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UNIVERSAL CABLES LTD.

Annual Report & Accounts
for the Year Ended 31st March 2010



UNIVERSAL CABLES LIMITED

ANNUAL REPORT 2009-2010

DIRECTORS

SHRI H.V. LODHA

Chairman

SHRI S.N. PRASAD

(ALTERNATE : SHRI S.K. DAGA)

DR. S. R. JAIN

SHRI S.S. KOTHARI

SHRI S.C. JAIN

SHRI J.C. SHARMA

SHRI DINESH CHANDA

(ALTERNATE : SHRI S.P. TAMRAKAR)

AUDIT COMMITTEE

DR. S.R. JAIN

Chairman

SHRI S.S. KOTHARI

SHRI J.C. SHARMA

SHRI DINESH CHANDA

CHIEF EXECUTIVE OFFICER

SHRI D.R. BANSAL

PRESIDENT (COMMERCIAL) & SECRETARY

SHRI PANKAJ KALANI

AUDITORS

S.R. BATLIBOI & CO.

CHARTERED ACCOUNTANTS

BANKERS

STATE BANK OF INDIA

REGISTERED OFFICE

P.O. BIRLA VIKAS,

SATNA - 485 005 (M.P.)

PHONE : + 91 7672 257121 to 27, 414000

E-mail : headoffice@unistar.co.in

Website : www.unistar.co.in

IS / ISO 9001:2000



IS / ISO 14001



SA 8000 : 2008

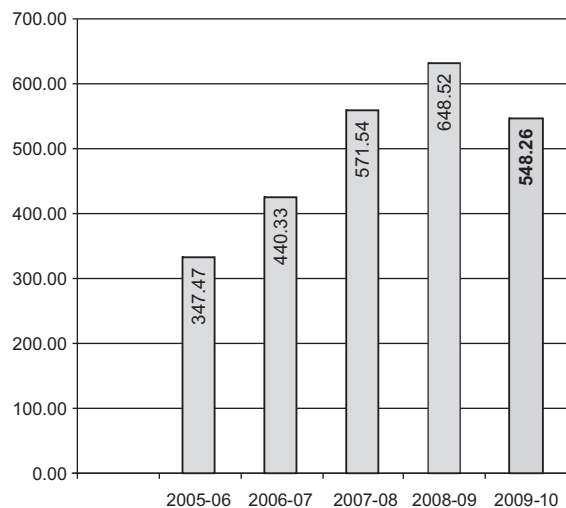
Five Years at a Glance

(Rs. in crores)

