

UNiSTAR®

**ANNUAL REPORT
AND
ACCOUNTS
FOR THE
YEAR ENDED
31st MARCH 2005**

**Universal
Cables
Limited**



UNIVERSAL CABLES LIMITED

ANNUAL REPORT 2004-2005

DIRECTORS

SHRI R. S. LODHA

Chairman

SHRI S. N. PRASAD

Dr. V. GAURISHANKER

SHRI HARSH V. LODHA

SHRI S.C. JAIN

SHRI S. K. DAGA

(ALTERNATE TO SHRI S. N. PRASAD)

AUDIT COMMITTEE

SHRI S. N. PRASAD

Chairman

Dr. V. GAURISHANKER

SHRI S.C. JAIN

Report  junction.com

CHIEF MENTOR & MANAGER

SHRI D. R. BANSAL

PRESIDENT (COMMERCIAL) & SECRETARY

SHRI PANKAJ KALANI

AUDITORS

S. R. BATLIBOI & COMPANY

SOLICITORS

KHAITAN & KHAITAN

BANKERS

STATE BANK OF INDIA

REGISTERED OFFICE

P.O. BIRLA VIKAS,

SATNA - 485 005 (M.P.)

PHONE : +91-7672-257121 to 27

E-mail : headoffice@universalcablesltd.com

IS/ISO 9001:2001



IS/ISO 14001



Notice

TO THE SHAREHOLDERS

NOTICE is hereby given that the Sixtieth Annual General Meeting of Universal Cables Limited will be held at the Registered Office of the Company at Birla Vikas, Satna (M.P.) on Tuesday, the 19th July, 2005 at 3.00 P.M. to transact the following business :

ORDINARY BUSINESS :

- To receive, consider and adopt the Audited Accounts of the Company for the year ended 31st March, 2005 together with Directors' Report and the Auditors' Report thereon.
- To declare dividend.
- To appoint a Director in place of Shri H.V. Lodha, who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on such remuneration and reimbursement of out-of-pocket expenses as the Board may decide, based on the recommendation of the Audit Committee.

SPECIAL BUSINESS :

- To consider and, if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution** :
"RESOLVED that Shri S.C. Jain, a Director of the Company, who holds office upto the date of this Annual General Meeting under Article 140 of the Company's Articles of Association, be and is hereby re-appointed as Director of the Company, liable to retire by rotation."
- To consider and, if thought fit, to pass, with or without modification, the following resolution as a **Special Resolution** :
"RESOLVED that pursuant to Section 31 of the Companies Act, 1956 and all other applicable provisions, if any, the Articles of Association of the Company be and is hereby altered by deleting the existing Article 129 and substituting in its place and stead, the following new Article 129 :
Remuneration of Directors 129. The fee payable to a Director for attending the meetings of the Board or Committee thereof shall be such sum as may be decided by the Board of Directors from time to time within the maximum limit prescribed by the Central Government under Section 310 of the Companies Act, 1956."

Registered Office :

P.O. Birla Vikas,
SATNA - 485 005 (M.P.)

By order of the Board

Pankaj Kalani

President (Commercial) & Secretary

May 26, 2005.

Notes :

