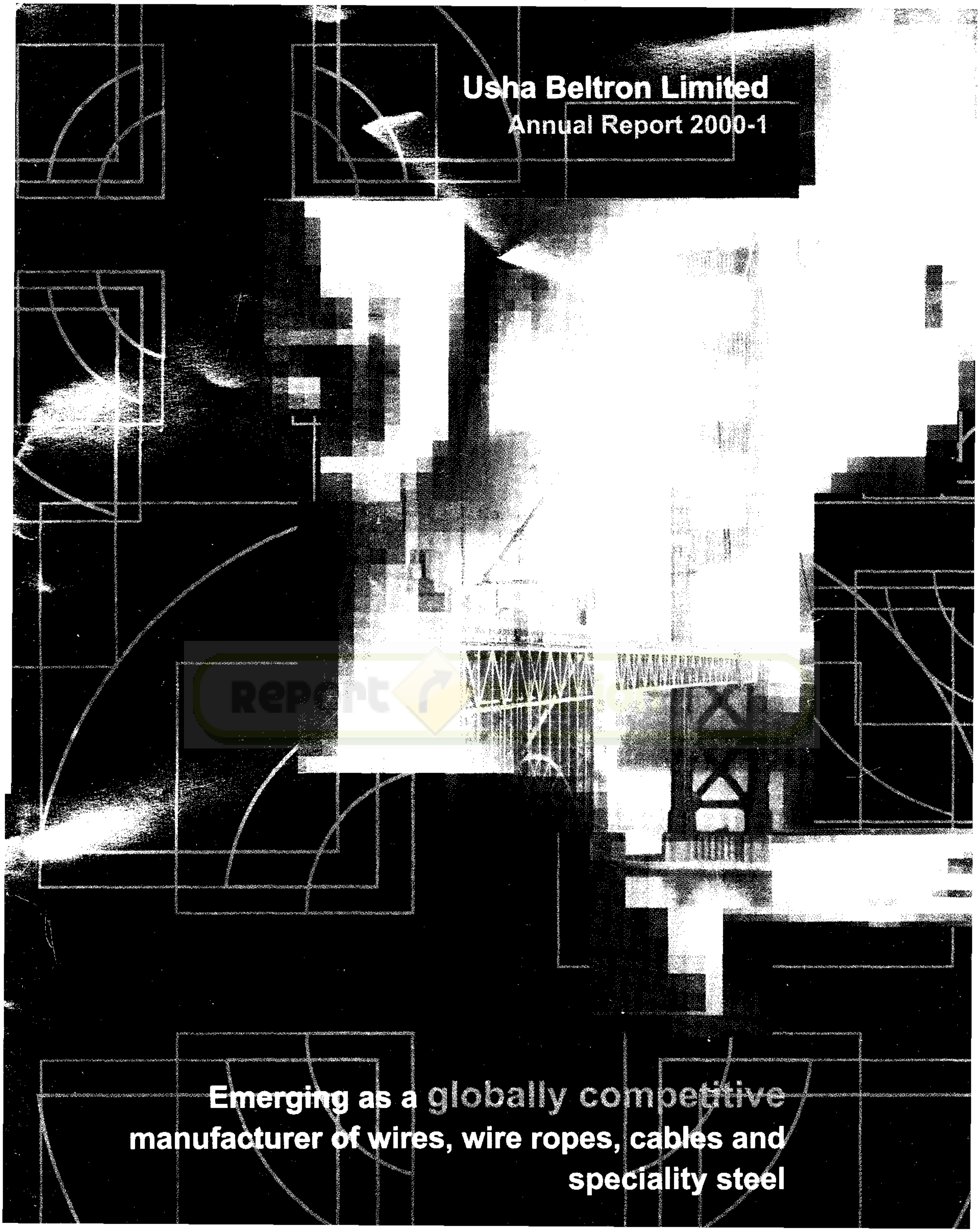
Usha Beltron Limited
Annual Report 2000-1
Emerging as a globally competitive manufacturer of wires, wire ropes, cables and speciality steel

CONTENTS

USHA BELTRON LIMITED
REGD. OFFICE ; 'MANGAL KALASH', 2A, SHAKESPEARE SARANI, CALCUTTA-700 071, INDIA
PHONE : 282-8540/41/6737, FAX : 91-33-282-1660

Notice

NOTICE is hereby given that the FIFTEENTH ANNUAL GENERAL MEETING of the Members of USHA BELTRON LIMITED will be held at Ghanshyam Das Birla Sabhaghar, 29, Ashutosh Choudhury Avenue, Calcutta – 700 019 on Wednesday, the 29th day of August, 2001 at 3.00 pm to transact the following business :

