 – 2402401 / 404 / 373 / 409
Fax: 0821 – 2402499

CORPORATE OFFICE

Ceat Mahal,
463, Dr. Annie Besant Road,
Worli,
Mumbai - 400 030.
Ph: 022-56670300 / 24937244 / 24938330
Fax: 022-24930206 / 256606411
Website: www.rpgcables.com

BANKERS

State Bank of India
Canara Bank
Bank of India
Global Trust Bank

SOLICITORS & ADVOCATES

Khaitan & Co.

AUDITORS

N.M. Raiji & Co.
Chartered Accountants

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NOTICE

Notice is hereby given that the Twenty-Second Annual General Meeting of the Members of RPG Cables Limited will be held on Friday, the 24th day of September, 2004 at Hotel Southern Star, Vinobha Road, Mysore-571 186 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS:

1) To receive, consider and adopt the Audited Balance Sheet as at March 31, 2004 and the Profit and Loss Account for year ended on that date together with the reports of the Directors and Auditors.

2) To appoint a Director in place of Mr. H.V. Goenka, who retires by rotation, and is eligible for re-appointment.

3) To appoint a Director in place of Mr. J. M. Mukhi, who retires by rotation, and is eligible for re-appointment.

4) To appoint a Director in place of Mr. P. K. Mohapatra, who retires by rotation, and is eligible for re-appointment.

5) To consider, and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED that pursuant to Section 224, and other applicable provisions, if any, of the Companies Act, 1956, M/s N.M.Raiji & Co., Chartered Accountants, Mumbai be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on a remuneration to be agreed upon between the Board of Directors of the Company and the said Auditors".

SPECIAL BUSINESS:

6) To appoint a Director in place of Mr. Vijay Phatarphekar, who was appointed as an Additional Director of the Company with effect from August 1, 2004 by the Board of Directors and who holds office upto the date of this Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director.

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 the provisions of Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the "Act"), and subject to the approval of the Central Government, the Company in general meeting hereby approves the appointment of Mr. Vijay Phatarphekar as Managing Director of the Company for a period of five years with effect from August 1, 2004 upon the terms and conditions including the terms as to remuneration approved by the remuneration committee and set out in the Agreement dated July 29, 2004 (the "Agreement"), which Agreement be and is hereby specifically approved with liberty to the Board of Directors of the Company (the "Board") to alter, vary and modify the terms and conditions of the said appointment and the Agreement in such manner as may be agreed to between the Board and Mr. Vijay Phatarphekar.

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year of the Company during Mr. Vijay Phatarphekar's term of office as Managing Director, he will be paid the remuneration including all other benefits and perquisites set out in the said Agreement as the minimum remuneration.

"RESOLVED FURTHER THAT the aforesaid remuneration shall be payable to Mr. Vijay Phatarphekar initially for a period of three years from the date of appointment.

"RESOLVED FURTHER THAT in the event of any statutory amendment or relaxation by the Central Government to Schedule XIII of the Act the Board be and is hereby authorised to vary or increase the remuneration including the perquisites within prescribed limits or ceiling and the Agreement between the Company and Mr. Vijay Phatarphekar be suitably amended to give effect to such modification, relaxation or variation without any further reference to the Company.

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, matters, deeds and things and to take such steps as expedient or desirable to give effect to this Resolution".

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the Act) and subject to the approval of the Central Government, approval of the Company be and is hereby granted to the appointment of Mr. Vinay Agarwal, as Managing Director of the Company for a period from 1st April, 2004 to July 31, 2004 on the remuneration comprising of salary and perquisites, as approved by remuneration committee and payable to Mr. Vinay Agarwal during his tenure as Managing Director in terms of the agreement dated March 18, 2004 entered into between the Company and Mr. Vinay Agarwal which agreement be and is hereby specifically approved.

"RESOLVED FURTHER THAT the remuneration including all other benefits and perquisites set out in the said Agreement shall be paid to him as minimum remuneration.

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, matters, deeds and things and to take such steps as expedient or desirable to give effect to this Resolution".