- The relative Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business under Item Nos. 5 and 6 set out above are annexed hereto.
- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND 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.
- The Register of Beneficial Owners, Register of Members and Share Transfer Books of the Company shall remain closed from Wednesday, the 13th July, 2005 to Tuesday, the 19th July, 2005 (both days inclusive).
- The Directors recommended payment of dividend for the year on 2,00,37,944 Equity Shares of Rs.10/- each @ Re.1/- per share (i.e.10%).
The Dividend when declared will be made payable from 23rd July, 2005 onwards in accordance with the resolution to be passed by the Shareholders of the Company, to those shareholders whose names will appear on the Company's Register of Members as on 12th July, 2005 or to their mandates and also to beneficial owners of equity shares held in electronic form on the same date as per details furnished by the Depositories for this purpose.
- The Members are requested to notify immediately the changes, if any, in their registered address -
 - > to their Depository Participants in respect of equity shares held in electronic form (Demat Account); and
 - > to the Company or its Registrar and Share Transfer Agents, viz. M/s Intime Spectrum Registry Limited (Unit : Universal Cables Limited) C-13, Pannalal Silk Mills Compound, L.B.S.Marg, Bhandup (West), Mumbai - 400 078 in respect of equity shares held in physical form.
- Members desirous of making nomination as permitted under Section 109A of the Companies Act, 1956, in respect of the Equity Shares of the Company held in the physical form may send their request for nomination in the prescribed Form 2B duly filled in and signed to the Company's Registrar and Share Transfer Agents. The facility would be made available folio-wise to individual shareholders including joint holders and for the entire shares registered under the folio. The members holding shares in dematerialised form may contact and consult their respective Depository Participants (DP) for availing the nomination facility.

- (g) The trading in Company's equity shares on the Stock Exchanges is permitted only in dematerialised form for all classes of investors. In view of the numerous advantages offered by the Depository System, members are requested to avail of the facility of dematerialisation of the Company's equity shares held by them.
- (h) In terms of Section(s) 205A and 205C of the Companies Act, 1956, the Company is required to transfer any dividend which remains unpaid or unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend Account, to the credit of Investor Education and Protection Fund established by the Central Government. Members who have not encashed their dividend warrants for the year 1997-98 or thereafter are requested to write to the Company or Company's Registrar and Share Transfer Agents viz. M/s Intime Spectrum Registry Ltd.
- (i) Additional information pursuant to Clause 49 of the Listing Agreement(s) with Stock Exchanges, on Directors recommended for appointment or re-appointment at the forthcoming Annual General Meeting, are given in the Annexure to the Notice.
- (j) Members/Proxies are requested to deposit the Attendance Slip duly filled in and signed for attending the Meeting.

ANNEXURE TO NOTICE**EXPLANATORY STATEMENTS PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

As required by Section 173(2) of the Companies Act, 1956, the following Explanatory Statements set out material facts relating to the Special Business under Item Nos. 5 and 6 of the accompanying Notice dated 26th May, 2005.

Item No.5

Shri S.C. Jain was appointed as an Additional Director on the Board of the Company on 27th October, 2004 under Article 140 of the Company's Articles of Association. He holds office upto the date of this Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956 proposing his candidature for the office of the Director and he is eligible for re-appointment. Hence your approval is sought to the proposed resolution.

Except Shri S.C. Jain, none of the Directors of the Company is concerned or interested in the said resolution.

Item No.6

The Articles of Association of the Company provides for sitting fees upto a maximum of Rs.1,000/- per meeting of the Board of Directors or Committee thereof attended by a Director. The prescribed maximum sitting fees as provided under Section 310 of the Companies Act, 1956 has been revised from time to time vide amendments made in Rule 10B of the Companies (Central Government's) General Rules & Forms, 1956. Article 129 is proposed to be amended accordingly.

The special resolution is recommended for seeking consent of the shareholders for conferring authority upon the Board to fix the remuneration by way of sitting fees payable to the directors for attending each meeting of the Board or a Committee thereof from time to time within the maximum limit prescribed by the Central Government under Section 310 of the Companies Act, 1956 or rules framed thereunder. Further, the revised Clause 49 of the Listing Agreements with the Stock Exchanges (Corporate Governance), inter alia, stipulates that all fees/compensation, if any, paid to non-executive directors, including independent directors shall be fixed by the Board of Directors and shall require previous approval of the shareholders in general meeting.

All the directors of the Company may be deemed to be concerned or interested in the said resolution to the extent of remuneration by way of sitting fees payable to them for attending the meeting of the Board or a Committee thereof.

Registered Office :
P.O. Birla Vikas,
SATNA - 485 005 (M.P.)

May 26, 2005.