1. To receive and adopt the Profit & Loss Account of the Company for the year (15 months) ended 31st March, 2001 and the Balance Sheet as at that date, together with the Directors' and Auditors' Report thereon.
2. To declare dividend on the Equity Shares for the year (15 months) ended 31st March, 2001.
3. To confirm payment of dividend made by the Board of Directors on Preference Shares.
4. To appoint a Director in place of Mr. N J Jhaveri who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. U V Rao who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint a Director in place of Mr. A K Chaudhri who retires by rotation and being eligible offers himself for re-appointment.
7. To appoint Auditors and fix their remuneration and for the purpose to pass the following Resolution :

   "RESOLVED that pursuant to the provision of Section 224 of the Companies Act, 1956, M/s. Price Waterhouse, Chartered Accountants 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 of the Company at a remuneration to be decided mutually between the Board of Directors and the Auditors plus reimbursement of out of pocket expenses as incurred."

As a Special Business

To consider and if thought fit, to pass with or without modification, the following resolution :

8. **As an Ordinary Resolution**

   RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the mortgaging and/or charging by the Board of Directors of the Company (the Board) of all the movable and immovable properties of the Company, present and future and the whole of the undertaking of the Company to or in favour of the following namely :

   i) Industrial Development Bank of India (IDBI)

   ii) State Sales Tax Authorities – Government of Jharkhand (STA)

   to secure

   i) Rupee Term Loan of Rs. 3000 lacs lent/to be lent/advanced/to be advanced by IDBI to the Company.

   ii) Interest Free Sales Tax Loan not exceeding Rs. 4000 lacs availed/to be availed by way of deferment of payment of sales tax

   together with interest at the respective agreed rates, additional interest, liquidated damages, premium on prepayment, if any, costs, charges, expenses and all other monies payable by the Company to IDBI and STA in terms of the respective Loan Agreement / Hypothecation Agreement/Letters of Sanction entered into/to be entered into by the Company in respect of the said Loans.

9. **As Special Resolution**

   "RESOLVED that the Equity Shares of the Company be delisted from Delhi, Magadh and Ahmedabad Stock Exchanges in accordance with the relevant laws, rules, regulations or guidelines and subject to such approvals as may be necessary and in compliance with such conditions and modifications as may be necessary for the purpose.

   RESOLVED FURTHER that the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any committee thereof exercising the powers conferred by the Board) be and is hereby authorised to seek voluntary delisting, to take all necessary steps in this regard as it may in its absolute discretion deem necessary and to settle any question, difficulties, doubts that may arise in regard to delisting of the existing shares, and to execute all such deeds, documents, writings as may be necessary or expedient and for this purpose to delegate the authority to the Managing Director or the Company Secretary or any person whom the Managing Director may consider suitable to do various acts, deeds and things required to be done in this behalf."

Registered Office :
Mangal Kalash, 2A, Shakespeare Sarani,
Calcutta - 700 071
Dated : 11th July, 2001

By Order of the Board
G D Saini
Company Secretary

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/herself and the proxy need not be a member of the Company. Proxies, in order to be effective, must be deposited at the registered office of the Company at least 48 hours before attending the meeting.

2) The Registers of Members and the Share Transfer Books of the Company will remain closed from 22nd August to 29th August 2001 (both days inclusive)

3) The dividend as recommended by the Board, if sanctioned at the meeting will be paid to those members whose names appear on the Company's Register of Members on 29th August, 2001. In respect of the shares in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by NSDL and CDSL for this purpose.

4) The Members are hereby informed that all unclaimed/unpaid dividends declared for and upto the financial year ended 31.3.1995 have been transferred to the General Revenue Account of the Central Government. Members who have not yet encashed their dividend warrants are requested to claim the same from the Office of the Registrar of Companies, West Bengal. The Shareholders of the Company are informed that pursuant to the Companies (Amendment) Act, 1999 the amount of dividend which remains unclaimed for a period of 7 years would be transferred to the Investor Protection Fund to be constituted by the Central Government and the shareholder would not be able to claim any amount of the dividend so transferred to the Fund. As such, shareholders who have not encashed their dividend warrants are requested in their own interest to write to the Company immediately for claiming outstanding dividends declared by the Company during the year 1996 to 2000.

5) Those shareholders who have not yet surrendered their Share Certificates of erstwhile Usha Alloys & Steels Limited or Usha Martin Industries Limited are once again reminded to do so directly to the Company's Secretarial Department to enable despatch of the Exchange Share Certificates of the Company to them.