By Order of the Board

Bharat Thakkar
Company Secretary

Mumbai, Dated: July 29, 2004

Registered Office:
Hebbal Industrial Area,
Hootagalli, Belavadi Post,
Mysore - 571 186

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 AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

2 The Explanatory statement setting out the material facts concerning the special business mentioned under item nos. 6 to 8 of the Notice as required under Section 173(2) of the Companies Act, 1956 is annexed hereto.

3 The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, September 17, 2004 to Friday, September 24, 2004 (Both days inclusive)

4 Members are requested to:

a) notify any change, if any in address with Pin Code numbers immediately to the Company's Registrars & Share Transfer Agents M/s. Alpha Systems Private Limited, 30 Ramanna Residency, Ground Floor, 4th Cross, Sampige Road, Malleswaram, Bangalore-560 003.

b) bring their copy of the Annual Report and Attendance Slip with them at the Annual General Meeting.

c) quote ledger folio in all their correspondence.

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ANNEXURE TO THE NOTICE

Explanatory Statement as required under Section 173(2) of the Companies Act, 1956

Item Nos. 6 and 7

Mr. Vijay Phatarphekar was appointed as an Additional Director of the Company by the Board of Directors effective from August 01, 2004. By virtue of Section 260 of the Companies Act, 1956. Mr. Vijay Phatarphekar will hold office upto the date of this Annual General Meeting and is eligible for appointment. The Company has received a notice under Section 257 of the Companies Act, 1956 alongwith requisite deposit from a member of the Company proposing his candidature for the office of Director.

The Board commends your approval to the said appointment as proposed at item no. 6 of the accompanying notice.

Brief resume of Mr. Vijay Phatarphekar as required under Clause 49 of the Listing Agreement is as follows :

Mr. Vijay Phatarphekar, aged 48 years, is a Btech, from IIT, Mumbai, with overall experience of over 23 years. He is with the Company as the Chief Executive Power since February 2002. Prior to joining the Company, he was with Ingersoll Rand India Limited for more than 20 years in different capacities in Sales ,Marketing and Business. Immediately prior to joining the Company, he was the Business Head – Industrial Compressors since June 1999. He has had several spells of training in USA

He is an exponent of Bridge and has represented India in various International Meet, winning a Gold Medal for the Country in the SAARC Games. He has also been accredited with the highest State Award in sports in Maharashtra – Shiv Chatrapati Award in 1995.

He does not hold any other Directorships.

The Board of Directors of the Company (the "Board") by a resolution dated July 29, 2004 appointed Mr. Vijay Phatarphekar as Managing Director of the Company for a period of five years with effect from August 1, 2004. The appointment of Mr. Vijay Phatarphekar and the remuneration payable to him on his appointment is subject to the approval of the Members of the Company and of the Central Government. The terms of the Agreement dated July 29, 2004 referred to in the Resolution at Item No. 7 of the accompanying Notice inter-alia are as follows: -