By order of the Board

Pankaj Kalani
President (Commercial) & Secretary

ANNEXURE TO NOTICE

Details of Directors seeking appointment/re-appointment in the ensuing Annual General Meeting scheduled to be held on 19th July, 2005

Name of Director	Shri S.C. Jain	Shri H.V. Lodha
Date of Birth	01.08.1940	13.02.1967
Date of appointment	27.10.2004	24.04.1998
Expertise in specific functional areas	Labour Law Advisor and vast experience in labour laws	Chartered Accountant
List of outside Directorships held*	Utkal Asbestos Limited	Alfred Herbert (India) Limited Birla Corporation Limited Fenner (India) Limited Hindustan Gum & Chemicals Limited Jindal Steel & Power Limited OCL (India) Limited Optic Fibre Goa Limited Punjab Produce Holdings Limited Sicpa India Limited Vindhya Telelinks Limited
Chairman/Member of the Committee of the Board of Directors of the Company	Member - Audit Committee - Share Transfer and Shareholders'/Investors' Grievance Committee	None
Chairman/Member of the Committee of the Board of Directors of other Public Companies	None	Chairman - Audit Committees of - OCL (India) Limited Sicpa India Limited Share Transfer & Investor Grievance Committee of - Birla Corporation Limited Member - Audit Committees of - Jindal Steel & Power Limited Fenner (India) Limited
Shareholding of Non-Executive Directors	100 Shares	7950 Shares

*This excludes Directorships held in Indian Private Limited companies and trusteeship/membership of managing Committees of various trusts and other bodies, Directorships held in foreign companies and Alternate Directorships.

Directors' Report TO THE SHAREHOLDERS

Before presenting the Audited Accounts, the Directors record their profound sorrow and grief on the untimely sad demise of Smt. Priyamvada Birla, Chairman of the Board of Directors, who left for her heavenly abode on 3rd July, 2004. Smt. Priyamvada Birla was not only an eminent industrialist but also a great Philanthropist who dedicated herself towards furthering the progress in the fields of education and healthcare. She was a woman of simple living and high thinking and lived on the Gandhian principles for the cause of humanity and the general masses. She gave to the nation, several pioneering industrial ventures, research, cultural, medical, religious and educational institutions and always helped the needy. The fruits of her munificence, unannounced and unrelated to her name, may be found in so many different parts of the country. Under her able stewardship, M.P.Birla group in general and the Company in particular consolidated and expanded to greater heights. Her indomitable courage, firm faith, conviction and dynamic vision will continue to inspire the Company to cross new frontiers of challenge and opportunity in the years ahead.

Your Directors have the pleasure of presenting their Annual Report, together with the Audited Accounts of the Company for the year ended 31st March, 2005.

Financial Matters

	Year Ended			
	31st March, 2005		31st March, 2004	
	Rupees in lacs	Rupees in lacs	Rupees in lacs	Rupees in lacs
Gross Income for the year is		22577.22		15992.89
The year's working shows a Gross Profit/(Loss) after interest of		1149.38		(147.19)
Out of which Provisions/Deductions have been made for :				
Depreciation	354.48		369.79	
Amortisation of Voluntary Retirement Compensation	116.01		134.12	
Deferred Tax Charge/(Credit)	251.67		(232.72)	
Income Tax (MAT)	35.00			
Income Tax (Credit) for earlier years (Net)		757.16	(1.01)	270.18
There is a total surplus/(deficit) of		392.22		(417.37)
which has been appropriated as follows -				
Proposed Dividend	200.38		-	
Corporate Dividend Tax	28.10	228.48	-	
and balance carried to Balance Sheet/(transferred from General Reserve)		163.74		(417.37)

Your Directors are pleased to recommend dividend for the year on 2,00,37,944 Equity Shares of Rs.10/- each @ Re.1/- per share (i.e.10%) subject to approval of Shareholders at the ensuing Annual General Meeting:

General & Corporate Matters

During the year under review, despite stiff competition from the organised and unorganised sectors, your Company has shown an impressive growth in Power Cables and Capacitor segments and has succeeded in maintaining its leading position in the market due to consistent insistence on maintaining high quality standards for its products which has created a strong image for the UNISTAR Brand. Although there was stiff competition and severe pressure on margins, the focused approach, aggressive marketing strategy, implementation of major cost reduction plan and overall operational efficiencies, have resulted in achieving a gross total income of Rs.22577.22 lacs and gross profit of Rs.1149.38 lacs as compared to gross total income of Rs.15992.89 lacs and gross loss of Rs.147.19 lacs in the previous year. The Company has during the year decided to discontinue the operations of its Optical Fibre Cable Unit at Goa.

The Company's R&D department is consistently striving to develop and improve new as well as existing products. A capital expenditure of Rs. 234.05 lacs was incurred during the year for modernisation, up-gradation and balancing of the manufacturing facilities.

The brightening outlook for the economy and the ambitious plans of the Government for overall improvement of the Power Sector will give a further boost to the demand of your Company's products in the coming years. Besides, the Company is putting all-out efforts to identify new products to diversify into the field of its competence. Thus, your Company is well positioned to take on the challenges ahead due to its unmatched position of strength.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, Management Discussion and Analysis, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report.

RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors to the best of their knowledge and belief and according to the information and explanation obtained by them, state that :

- > in the preparation of the Annual Accounts for the year ended 31st March, 2005, the applicable accounting standards have been followed;
- > the Company has selected such accounting policies, applied them consistently, 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 the end of the financial year 2004-05 and of the profit for the year ended 31st March, 2005;
- > proper and sufficient care have been taken for the 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; and
- > the attached Annual Statement of Accounts for the year ended 31st March, 2005 have been prepared on a 'going concern' basis.

DELISTING OF EQUITY SHARES

Pursuant to the approval of Members at the Annual General Meeting held on 10th July, 2003 the equity shares of the Company have been voluntarily delisted from the Madhya Pradesh Stock Exchange, Indore and The Calcutta Stock Exchange Association Limited, Kolkata with effect from 5th August, 2004 and 14th January, 2005 respectively. The Company's equity shares are now listed on the Stock Exchange, Mumbai and the National Stock Exchange of India Limited, Mumbai.

INDUSTRIAL RELATIONS

Industrial relations remained by and large cordial during the year.

DIRECTORS

Shri S.C.Jain has been appointed as an Additional Director of the Company with effect from 27th October, 2004 and, being eligible, is proposed to be re-appointed as Director liable to retire by rotation in the ensuing Annual General Meeting.

Shri S.K.Daga acted as an Alternate Director to Shri S.N.Prasad from 5th May, 2004 to 28th January, 2005 and has been again appointed as an Alternate Director with effect from 31st January, 2005.

Shri H.V.Lodha retires by rotation and, being eligible, offers himself for re-election.

AUDITORS

Messrs S.R.Batilbhai & Co., Chartered Accountants, retire as Auditors of the Company and, being eligible, offer themselves for re-appointment.

Messrs S.Gupta & Co., Cost Accountants, have been re-appointed as Cost Auditors for Cost Audit in respect of Cables.

JOINT VENTURE

Despite depressed market conditions, Birla Ericsson Optical Limited, a venture promoted by your Company in association with Vindhya Telelinks Limited and Ericsson Cables AB, Sweden has shown comparatively improved performance during the year under review. Optic Fibre Goa Limited, another venture promoted by your Company in association with Vindhya Telelinks Limited and Birla Ericsson Optical Limited has also shown comparatively improved performance during the year under review.

PARTICULARS OF EMPLOYEES

No employee of the Company qualifies for disclosure pursuant to Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended from time to time.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

As required under Section 217(1)(e) of the Companies Act, 1956 and the Rules made thereunder, the concerned particulars relating to Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo are given in Annexure, which is attached hereto and forms a part of the Directors' Report.