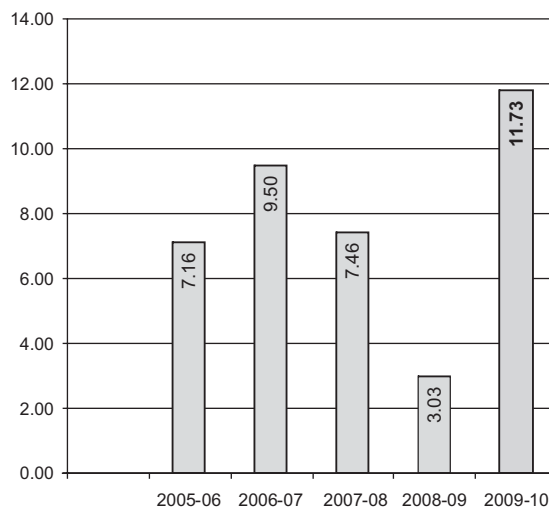
| Particulars | Year | | | | |
|--|---------------|---------------|---------------|---------------|---------------|
| | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 |
| OPERATING RESULTS | | | | | |
| Turnover | 527.61 | 640.91 | 562.96 | 433.27 | 343.13 |
| Other Income | 20.65 | 7.61 | 8.58 | 7.06 | 4.34 |
| Gross Revenue | 548.26 | 648.52 | 571.54 | 440.33 | 347.47 |
| Profit before Interest, Depreciation & Tax | 66.05 | 47.97 | 54.88 | 48.86 | 37.60 |
| Interest | 7.86 | 20.23 | 14.80 | 6.65 | 4.96 |
| Profit before Depreciation & Tax | 58.19 | 27.74 | 40.08 | 42.21 | 32.64 |
| Depreciation | 16.87 | 16.49 | 13.42 | 8.24 | 6.33 |
| Income Tax (including tax for earlier years) | 11.80 | 4.63 | 7.30 | 8.90 | - |
| Deferred Tax Charge/(Credit)(including credit for earlier years) | 2.43 | (0.75) | 1.93 | 2.73 | 9.32 |
| Fringe Benefit Tax (including tax/(credit) for earlier years) | (0.05) | 0.37 | 0.40 | 0.37 | 0.42 |
| Excess Provision for Tax written back | - | - | (0.23) | - | - |
| Net Profit | 27.14 | 7.00 | 17.26 | 21.97 | 16.57 |
| Dividend | 5.78 | 2.31 | 5.55 | 5.55 | 4.01 |
| Corporate Dividend Tax | 0.99 | 0.39 | 0.94 | 0.94 | 0.56 |
| Retained Earnings | 20.37 | 4.30 | 10.77 | 15.48 | 12.00 |
| Cash Earnings | 44.01 | 23.49 | 30.68 | 30.21 | 22.90 |
| ASSETS & LIABILITIES | | | | | |
| Fixed Assets | | | | | |
| Gross Block | 284.69 | 271.61 | 256.95 | 226.88 | 164.65 |
| Net Block | 144.04 | 144.01 | 145.29 | 125.56 | 69.39 |
| Investments | 50.74 | 28.33 | 28.33 | 28.33 | 28.33 |
| Current & Other Assets | 247.03 | 245.37 | 244.86 | 176.07 | 147.98 |
| Total Assets | 441.81 | 417.71 | 418.48 | 329.96 | 245.70 |
| Represented by : | | | | | |
| Share Capital | 23.13 | 23.13 | 23.13 | 23.13 | 20.04 |
| Share Capital Suspense | - | - | - | - | 3.09 |
| Reserves & Surplus | 171.04 | 150.81 | 146.66 | 136.34 | 121.01 |
| Net Worth | 194.17 | 173.94 | 169.79 | 159.47 | 144.14 |
| Borrowings | 134.25 | 125.62 | 147.29 | 99.45 | 53.14 |
| Deferred Tax Liabilities | 12.92 | 10.49 | 11.24 | 9.47 | 6.73 |
| Current Liabilities & Provisions | 100.47 | 107.66 | 90.16 | 61.57 | 41.69 |
| Total Liabilities | 441.81 | 417.71 | 418.48 | 329.96 | 245.70 |
| RATIOS | | | | | |
| Earnings per Ordinary Share (Rs.) | 11.73 | 3.03 | 7.46 | 9.50 | 7.16 |
| Cash Earnings per Ordinary Share (Rs.) | 19.03 | 10.16 | 13.26 | 13.06 | 11.43 |
| Net Worth per Ordinary Share (Rs.) | 83.95 | 75.20 | 73.41 | 68.95 | 62.32 |

Key Financials at a Glance

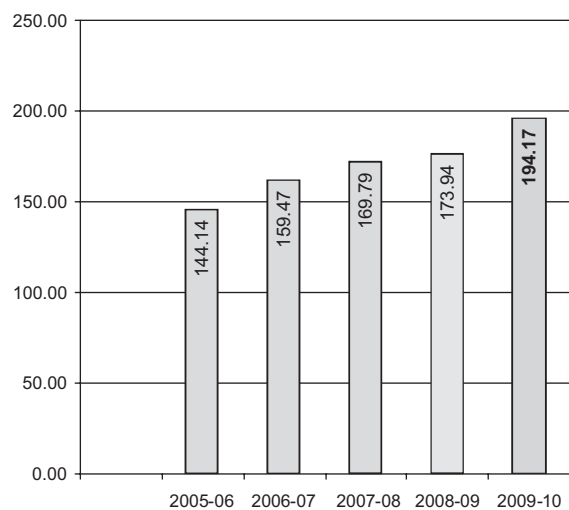
Gross Revenue (Rs. in crores)