6) Members holding shares in identical order of names in more than one folio are requested to write to the Company's R & T Agent, ABC Computers Private Limited for consolidation of holding in one folio. The relative share certificates are also to be sent to them for this purpose.

7) The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in connection with the items of special business is annexed to this notice.

Explanatory Statement Pursuant to Section 173(2) of The Companies Act, 1956

Item No. 8

The Company has raised the financial assistance from time to time by way of Rupee Term Loans/Interest Free Sales Tax Loan from Financial Institutions/authorities as mentioned in the Resolution as set out in Item 8 in the convening Notice. Such loans are to be secured by mortgages and/or charges of Company's present and future movable and immovable properties as may be agreed between the Board and financial institutions/authorities and the whole of the undertakings of the Company in favour of the said financial institutions/authorities.

Section 293(1)(a) of the Act provides inter alia that the Board of Directors of a public limited company shall not, without the consent of the Company in general meeting, sell, lease or otherwise dispose of the whole or substantially the whole of any such undertaking. Since the mortgaging and/or charging by the Company of its movable and immovable properties and the whole of the said undertaking in favour of the financial institutions/authorities with power to take over the management of the business and concern of the Company in certain events may be considered to be the disposal of the Company's said undertaking within the meaning of Section 293(1)(a) of the Act, it is necessary for the members to pass a Resolution under the said Section for the creation of mortgage and/or charge in favour of the financial institutions/ authorities. This is the purpose of the Resolution set out in Item 8 of the convening Notice and the Board recommends the same.

Copies of the relevant documents/correspondence between the financial institutions/ authorities and the Company will be available for inspection by the members of the Company at its Registered Office on any working day prior to the date of the meeting during the usual business hours and will also be available at the meeting.

Item No. 9

The Equity Shares of the Company are presently listed at Calcutta (the Regional Stock Exchange), Delhi, Magadh, Mumbai, Ahmedabad and National Stock Exchange. Since the last 3 years the volume of trading of the Company's shares at Delhi, Magadh and Ahmedabad Stock Exchanges has reduced considerably which does not justify payment of considerable amount by way of listing fees and other expenses which the Company is incurring. The Board of Directors of the Company at their meeting held on 11th July, 2001 have, therefore, decided to get the shares de-listed from the above mentioned Delhi, Magadh and Ahmedabad Stock Exchanges in accordance with the applicable laws, rules, regulations and guidelines.

As required under the Listing Agreement entered by the Company with the Stock Exchanges, the Company seeks your approval by way of Special Resolution for de-listing the shares of the Company from the said Stock Exchanges at Delhi, Magadh and Ahmedabad.

Shareholders/Investors in these regions will not suffer due to delisting since with the introduction of screen trading on National Stock Exchange, trading in shares can easily be done from all over the country.

No Director of the Company is concerned or interested in the resolution.

VISION STATEMENT

In our chosen businesses, we shall retain market leadership in India.
We shall be globally competitive through customer orientation and excellence in quality, innovation and technology.

MISSION

Enriching Lives

We will do our best to provide quality products and services, which will improve the lifestyle of our users.

Quality is our first priority

We aim to achieve customer satisfaction by producing quality products. No sale is a good sale, unless it fulfills our customer's expectations.

Our word is our bond

Our dealers are our partners. We endeavour to practice this golden rule in all our relations with others.

Integrity is our commitment

The conduct of our company's affairs must be pursued in a manner that commands respect for honesty and integrity.

CORPORATE DESCRIPTION

Usha Beltron Limited is a diversified engineering and technology corporation. The company manufactures steel wire rods, wires and wire ropes as well as jelly-filled telephone cables (JFTC). UM Cables Ltd., the company's wholly owned subsidiary also manufactures jelly filled telephone cables (JFTC) and Optic Fibre Cables (OFC).

Usha Beltron is the largest manufacturer of wire ropes in the country and the fifth largest in the world. It is the second largest producer of wires and one of the top five JFTC manufacturers in the country.

The company's manufacturing operations are located in Ranchi, Jamshedpur, Agra and Bangalore. The company has overseas subsidiaries in UK and Thailand. The company's distribution centres are spread across India, Europe, Asia, Africa and USA.

What makes Usha Beltron an attractive value-play is the degree of its integration. The company manufactures hot metal and transfers it in a molten state for steel making. Nearly 35 percent of the company's steel is consumed in-house in the manufacture of wires and wire ropes.

UBL registered a turnover of Rs. 1132.64 cr for the fifteen-month period ended 31^{st} March, 2001, compared to Rs. 642.81 cr for the nine-month period ended 31^{st} December 1999. The post tax profit of the company for the period under review was Rs. 48.81 cr compared to Rs. 33.10 cr for the year ended 31^{st} Dec 1999.