1. The appointment is for a period of five years from August 1, 2004.
2. The Managing Director shall exercise his powers subject to superintendence, control and directions of the Board of Directors.
3. Mr. Phaterphekar shall not become interested or otherwise concerned directly or through his wife and/or minor children in any selling agency of the products of the Company.
4. Mr. Phaterphekar shall not, without the prior consent of the Board of Directors, either, during or after termination of the appointment hereunder, divulge or communicate to any person or persons (except to such of the employees of the Company or any other duly authorised persons to whom the same should be divulged or communicated for the efficient conduct of the Company's business) or himself make use of any of the Company's secret or any other information which he may receive or obtain in relation to the Company's affairs or to the working of any process or invention which is carried on or used by the Company or any other matter which comes to his knowledge in the course of or by reason of his appointment with the Company.
5. Mr. Phaterphekar shall be entitled to retain for his own use and benefit all his individual earnings, fees and commissions which may be received by him from any other Company/firm or from any source, or as a trustee of any fund or any association or a trustee for the holders of debentures or debenture-stock issued by any other Company.
6. In consideration of Mr. Phaterphekar serving as Managing Director of the Company, he shall be entitled to receive the following remuneration and benefits subject to the provisions of the Companies Act, 1956, including the approval of the Central Government, wherever required.:-
   a) **Salary:** Rs. 75,000/- (Rupees Seventy Five Thousand only) per month in the scale of Rs. 75,000-15,000-1,50,000/- (accelerated increments may be given at the discretion of the remuneration Committee/Board.)
   b) **Personal Pay :** Rs. 7,500/- (Rupees Seven Thousand Five Hundred only) per month.
   c) **Other Allowance:** Rs. 75,000/- (Rupees Seventy Five Thousand only) Per month.
   d) **Performance Pay :** Upto Six months basic salary and other allowance as approved by the Chairman.
   e) **Perquisites:** In addition to the aforesaid Salary, the Managing Director shall be entitled to the following perquisites:
      i) Free Furnished residential accommodation or House Rent Allowance of Rs. 30,000/- per month. Value of furnishings shall not exceed Rs. 1,50,000/- at any one time as per the rules of the Company.
      ii) Reimbursement of Medical Expenses as per the policy of the Company upto a maximum of one month's basic salary and medical insurance.
      iii) Leave Travel Allowance of Rs. 60,000/- subject to the policy of the Company.
      iv) Monthly/Annual subscription for one club and fees of one credit card will be borne by the Company.
      v) Earned privilege leave as per the policy of the Company.
      vi) Provision for Car with driver, Telephone at the residence and cellular phone to the Managing Director. Personal long distance call shall be borne by the Managing Director.
7. (i) The Agreement may be terminated by the Company:
   a) by not less than three months' notice in writing given at any time to Mr. Phaterphekar or by payment to him of three months' salary in lieu of notice.
   b) by summary notice in writing if Mr. Phaterphekar shall have committed any breach or any continuing breach of his obligations hereunder or shall have been guilty of conduct tending to bring the Company or his Office hereunder into disrepute or shall have committed any act of insolvency or compounded with his creditors generally.

   (ii) This Agreement may be terminated by Mr. Phaterphekar by giving the Board of Directors not less than three months' notice in writing in that behalf.
8. If any dispute or difference shall arise between the parties hereto or between the Company and the legal representative or heirs of Mr. Phaterphekar as to the interpretation of this Agreement or as to the duties or liabilities of either party hereunder or as to any matter or thing arising out of or under this Agreement, such dispute or difference shall be referred to one arbitrator if the parties agree upon one and in default of such agreement, to two arbitrators (one each to be appointed by each party) and/or their umpire pursuant to and in accordance with the provisions of The Arbitration & Conciliation Act, 1996 or any then subsisting statutory modification or re-enactment thereof. The arbitration proceedings shall be held in the City of Mumbai and the Court in Mumbai shall have jurisdiction over such arbitration proceedings.

The above perquisites shall be evaluated as per the Income tax Rules wherever applicable. In the absence of such rules, perquisites will be evaluated at actual costs.

Where in any financial year during the currency of the tenure of the Managing Director, the Company has made no profits or its profits are inadequate, the Company shall pay to the Managing Director, the above Salary and perquisites as minimum remuneration. The above remuneration will be payable to Mr. Phatarphekar subject to the ceiling limit prescribed in section II 1(B) of Part II of Schedule XIII of the Companies Act, 1956 and subject to approval of Central Government.

f) The Managing Director shall also be entitled to the following perquisites which shall not be included in the computation of the ceiling on remuneration specified herein above :

i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per the policy of the Company

ii) Gratuity as per the policy of the company.

Necessary application will be made to the Central Government for its approval to the payment of remuneration to Mr. Vijay Phatarphekar.