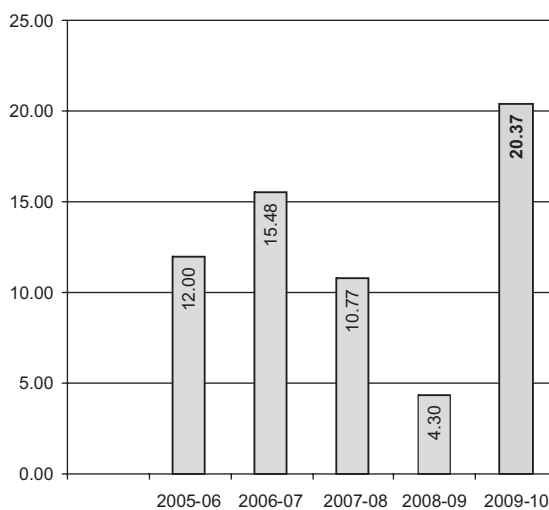
EPS (Rs.)



Networth (Rs. in crores)



Retained Earnings (Rs. in crores)



Directors' Report

TO THE SHAREHOLDERS

Your Directors have the pleasure of presenting their Annual Report, together with the Audited Annual Accounts of the Company for the year ended 31st March, 2010.

FINANCIAL MATTERS

| | Year Ended | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 31st March, 2010 | | 31st March, 2009 | |
| | Rupees in lacs | Rupees in lacs | Rupees in lacs | Rupees in lacs |
| Gross Income | | 54826.63 | | 64852.48 |
| Profit before Interest, Depreciation and Tax | | 6605.65 | | 4796.98 |
| Interest | | 786.17 | | 2023.15 |
| Profit before Depreciation and Tax | | 5819.48 | | 2773.83 |
| Depreciation and Amortisation | 1687.43 | | 1648.47 | |
| Current Income Tax | 1180.00 | | 365.00 | |
| Income Tax for earlier years (Net) | - | | 98.26 | |
| Deferred Tax Charge | 242.54 | | 30.19 | |
| Deferred Tax Credit for earlier years | - | | (104.69) | |
| Fringe Benefit Tax for current year | - | | 36.55 | |
| Fringe Benefit Tax Credit for earlier years | (4.68) | 3105.29 | - | 2073.78 |
| Net Profit | | 2714.19 | | 700.05 |
| Surplus brought forward from previous year | | 3568.05 | | 3288.61 |
| Total amount available for appropriation | | 6282.24 | | 3988.66 |
| Appropriation | | | | |
| Proposed Dividend | 578.26 | | 231.30 | |
| Corporate Dividend Tax | 98.27 | | 39.31 | |
| Transfer to General Reserve | 300.00 | 976.53 | 150.00 | 420.61 |
| Surplus carried to Balance Sheet | | 5305.71 | | 3568.05 |

DIVIDEND

Your Directors are pleased to recommend for your consideration a dividend of Rs. 2.50 per share (*i.e.* 25%) on 23130254 Equity Shares of Rs. 10/- each for the year ended 31st March, 2010.

GENERAL & CORPORATE MATTERS

The Company has created yet another milestone by achieving the highest ever Net Profit of Rs. 27.14 Crores with an impressive growth of about 288%.

The true hallmark of the Company's impressive performance is attributed to its sharp focus on the bottom-line improvement by re-formatting its business portfolio with major thrust on high-end products and turnkey projects.

This has been a watershed year for the Company in the 220 kV Cables segment with commendable execution figures in just second year of commercialization. Looking into the success in the Extra High Voltage (EHV) Cable market, the Company is expanding its capacity and range by installing the 2nd VCV line with technology transfer from Furukawa Electric Co. Ltd., Japan. This is slated for commissioning in September, 2010.

The long duration Pre-qualification (PQ) Test on 220 kV EHV Cables manufactured by the Company is currently undergoing at an overseas laboratory.

The Company has been imparting rigorous on site and off site training to its employees for laying, installation and commissioning jobs of 220 kV cables to have an edge over the competitors by developing these capabilities in-house in a cost effective manner to provide end-to-end solutions.

The Company has, during the year, been accredited to SA 8000:2008, an International Standard which aims to promote continuous improvement for work place condition and ensures the ethical sourcing for production of goods and services thereby testifying the Company's commitment to global best industrial practices.

The Company has made noteworthy progress by being elevated to "Star Export House" category. The Company has also won the EEPICINDIA (formerly Engineering Export Promotion Council) coveted Star Performer Silver Shield award for 2007-08 in the category of Medium Enterprises – Miscellaneous engineering goods which has been announced during the year.