ACKNOWLEDGEMENT

The Board of Directors would like to thank all employees of the Company and also Company's shareholders, customers and bankers for their continued support.

Yours faithfully,

R.S.Lodha	}	<i>Chairman</i>
Dr. V.Gaurishanker		<i>Directors</i>
H.V. Lodha		
S.K. Daga (Alternate to S.N.Prasad)		<i>Alternate Director</i>

New Delhi, May 26, 2005.

ANNEXURE

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 AND THE RULES MADE THEREUNDER AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2005.

(A) CONSERVATION OF ENERGY :**Following Energy Conservation measures were taken during the year :**

1. On the basis of suggestions made by 'TERI' the renowned energy and resources institute, following measures were taken during the year :
 - (a) Extruder heads, steam pipe lines, valves and furnaces have been suitably insulated to minimize heat loss.
 - (b) Old inefficient motors and water pumps have been replaced by efficient ones.
 - (c) Gradual replacement of lights and fittings to save energy.
 - (d) Installation of voltage stabilizers for economy.
2. Improvement in productivity of key machines.
3. Continuous monitoring of all the production processes and adoption of preventive maintenance practices.
4. Continuous emphasis on awareness for energy saving by effective implementation of energy conservation schemes, better house keeping, control and process upgradation, etc.

(B) TECHNOLOGY ABSORPTION :**I. Research and Development (R&D)**

1. Specific areas in which R&D carried out by the Company

Product design and process improvement in cables and capacitors.

R&D Department has developed following new types of Cables:

- (i) Chemically cross-linked thin walled flexible elastomeric cables for Indian Railways.
- (ii) LFH Cable as per new Defence Standards.
- (iii) EVA insulated and sheathed 1000V grade flexible power cables for oil rigs suitable for an operating temperature of 125°C.

2. Benefits derived as a result of the above R&D

Import substitution, technology upgradation and extension of product range.

3. Future plan of action

Development of LSOH Cables and High Stress designated high voltage Capacitors.

4. Expenditure on R&D

R&D expenditure have not been accounted for separately.

II. Technology absorption, adaptation and innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation.
2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.

Technology imported has been fully absorbed and adapted. Improvements are being made on continuous basis in all areas through in-house R&D as per specific requirement of customers.

New product development, cost reduction, productivity improvement and improvement in product quality.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO :

Earnings Rs. 261.77 lacs

Outgo Rs.2577.02 lacs

R.S.Lodha

Chairman

Dr. V.Gaurishanker

H.V. Lodha

Directors

S.K. Daga

(Alternate to S.N.Prasad)

Alternate Director

New Delhi, May 26, 2005.

Management Discussion and Analysis

Industry Structure and Developments

The Company is a pioneer and leading manufacturer in the power cable industry with wide product range and quality produce. The Company also has a presence in the capacitor industry. Although both power cable and capacitor industries comprise of organised as well as unorganised sectors, there is a mushroom growth in the unorganised sector, which account for excessive production capacity resulting into low price levels.

PRODUCT-WISE PERFORMANCE, OPPORTUNITIES, THREATS & BUSINESS OUTLOOK

Power Cables

Gross revenue from this segment excluding revenues from sale of accessories etc. during the year was Rs.19040.62 lacs as compared to Rs.14521.72 lacs during the previous year. This increase was primarily due to an upsurge in demand in the sector created by the major investments in India's infrastructure development.

Historically, the demand pattern in the power cable industry has been characterised by its cyclical pattern. A decade of prolonged market depression has taken its toll on some of the major power cable manufacturers who have become financially sick. More recently, the reforms in the power sector have bolstered investments in the sector, which is the key market driver for the power cable industry. During the year under review there has been a quantum growth in the demand for Low Voltage (LV) and High Voltage (HV) power cables. Manufacturers of light duty cables have made investments and diversified into the LV power cable segment. Some of these manufacturers are now making heavy investments to graduate to the HV power cable segment. This is increasing the market competition, more so, because of the low cost structure and tax relief enjoyed by these manufacturers.