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Additional information required to be given alongwith a Notice calling General Meeting as per sub para (B) of para 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956 is given hereunder:

I.	General Information:					
(1)	Nature of industry	Manufacture and sale of all types of electrical cables, Telecom cables, Optical Fibre and Housewiring Cables.				
(2)	Date or expected date of commencement of commercial production	The Company has been in the business for many years				
(3)	In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.	Not Applicable				
						Rs. in Crores
(4)	Financial performance based on given indicators	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
	Turnover (including Excise Duty)	342.94	427.15	356.63	321.93	210.29
	Net profit (as computed under section 198)	7.60	20.42	14.59	(28.32)	(16.25)
	Net profit/ (Loss) as per profit and loss account	11.02	18.43	19.28	4.00	(5.24)
	Amount of Dividend paid (Equity)	2.97	3.61	3.82	1.70	—
	Rate of Dividend declared (Equity)	14%	17%	18%	8%	—
	Amount of Dividend paid (Preference)	1.95	1.76	0.04	—	NA
	Rate of Dividend declared (Preference)	19&20%	19&20%	20%	NA	NA
	Earning before interest, depreciation & taxes	54.07	63.62	46.65	21.02	2.11
	% of EBIDT to turnover	15.77%	14.89%	13.08%	6.53%	1.33%
(5)	Export performance and net foreign exchange collaborations	1998-1999 (21.41)	1999-2000 (27.39)	2000-2001 (19.94)	2001-2002 (24.99)	2002-2003 (14.64)
(6)	Foreign investments or collaborators, if any.	NIL				
II.	Information about the Appointee:					
(1)	Background details	Name: Mr. Vijay Phatarphekar Designation: Managing Director Father's name: Mr. Ramesh Phatarphekar Nationality: Indian Date of Birth: 22-06-1956 Qualifications: B-Tech from IIT, Mumbai Experience: Over 23 years				
(2)	Past remuneration	The gross remuneration to Mr. Vijay Phatarphekar in the year 2002-03 was Rs. 1,59,300/- per month.				
(3)	Recognition or awards	Has won a Gold medal at the SAARC Games for the game of Bridge				
(4)	Job profile and his suitability	Mr. Vijay Phatarphekar has been associated with Engineering Industry for over 20 years. This industry is expected to grow in the next few years in view of the on going reforms programs of the Government of India.				
(5)	Remuneration proposed	Basic Salary Rs. 75,000/- per month. Other perquisites the monetary value, of which shall not exceed Rs. 1,25,550/- per month (calculated as per the Income-tax Act and the Rules made thereunder)				
(6)	Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin)	Compared to the remuneration with respect to the industry, size of the Company, etc. the remuneration to be paid to Mr. Vijay Phatarphekar is reasonable				
(7)	Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any.	Mr. Vijay Phatarphekar has no other pecuniary relationship with the Company or with the managerial personnel except the remuneration being paid to him as Managing Director of the Company.				
III.	Other information :					
(1)	Reasons of loss or inadequate profits	The results of the year were severely impacted due to depressed market conditions in the Telecom industry and the tight cash flow position of the Company.				
(2)	Steps taken or proposed to be taken for improvement	• In the last one year the Company has virtually wound up its operations at Rae Bareli to reduce cost. In addition it has also substantially reduced staff and operations at its Mysore factory, as a result of which substantial savings have been achieved. • Company is looking at other business opportunities in housewiring and contracting. In this way it is hoped to revive the Company over the next two or three years. • Since the entire net worth of the Company has been eroded because of the losses incurred by the Company in last two years, a reference				

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	has been filed with the Board for Industrial and Financial Reconstruction (BIFR) constituted under provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA), for determination of the measures, which have to be adopted with respect to the Company for its rehabilitation.
(3) Expected increase in productivity and profits in measurable terms.	*The Company expects to substantially reduce its losses over next 1-2 years.*

The Board commends the approval by the members of the appointment of Managing Director and payment of remuneration to him.

Mr. Vijay Phatarphekar is concerned or interested in the said Resolution at item nos. 6 & 7 of the accompanying notice as they relate to his own appointment.

The above may be treated as an Abstract of the terms of his appointment under Section 302 of the Companies Act, 1956.

The Agreement dated July 29, 2004 referred to in the Resolution at Item no. 7 of the accompanying Notice is open for inspection by the members at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working day of the Company except Saturday and Sunday.