The Optic Fibre Goa Unit of the Company has, during the year, been awarded with a Certificate of Merit by ELCINA-DUN and BRADSTREET for outstanding achievement in export of Optical Fibres in the Large Scale Sector.

The Company has recently partnered with Innovites B.V., a software development Company of Netherlands to implement CableBuilder, the popular cable design software of Cimteq Ltd. The implementation of CableBuilder will seamlessly integrate designing, costing and quoting process of the Company, thereby giving it the cutting edge capabilities.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement(s) with the Stock Exchanges, Management Discussion and Analysis, Corporate Governance Report and Certificate by Chief Executive Officer (CEO) confirming compliance by all the Board Members and Senior Management Personnel with Company's Code of Conduct 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, 2010, the applicable accounting standards have been followed;
- ❖ the Company has selected such accounting policies, applied them consistently, made judgments 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 2009-10 and of the profit for the year ended 31st March, 2010;
- ❖ 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, 2010 have been prepared on a 'going concern' basis.

INDUSTRIAL RELATIONS & SAFETY

Industrial relations remained by and large cordial during the year.

DIRECTORS

Shri S. N. Prasad, Shri J. C. Sharma and Shri Dinesh Chanda retire by rotation and, being eligible, offer themselves for re-appointment.

AUDITORS

M/s S. R. Batliboi & Co., Chartered Accountants, retire as Auditors of the Company and being eligible, offer themselves for re-appointment for the financial year 2010-11.

M/s Satish Dhume & Co., Chartered Accountants, Panaji, Goa retire as Branch Auditors of the Company and being eligible, offer themselves for re-appointment as Branch Auditors of the Company to audit the accounts in respect of Optic Fibre Goa Unit for the financial year 2010-11.

M/s D. Sabyasachi & Co., Cost Accountants, have been re-appointed as Cost Auditors on 11th May, 2010 for the financial year 2010-11.

JOINT VENTURE

While the market conditions are not very much favourable, Birla Ericsson Optical Limited, a venture promoted by your Company in association with Vindhya Telelinks Limited and Ericsson Cables AB, Sweden has shown satisfactory performance during the year under review.

Following the alliance with Japanese major Furukawa Electric Co. Ltd., the Company has incorporated a new Joint Venture Company viz. Birla Furukawa Fibre Optics Limited in the State of Goa to deal in optical fibre and allied businesses. The Joint Venture Company is yet to commence commercial production.

PARTICULARS OF EMPLOYEES

As required under Section 217(2A) of the Companies Act, 1956 and the Rules made thereunder, particulars of the employee concerned are given in Annexure 'A' which is attached hereto and forms a part of the Directors' Report.

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 'B' which is attached hereto and forms a part of the Directors' Report.

ACKNOWLEDGEMENT

The Board of Directors would like to thank the Shareholders, all Employees of the Company, Customers, Suppliers and the Bankers for their continued support.

Yours faithfully,

| | | |
|---------------|---|------------------|
| H. V. Lodha | } | <i>Chairman</i> |
| S. R. Jain | | |
| S. S. Kothari | | <i>Directors</i> |
| S. C. Jain | | |
| J. C. Sharma | | |
| Dinesh Chanda | | |

New Delhi, 11th May, 2010

ANNEXURE 'A'

PARTICULARS OF EMPLOYEES AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND THE RULES MADE THEREIN AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2010.

| Name | Designation | Remuneration received (Rs.) | Qualification | Experience (Years) | Date of commencement of Employment | Age (Years) | Previous Employment held |
|------------------|-------------------------|-----------------------------|---------------|--------------------|------------------------------------|-------------|--|
| Shri D.R. Bansal | Chief Executive Officer | 36,17,666 | M.Sc | 46 | 01.08.1964 | 70 | Hindustan Gum & Chemicals Ltd., Bhiwani. (Designation-Sales Incharge & Chief Chemist) |

Notes :

1. The employment is non-contractual.
2. Other Terms & Conditions are as per Company's Rules & Regulations.
3. Shri D.R. Bansal is not a relative of any Director of the Company.
4. Remuneration received includes Salary, Commission, Company's contribution to Provident Fund and taxable value of Perquisites.
5. Shri D.R. Bansal does not own more than 2% of the outstanding shares of the Company as on 31st March, 2010.

| | | |
|---------------|--------------------|-----------------|
| H. V. Lodha | } <i>Directors</i> | <i>Chairman</i> |
| S. R. Jain | | |
| S. S. Kothari | | |
| S. C. Jain | | |
| J. C. Sharma | | |
| Dinesh Chanda | | |

New Delhi, 11th May, 2010

ANNEXURE 'B'

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, 2010.