Competition from outside players is likely to intensify against demand from mega power projects, which attract nil import duty. In addition the reduction of project import duty will add to the competition from outside players. With this diminishing import duty structure the foreign Engineering Procurement Construction (EPC) contractors may possibly import power cables through their global sourcing network. The Company has laid strategic priorities on cost control and reduction of overall operational cycle time. This is expected to give substantial savings and a competitive edge. Because of the evident unprecedented demand in the coming years, the Company is opportunely to increase its manufacturing capacity. The Company because of its strong brand image and quality produce commands premium in its price on all products sold to a select clientele.

The Company has during the year under review planned to integrate its Jelly Filled Telephone Cable (JFTC) and Power Cable manufacturing facilities for better synergy. This would help to unleash production capacities for power cables with the declining demand for JFTC. The Company has also during the year decided to discontinue the operations of its Optical Fibre Cable Unit at Goa.

Capacitors

Revenue from this segment excluding revenues from sale of accessories etc. during the year was Rs.1358.75 lacs as compared to Rs.704.26 lacs during the previous year.

The Company manufactures HV and LV capacitors, which are used mainly for power factor improvement. The National Electricity Policy has laid special emphasis on time bound reduction of transmission and distribution losses which requires time bound installation of capacitors resulting in increased demand for capacitors.

Some players in unorganised sector in the capacitor industry are making sub-standard capacitors and are selling at very low price particularly in the LV range. For all big projects, the customers prefer Turnkey solutions covering purchases of capacitors as well as other associated equipments alongwith their erection and commissioning. Some of our competitors like ABB, BHEL, Siemens, etc. because of their manufacturing facilities for associated equipments as well and further because of their full fledged project division in place have a competitive edge over the Company in case of Turnkey project solutions. The Company has been looking for tie-ups in the associated equipments sector for giving Turnkey solutions to the customers. The Company has also started offering harmonic filters for system improvement in a big way which will also boost the capacitor business.

Overall Review

The Government has taken a target to achieve the "Power-On-Demand Concept" by the end of 2012. This would entail an additional installed capacity of about 1,00,000 MW and would involve investments to the tune of approx. Rs.9,00,000 crores during the next decade. The Nuclear power generation is also being given an impetus. Wind Power Generation is also on a fast growth trajectory. India has been projected to become the 5th largest wind power producer in the world. Some of the major players in the steel, aluminium, cement, oil, gas and coal mining sectors are on a fast growth plan with major investments in pipeline which will further increase the demand for power cables in future.

FINANCIAL REVIEW

The financial performance of the company during the year 2004-05 can be ascertained from the following key indicators :

- > The gross income for the year at Rs.22577 lacs was higher by almost 40% as compared to Rs.15993 lacs in the previous year due to upsurge in demand in the power cable sector.
- > Financial expenses during the year increased to Rs.511 lacs from Rs.352 lacs in the previous year due to increase in borrowings to meet the enhanced working capital requirements of the Company.
- > The Company has written off the entire balance amount of payments made under Voluntary Retirement Scheme during the year as against 1/3rd of the original amount till last year. As a result of this, the charge to the Profit and Loss Account during the year was higher by Rs.48 lacs.
- > Investments were unchanged at Rs.3235 lacs. The market value of quoted investments were Rs.3898 lacs as against the book value of Rs.2800 lacs as on 31st March, 2005. The market value of quoted investments increased substantially from Rs.1397 lacs as on 31st March, 2004.
- > Inventories aggregated to Rs.7332 lacs as at 31st March, 2005 as compared to Rs.4506 lacs as at the end of the previous year. This increase was mainly due to increase in volume of production.
- > Sundry debtors aggregated to Rs.3733 lacs as at 31st March, 2005 as compared to Rs.1907 lacs as at the end of the previous year. This increase is due to increase in turnover.
- > Current Liabilities aggregated to Rs.2319 lacs as at 31st March, 2005 as compared to Rs.1094 lacs as at the end of the previous year. This increase was due to increase in volume of production.