Item No. 8

The Board of Directors at their meeting held on 28th January 2004 appointed Mr. Vinay Agarwal as Managing Director of the Company for a period of five years with effect from 1st April 2004 subject to the approval of the Shareholders.

The terms of the Agreement dated March 18, 2004 referred to in the Resolution at Item No. 8 of the accompanying Notice inter-alia are as follows: -

a) (i) **Salary:** In the scale of Rs. 85,000 – 15,000 — 205,000 per month. (Actual increment shall be granted at the discretion of the Board / Remuneration Committee)

(ii) **Management Allowance:** In the scale of Rs. 85,000 – 10,000 – 165,000 per month. (Actual increment shall be granted at the discretion of the Board / Remuneration Committee).

(iii) **Personal Pay:** Rs. 10,000 per month.

(iv) **Annual Pay:** Up to six months basic salary and management allowance approved by the Chairman of the Board.

b) **Perquisites:**

(i) In addition to the salary the Managing Director shall be entitled to the following perquisites namely, rent free accommodation; furniture; reimbursement of medical expenses; leave travel assistance for self and family; club fees; medical insurance; a car with a driver and telephone at residence, in accordance with the rules of the Company.

(ii) Valuation of perquisites shall be done as per the Income Tax Rules, wherever applicable. In the absence of any such Rule, the perquisites shall be evaluated at actual cost.

c) Paid Leave/encashment of Leave will be permissible as per the rules of the Company.

d) Contribution to Provident Fund and Superannuation Fund or Annuity Fund. This shall not be included in the computation of the ceiling on the perquisites to the extent these either singly or put together are not taxable under the provisions of the Income Tax Act, 1961.

e) Gratuity: One half month's salary for each completed year of service in accordance with the rules of the Company. However this will not be included in the computation of the ceiling on perquisites.

The above remuneration is payable to Mr. Agarwal as minimum remuneration and is subject to the celing limit prescribed in Section II 1(B) of Part II of Schedule XIII of the Companies Act, 1956.

An application of the Company to the Central Government for its approval to the payment of above remuneration is pending with Central Government.

Mr. Vinay Agarwal has however resigned as Managing Director of the Company with effect from August 1, 2004.

Additional information required to be given alongwith a Notice calling General Meeting as per sub para (B) of para 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956 is given hereunder:

I. General Information:					
(1) Nature of industry	Manufacture and sale of all types of electrical cables, Telecom cables, Optical fibre and Housewiring Cables.				
(2) Date or expected date of commencement of commercial production	The Company has been in the business for many years				
(3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.	Not Applicable				
					Rs. in Crores
(4) Financial performance based on given indicators	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
Turnover (including Excise Duty)	342.94	427.15	356.63	321.93	210.29
Net profit/(Loss)(as computed under section 198)	7.60	20.42	14.59	(28.32)	(16.25)
Net profit/(Loss) as per profit and loss account	11.02	18.43	19.28	4.00	(5.24)
Amount of Dividend paid (Equity)	2.97	3.61	3.82	1.70	—
Rate of Dividend declared (Equity)	14%	17%	18%	8%	—
Amount of Dividend paid (Preference)	1.95	1.76	0.04	—	NA
Rate of Dividend declared (Preference)	19% & 20%	19% & 20%	20%	NA	NA
Earning before interest, depreciation & taxes	54.07	63.62	46.65	21.02	2.11
% of EBIDT to turnover	15.77%	14.89%	13.08%	6.53%	1.33%
(5) Export performance and net foreign exchange collaborations	1998-1999 (21.41)	1999-2000 (27.39)	2000-2001 (19.94)	2001-2002 (24.99)	2002-2003 (14.64)
(6) Foreign investments or collaborators, if any.	NIL				