(A) CONSERVATION OF ENERGY**1. Following Energy Conservation measures were taken during the year:**

- (a) Installation of APFC Panel for improvement of Power factor.
- (b) Installation of Energy Saver Unit in Lighting Load Loop.
- (c) Replacement of existing reciprocating Compressors by Rotary Screw Type Compressor with VFD.
- (d) Upgradation of Heating System of CCV Line.
- (e) Replacement of Cooling Water Circulation Pumps.
- (f) Replacement of extruder side pulley on Sheathing Lines.
- (g) Replacement of old Air Conditioners with energy efficient ones.
- (h) Replacement of existing Resistance Type Fan Regulators by Electronic Regulators.

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

- | | | | | | | | | | |
|---|---|-------------|---------------|---------------|-----------------|-----------|-----------------|---------------------------|--|
| 1. Specific areas in which R&D carried out by the Company | <p>Product development and process improvement in cables and capacitors.</p> <p>R&D Department has developed following new products:</p> <ol style="list-style-type: none"> (i) Alternative Heat, Oil and Fire resistant sheathing compound equivalent to the conventional (HOFR) compound for elastomeric cables. (ii) Halogen free, oil resistant welding cables suitable for (-)30° to 105° C operation. (iii) Non contact cable length measurement system. (iv) Automatic power factor improvement control and relay panels for 3.3/6.6 kV application with air break contactors. | | | | | | | | |
| 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 | <ol style="list-style-type: none"> (i) Development of fire retardant, low smoke halogen free PE compound for power cable jacketing application. (ii) Development of electronic measurement and calibration system. (iii) Development of automatic power factor improvement control and relay panels with thyristor switching system for 3.3/6.6 kV. | | | | | | | | |
| 4. Expenditure on R&D | <table border="0"> <tbody> <tr> <td>(a) Capital</td> <td>Rs. 9.99 lacs</td> </tr> <tr> <td>(b) Recurring</td> <td>Rs. 127.96 lacs</td> </tr> <tr> <td>(c) Total</td> <td>Rs. 137.95 lacs</td> </tr> <tr> <td>(d) Total R&D expenditure</td> <td>0.26% (as percentage of total turn over)</td> </tr> </tbody> </table> | (a) Capital | Rs. 9.99 lacs | (b) Recurring | Rs. 127.96 lacs | (c) Total | Rs. 137.95 lacs | (d) Total R&D expenditure | 0.26% (as percentage of total turn over) |
| (a) Capital | Rs. 9.99 lacs | | | | | | | | |
| (b) Recurring | Rs. 127.96 lacs | | | | | | | | |
| (c) Total | Rs. 137.95 lacs | | | | | | | | |
| (d) Total R&D expenditure | 0.26% (as percentage of total turn over) | | | | | | | | |

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.

3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year), following may be furnished:
 - (a) Technology imported

 - (b) Year of import

 - (c) Has technology been fully absorbed? If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action

The technology employed is being updated with continuous interaction between the technicians of the Company and the Technical Collaborators. In-house training is being imparted to plant personnel for adaptation of the updated technology.

New product development, cost optimization, productivity and product quality improvement.

Know-How and Technical Assistance from The Furukawa Electric Co. Ltd. for manufacture of 132kV to 400 kV XLPE cables by Continuous Vulcanization (CV) process using VCV Line.
2006-2007

Technology imparted is being absorbed.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

Earnings : Rs. 4385.29 lacs
Outgo : Rs. 17671.24 lacs

| | | |
|---------------|---|------------------|
| H. V. Lodha | } | <i>Chairman</i> |
| S. R. Jain | | |
| S. S. Kothari | | |
| S. C. Jain | | |
| J. C. Sharma | | |
| Dinesh Chanda | | |
| | | <i>Directors</i> |

New Delhi, 11th May, 2010