The promoters hold a 24.33 per cent equity stake in the company. The company's shares are listed and traded on the Kolkata, Mumbai, Delhi, Magadh, Ahmedabad and the National Stock Exchanges. Its GDR's are listed on the Luxembourg Stock Exchange.

MAJOR PRODUCT LINES	KEY APPLICATIONS
JELLY FILLED TELEPHONE CABLES & OPTIC FIBRE CABLES	In telecommunication networks
SPECIALITY STEEL	Speciality steel is sold to the wires and ropes division within the company as well as external customers. The company's end users are found in the automobile and construction industries.
WIRES	Wires are used to make springs for use in any mechanical component - shock absorbers, spectacles, springs, seat belts, watch springs and umbrella ribs.
WIRE ROPES	Used in oil drilling, mining and boring, elevators, tube well applications, fishing trawlers and cycle brakes.

OPERATIONAL AND CORPORATE HIGHLIGHTS, 2000-1

- TPM (Total Productivity Management) and ERP (Enterprise Resource Planning) were implemented in 2000-1 with the objective of increasing productivity, raising quality and reducing costs.
- The offtake of special steel as a proportion of the total steel offtake increased from 38.51 per cent in 1999 to 49.26 per cent in 2000-1, raising realizations in the process.
- A new steel melting shop is being commissioned at a cost of Rs. 80 cr to increase the productivity and production of premium grades of steel.
- In the wire ropes division, the company entered Australia and South East Asia.
- The company acquired Brunton Shaw Ltd., a leading UK wire rope manufacturer, to source technologically-advanced ropes and access the European market.
- An anti-dumping duty was imposed on the company's wire rope products by US and European regulatory authorities. Following the company's appeal, the duty was removed in the US.
- The Silvassa plant with an additional capacity of 12 lac conductor kilometres of jelly-filled cables and a green field project with a 34000 route kilometres capacity of Optic Fibre Cables, were commissioned.

'COST-CONSCIOUSNESS WAS OUR BIGGEST ACHIEVEMENT'

Mr. BK Jhawar explains the performance of Usha Beltron in 2000-1

Q. What was the biggest achievement in the year under review ?

A: In two words: cost consciousness. When we embarked on the exercise to cut our overheads, few believed that it could actually be done. But I think we surprised ourselves because we approached the subject with as much imagination as commitment – we translated every overhead into a number, we translated this into the amount of steel that we would have to sell to cover this number and we communicated our findings to our managers.

Q: With what result ?

A: We had budgeted personnel and administration cost at Rs 99 cr for 2000-1. Assuming a 10 percent inflation, we feared that the corresponding cost for 2001-2 would be Rs 108 cr. However, somewhere during the course of 2000-1 we accelerated our cost-cutting initiative and finished with an overheads bill of Rs 92 cr for the year. This year, after factoring inflation, we expect our overhead bill to drop further to Rs 84 cr. That's nearly Rs 24 cr lower than what we would have spent under this head during the current financial year.

Q. What initiatives did the company take to reduce costs ?

A: As per our budgeted estimates, we expected to spend Rs 55 cr on personnel cost and Rs 44 cr on administration cost. We embarked on the process of breaking down each expense item under these sub-heads to their smallest component. Thereafter, we questioned every expense. To institutionalise this priority, we created an online cost management system that enabled us to monitor budgets online and receive alert signals to arrest deviations as soon as they transpired.

Q: What was the extent of the flab ?

A: Take the company's total travel cost of Rs 6.50 cr, for instance. When we looked into this cost structure we realised that there was a fair amount of needless travel that had been hidden within the system all along. To counter this, we video-conferenced more aggressively than before. We scheduled our trips more intelligently so that the total number of trips could be reduced. We vested all the mileage points accumulated by the senior executives with the company to eliminate the possibility of needless travel for individual gain. And finally we put a formal cap on travel costs without affecting our business prospects in any way. And the initiative has started with me: I have taken a 50 percent cut on my travel budget. As a result of these various initiatives, we do not expect our travel cost to rise above Rs 2.40 cr this year.

Q. In which other areas did the company attack expenditure ?

A: Manpower rationalisation. Our job audit revealed a considerable duplication of work and the consequent under-utilisation of human capacity across our 225 executives in the Kolkata

When we embarked on the rationalisation process, there was an apprehension that the de-layering would cripple our administrative machinery: on the contrary, the reverse happened. Because we allocated more responsibilities to executives, combined with a stronger remuneration, we saw a sharper increase in motivation than before.

offices. In the first phase, we rationalised our people strength in these locations by 70.