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II. Information about the Appointee:	
(1) Background details	Name: Mr. Vinay Agarwal Designation: Managing Director Father's name: Late Shri Krishna Prakash Agarwal Nationality: Indian Date of Birth: 11-04-1956 Qualifications: IIT & IIM Calcutta Experience: Over 25 years
(2) Past remuneration	New appointment
(3) Recognition or awards	NIL
(4) Job profile and his suitability	Mr. Vinay Agarwal has been involved in financial restructuring of two Companies in the past. He also has experience of the Telecom Industry which will be useful to the Company.
(5) Remuneration proposed	Basic Salary Rs. 85,000/- per month. Other perquisites the monetary value of which shall not exceed Rs. 1,33,379/- per month (calculated as per the Income Tax Act and the Rules made there under)
(6) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin)	Compared to the remuneration with respect to the industry, size of the Company, etc. the remuneration to be paid to Mr. Vinay Agarwal is reasonable.
(7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any.	Mr. Vinay Agarwal has no other pecuniary relationship with the Company or with the managerial personnel except the remuneration being paid to him as Managing Director of the Company.
III. Other information :	
(1) Reasons of loss or inadequate profits	The results of the year were severely impacted due to depressed market conditions in the Telecom industry and the tight cash flow position of the Company.
(2) Steps taken or proposed to be taken for improvement	• In the last one year the Company has virtually wound up its operations at Rae Bareli to reduce cost. In addition it has also substantially reduced staff and operations at its Mysore factory, as a result of which substantial savings have been achieved. • Company is looking at other business opportunities in housewiring and contracting. In this way it is hoped to revive the Company over the next two or three years. • Since the entire net worth of the Company has been eroded because of the losses incurred by the Company in last two years, a reference has been filed with the Board for Industrial and Financial Reconstruction (BIFR) constituted under provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA), for determination of the measures, which have to be adopted with respect to the Company for its rehabilitation.
(3) Expected increase in productivity and profits in measurable terms.	The Company expects to substantially reduce its losses over next 1-2 years.

The Board commends the approval by the members of the appointment of Managing Director and payment of remuneration to him for a period from April 1, 2004 to July 31, 2004.

Mr. Vinay Agarwal is concerned or interested in the said Resolution at item no. 8 of the accompanying notice as it relates to his own appointment.

The Agreement dated March 18, 2004 referred to in the Resolution at Item no. 8 of the accompanying Notice is open for inspection by the members at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working day of the Company except Saturday and Sunday.

By Order of the Board

Bharat Thakkar
Company Secretary

Mumbai, Dated: July 29, 2004

Registered Office:
Hebbal Industrial Area,
Hootagalli, Belavadi Post,
Mysore - 571 186

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DIRECTORS' REPORT

Your Directors have pleasure in presenting their Twenty-Second Annual Report and Audited Accounts of the Company for the year ended March 31, 2004.

FINANCIAL RESULTS

(Rs. in Crores)

	2003-04	2002-03*
Turnover (Inclusive of other income)	121.08	177.97
Gross Profit (before depreciation, interest & tax)	(65.63)	2.11
Less: Depreciation	9.02	8.59
Less: Impairment of Assets	26.18	—
Less: Interest (Net)	32.68	(1.24)
Profit before Tax	(133.51)	(5.24)
Less: Taxation	2.60	7.77
Profit after Tax	(130.90)	2.53
Balance brought forward from previous year	47.02	44.49
Profit available for Appropriation	(83.88)	47.02
Appropriations:		
Transferred from General Reserve	(18.85)	—
Balance carried to Balance Sheet	(65.03)	47.02
	(83.88)	47.02

* These include the result of Operations of Concepta Cables Ltd. for a part of the year.

PERFORMANCE

The results of the year were severely impacted due to depressed market conditions in the Telecom industry and the tight cash flow position of the Company. These were further impacted on account of provisions made for impairment of assets, deferred revenue expenditure, accruals for leave entitlement and de-recognition of revenue in line with well-established accounting principles. Cumulatively, these factors have caused complete erosion in the net worth of the Company.

DIVIDEND

Your Directors regret their inability to recommend payment of dividend for the year under review in view of the losses incurred.