RISKS AND CONCERNS

Your Company is exposed to a variety of risks. Some risks are general to our industry while others are specific. Over time, the Company has countered the risks with relevant, appropriate and commensurate management. Some of the major risks to which the Company is exposed and the Company's policy to reduce the adverse impacts of the same are :

Foreign Exchange Exposure Risk :

The Company is exposed to transactions in foreign currency due to imports and foreign currency loans. As a matter of prudent foreign exchange management, all foreign currency exposures are closely monitored for risk in exchange rate fluctuations and forward covers are taken, where deemed appropriate.

Competition Risk :

As a result of growth of the unorganised sector and reduction in import duty on project imports the competition in the power cable industry is going to increase. The Company, has over the years established its name in the market because of its quality product and customer support.

Working Capital Risk :

The sudden quantum growth in the production is likely to stretch the Company's Working Capital Limits. The interest expense on the working capital limits is further exposed to the interest rate risk. The Company is monitoring its working capital requirements closely and for reducing the interest rates is working hard to replace high interest bearing limits by low interest bearing finances viz. FCNR(B) loans, factoring, borrowing from group companies, etc.

Raw Material Price Fluctuation Risk :

The prices of certain raw materials based on metals and polyethylene fluctuates according to the international trends in supply and demand. In order to minimise the impact of risks on account of such price volatility, an effective research based purchase policy has been put in place.

Liquidated Damages Risk :

Imposition of liquidated damages on orders with shorter deliveries which are accepted in the face of the stiff competitive environment may adversely affect the net earnings of the Company. The Company is trying to be selective in accepting orders and with the balancing of manufacturing facilities will also have increased capacities to cater to such requirements.

INTERNAL CONTROL SYSTEMS

The Company has an adequate system of internal control in place which assures of :

- > Authorization, recording and reporting of transactions.
- > Recording and safeguarding of assets.
- > Maintenance of accounting records and reliability of financial information.

Key elements are :

- > Clear and well defined organisation structure and limits of financial authority.
- > Corporate policies for financial reporting, accounting, information security, investment appraisal and corporate governance.
- > Annual budgets and business plan, identifying key risks and opportunities.
- > External firm of Chartered Accountants to carry out internal audit of all functions including physical verification of inventories.
- > Audit Committee of the Board which monitors and reviews all risk and control issues and financial matters.
- > Fully computerised and integrated financial and accounting functions, information feedback system of process parameters and back tracing from finished products to raw material stage.
- > Routine evaluation of all financial, operating and information technology systems.

INDUSTRIAL RELATIONS, HUMAN RESOURCE DEVELOPMENT AND SOCIAL RESPONSIBILITIES

Company sees its relationship with its employees as critical to the future and its employee relations agenda focuses on ensuring that employees feel valued, on managing change constructively, and on creating an environment and culture within which every employee can maximize his contribution.

Company is committed in providing the necessary development and training opportunities to equip our people with skills they will need in the future. Our approach integrates development and training with business objectives, job performance and personal development needs. Company arranges for specific work training, safety/emergency handling training and "on job" training and coaching.

The Company is maintaining a residential colony for its employees at its works at Satna having all amenities and recreational facilities. The Company also actively provides assistance to the surrounding villages/townships for social, cultural and educational upliftment. Since inception, relationship with all the employees have been by and large cordial and peaceful. The Company is committed to maintain good industrial relations through works committees, negotiations, suggestion schemes, seminars, meetings, etc.

CAUTIONARY STATEMENT

The Management Discussion and Analysis Report may contain certain statements that might be considered forward looking. These statements are subject to certain risks and uncertainties. Actual results may differ materially from those expressed in the Statement as important factors could influence the Company's operations such as Government policies, local, political and economic development, industrial relations, risks inherent to the Company's growth and such other factors.