Q: In addition to the financial, what were the other benefits of this reduction ?

A: When we embarked on the rationalisation process, there was an apprehension that the de-layering would cripple our administrative machinery: on the contrary, the reverse happened. Because we allocated more responsibilities to executives, combined with a stronger remuneration, we saw a sharper increase in motivation than before. As a result, we are a more effective organisation today with fewer people than we ever were. The one profitable spin-off, of many, that transpired out of this rationalisation was that since we had fewer executives, we suddenly had surplus space. So we liquidated 12,500 square feet of office space in our Kolkata and Mumbai offices and saved a budgeted Rs 1.50 cr in rent in a year.

Q: How do you expect to sustain this cost-cutting for the long-term ?

A: As per our original estimate, our personnel and administration cost was estimated at 10.3 percent of our turnover. As a result of the aggressive cost-cutting that we have started, we expect to be at six percent over the next couple of years. In addition to the focus on reduced overheads, we expect to achieve this benchmark by adding value to the products that we make, de-bottlenecking our capacities with intelligence so that we can reduce production cost attractively, sweating our assets more efficiently, extracting attractive value out of our TPM programme at all the plants and implementing the ERP to reduce our inventory and incorporate a lot more science into our cost-management process.

Q. From an operational perspective, were you satisfied with the company's performance in 2000-1 ?

A: It was a mixed year for the company. On the bright side, our profits increased in the face of a sluggish economy, our overheads began to drop, we commissioned our fibre-optic plant, our captive power plant became fully operational and we expanded our steel making capacity from 2,30,000 tpa to 3,00,000 tpa. This increase in quantity was accompanied by an increase in quality as well: we raised the sales of value-added speciality steel from 38.51 per cent of our total offtake in 1999 to almost 50 per cent in 2000-1, strengthening our realisations in the process. These positive developments are expected to translate into attractive financials over the foreseeable future.

Q: What events in 2000-1 did not meet your expectations ?

A: We were disappointed that we lost Rs 20 cr in potential profits because the government order for jelly-filled cables did not materialise and our exports of wire and wire ropes attracted an anti-dumping duty in US and European markets.

It was a mixed year for the company. On the bright side, our profits increased in the face of a sluggish economy, our overheads began to drop, we commissioned our fibre-optic plant, our captive power plant became fully operational and we expanded our steel making capacity from 2,30,000 tpa to 3,00,000 tpa.

Q: Why was the expansion in the company's installed capacity for steel making a highlight ?

A: Because a successful increase in steel making capacity requires hundreds of variables to be expertly managed before the production process can stabilise. Our resident intellectual capital in steel making helped: we had stabilised the expanded capacity by the second half of the last financial year. As a result, we produced 2,47,194 tonnes of steel in 2000-1 (15 months), a 10.58 percent increase over the previous year. We expect this quantity to increase in the current year as well.

Q: The company invested Rs 60 cr in expanding its steel making capacity. Was there a track record that justified this investment ?

A: Absolutely. Four years ago, the company registered a contribution of Rs 40 cr on a turnover of Rs 250 cr from the steel business. I have no hesitation in saying that had we not invested prudently in the interim, we would have barely broken even today. I have no doubt in my mind that our investments did not just protect our earnings; they provided us with an opportunity to migrate our profits into a higher league.

Q. In what way ?

A: Of the steel making capacity of 3,00,000 tpa, we expect that nearly 1,60,000 tpa will be consumed within the group. We expect to allocate the remaining capacity towards value-added speciality steel that fetches a higher realisation and also enjoys a committed demand in the marketplace. This demonstrates that we expanded our presence in the steel business after a prudent consideration of the existing ground realities: we see it as a logical value-driver for the organisation.

Q: Is value-addition likely to be the only driver of your strategy in steel making ?

A: Not the only one. Our initiatives in coal and iron ore mining as well as the installation of a DRI plant with waste heat power could make us totally self-sufficient with regard to the major raw materials in the steel making process. We recognise that this balanced infrastructure will enable us to **reduce** the variable cost in our steel making from $ 210 per tonne to $ 185 per tonne over the coming months. We expect that this reduction will enable us to emerge as one of ten most competitive, non-integrated, speciality steel manufacturers over the foreseeable future.

Q: How does the company expect to strengthen the wire rope operations of the company ?

A: While we raise our production from 45,000 tons to 60,000 tons, we expect to emerge as the number one wire ropes producer in the world – in terms of volume multiplied by value. We already enjoy a significant strength over our competitors: since we are backward integrated, we are in a position to source the critical requirement of quality carbon wire rods from within. Over the last year, we embarked on a definite initiative to