OPERATIONS

Telecom Cables

In the Jelly Filled Telecom Cables segment of the business, there has been no significant improvement in the price realization, as a result of which your Company was unable to accept any orders, resulting in large losses. The Company has taken further initiatives to substantially reduce costs and minimize losses. The Jelly Filled Cable Plants at Mysore and Rae Bareli were closed for most part of the year. In our Optical Fibre Cable segment too the off-take has reduced substantially in view of the decision of the customers to postpone their expansion plans. Here too, the Company has taken steps to substantially reduce costs by downsizing the operations. Once fully implemented, these initiatives will ensure that your Company does not incur any further losses from this business.

Power Cables

While the demand for Power Cables has increased substantially during the year, your Company was not able to take advantage of the market position due to a severe liquidity problem. In view of this, the operating expenses were monitored closely and the rationalizing of the manpower base and other operating costs continued. Emphasis was laid on achieving positive cash flows through an improved collection mechanism.

Housewiring Cables

The turnover of this business remained static due to the poor cash flow position of the Company. Initiatives to improve cash flows through a concerted effort in reducing costs has been initiated, which will improve the business out look in the coming years.

Telenet Solutions

This business was commenced two years ago by your Company for undertaking contracts for installation of Telecom Cables & Towers. The business turnover has more than doubled in the last one year and the Company has a good order book position under execution. The first export order was also received during the year, which will improve future prospects.

FUTURE PROSPECTS

Telecom Cables

As reported last year the demand for OFC is currently mainly from organizations having 'right of way' and for development of the 'Access' network and therefore remains weak but with some stability in pricing.

The Jelly Filled Telephone Cable business will remain stagnant and with excessive industry capacity, your Company does not see a future in this segment of the business.

Power Cables

Based on the ambitious plan unveiled by the Government for the power industry last year, steps have been taken by the private and public sector to step up and improve both generation and distribution. This augurs well for the power cables industry.

In the ensuing years, the export sector is also likely to open up resulting in added demand.

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Housewiring Cables

Having established its presence in different parts of the country, the Company is focusing on improving the margins and realizations through better logistics and, distribution management, and sourcing. At the same time various new products are being developed to cater to the needs of selected customers.

Telenet Solutions

This business has now established a foothold in the domestic and international markets. With the completion of several projects, a large number of new enquiries are being received, and this is expected to improve the performance of the business in the coming years.

REFERENCE TO THE BOARD FOR INDUSTRIAL AND FINANCIAL RECONSTRUCTION

The results depict that the entire net worth of the Company has been eroded because of the losses incurred by the Company in last two years. Therefore, a reference shall have to be filed with the Board for Industrial and Financial Reconstruction (BIFR) constituted under provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA), for determination of the measures, which have to be adopted with respect to the Company for its rehabilitation.

SUBSIDIARY COMPANY

The Company's subsidiary, Blue Niles Holdings Ltd., is engaged in the investment activities. The Department of Company Affairs has, for the Financial Year 2003-04, exempted the Company from applicability of the provisions of sub-section (1) of Section 212 of the Companies Act, 1956 (the Act), relating to the statements to be attached in respect to the said subsidiary. The Consolidated Financial Statements incorporate the accounts of the said subsidiary. Any shareholder interested in obtaining the stand-alone financial statement of the said subsidiary may write to the Company for the same.

DEPOSITS

The Company has been accepting deposits from the public and shareholders. Total amount of such fixed deposits as at March 31, 2004 is Rs. 26.30 crores. Deposits amounting to Rs. 94.51 lacs from depositors remained unclaimed as at the end of the year. Subsequently, out of the said unclaimed deposits, deposits for Rs. 18.00 lacs have been claimed and repaid.

In view of the very difficult cash flow position of the Company, there have been delays in repayment of deposits since January 2004. The Company is seeking time for repayment of deposits with the Company Law Board.

COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

The particulars as prescribed under the Rules appear in the Annexure forming part of the Directors' Report.

HUMAN RESOURCES

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report.

DIRECTORS

Mr. H.V. Goenka, Mr. P.K. Mohapatra and Mr. J.M. Mukhi retire by rotation, at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

IFCI Ltd. has nominated Mr. A.K. Chakraborty as the nominee Director from the said financial institution in place of Mr. A.K. Gupta. Your Directors wish to place on record their appreciation for the contribution of Mr. A.K. Gupta during his tenure.

DIRECTORS' RESPONSIBILITY STATEMENT AS REQUIRED UNDER SECTION 217 (2AA) OF THE COMPANIES ACT, 1956

The Directors confirm that –

i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.

ii) Appropriate accounting policies have been selected and applied consistently and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2004 and the loss of the Company for the year ended March 31, 2004.

iii) Proper and sufficient care has been taken for 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.

iv) The annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE

The Corporate Governance and the Management Discussion and Analysis Reports form an integral part of this Report and are set out as separate Annexures to this Report. The Certificate of the Auditors of the Company certifying compliance of the conditions of the Corporate Governance as stipulated in Clause 49 of the Listing Agreement with Stock Exchanges is also annexed with the Report on Corporate Governance.

AUDITORS' REPORT

With reference to the observations of the Auditors in the Annexure to their Report, corrective actions are being taken by the Company.

AUDITORS

M/s. N.M. Raiji & Co., Chartered Accountants, Auditors of the Company, retire at the conclusion of the ensuing Annual

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General Meeting and being eligible, offer themselves for re-appointment.

ACKNOWLEDGEMENT

Your Directors express their gratitude to the Company's customers, shareholders, business partners, distributors and suppliers for their understanding and support.

Your Directors also record their appreciation and gratitude to Financial Institutions and Banks during a very difficult financial year. Finally, your Directors acknowledge the dedicated services rendered by all employees of the Company.

For and on behalf of the Board of Directors

Mumbai
Dated: June 30, 2004

H.V. Goenka
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE - I

Particulars of conservation of energy, technology absorption and foreign exchange earnings and outgo as per Section 217 (1) of the companies Act, 1956, and the Rules made therein and forming part of the Directors' Report for the year ended March 31, 2004.

A. CONSERVATION OF ENERGY

Energy Conservation Measures Taken:

The Company continuously evaluates the cost of energy and uses the cheapest alternative from the grid / Wind Power and the DG set. In respect of the DG set, the generation cost has been optimized by the use of the alternate low cost fuel and effective loading. Utilities of PUF and OFC plants at Mysore have been made common to save on energy costs. Measures are also taken to conserve energy by automation of water pumps, installation of light energy savers and modification of heating systems.

B. TECHNOLOGY ABSORPTION, RESEARCH & DEVELOPMENT (R&D)

1. Specific areas in which R&D is carried out by the Company:
   - Development of cables for different applications.
   - Improve manufacturing processes for better product quality and reduction of wastes. R&D is focused also on import substitution and reducing lead time in manufacturing and deliveries.
2. Benefits derived as a result of the above R&D:

   Developed new OFC products such as unitube armoured cables, ADSS Cables, FTTH Cables and Hollow Tube for blown and multimedia cables.

   Above efforts have helped the Company to diversify its product portfolio and establishing presence in emerging technology sectors, stay competitive and achieve greater customer satisfaction.
3. Future plan of action:

   To take up development of cables for railway signaling, communication cables for indoor applications, winding wires and wires for special applications. Plans are afoot also to develop cost effective and improved speciality compound and new types of cables for diverse applications.
4. Expenditure on R&D:
   (a) Capital : Nil
   (b) Recurring : Rs. 295.70 lacs
   (c) Total : Rs. 295.70 lacs
   (d) Total R&D expenditure as a percentage of total turnover is less than 1%.

Technology Absorption, Adaptation and Innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation:

   Efforts continue to innovate products in the active components segment of telecom business. Trials are also being conducted to develop cables for cellular communication system.
2. Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc;

   The above efforts would result in development of new cost effective products.
3. In case of imported technology:
   (a) Technology imported : Manufacture of Optical Fibre Cable
   (b) Year of import : 2001
   (c) Has technology been fully absorbed : Yes
   (d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action : Not Applicable

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Total foreign exchange earned was Rs. 362.00 lacs and outflow was Rs. 1337.87 lacs.

For and on behalf of the Board of Directors

H.V. Goenka
Chairman

Mumbai, June 30, 2004

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