

VINDHYA TELELINKS LIMITED

ANNUAL REPORT 2000-2001

DIRECTORS

SMT. PRIYAMVADA BIRLA *Chairman*
SHRI V.D. JAIN
SMT. RADHIKA BIRLA
SHRI R.C. TAPURIAH
SHRI P.K. RAI
SHRI D.R. BANSAL
SHRI HARSH V. LODHA
SHRI R.G. MUNDRA *Managing Director*

AUDIT COMMITTEE

SHRI V.D. JAIN *Chairman*
SHRI P.K. RAI
SHRI D.R. BANSAL
SHRI R.G. MUNDRA

PRESIDENT

SHRI RAJEEV KUMAR JAIN

SOLICITORS

KHAITAN & KHAITAN

AUDITORS

S.R. BATLIBOI & COMPANY
Chartered Accountants

BANKERS

STATE BANK OF INDIA

REGISTERED OFFICE

UDYOG VIHAR,
P.O. CHORHATA,
REWA - 486 006 (M.P.)

◀ SMT. PRIYAMVADA BIRLA
Chairman



Directors' Report

TO THE SHAREHOLDERS

Your Directors have the pleasure of presenting their Annual Report, together with the Audited Accounts of the Company for the year ended 31st March, 2001.

FINANCIAL MATTERS

	31st March, 2001		31st March, 2000	
	Rupees in lacs	Rupees in lacs	Rupees in lacs	Rupees in lacs
Income for the year was		36755.15		29032.71
The year's working shows				
a Gross Profit (after interest) of		5801.19		5447.25
Out of which provisions have been made for				
Depreciation	870.67		774.54	
Taxation	1900.00	2770.67	1760.00	2534.54
Leaving a surplus of		3030.52		2912.71
After adding				
Excess Tax provision for earlier years written back	77.06		—	
Income Tax Refund for earlier years	1.07		19.08	
Balance brought forward from previous year	562.67	640.80	572.83	591.91
There is a total disposable surplus of		3671.32		3504.62
Which has been appropriated as follows -				
Interim Dividend	—		533.29	
Proposed Dividend	533.29		—	
Corporate Dividend Tax	54.40		58.66	
Transfer to General Reserve	2525.00	3112.69	2350.00	2941.95
and balance carried to Balance Sheet		558.63		562.67

The Directors recommend payment of Dividend for the year on 1,18,50,863 Equity Shares of Rs.10/- each @ Rs. 4.50 per Share (i.e. 45%).

Second redemption instalment of Rs.17/- per Debenture on 53,64,365 - 16% Secured Non-Convertible Debentures was paid as per schedule on 31st March, 2001.

GENERAL & CORPORATE MATTERS

Income for the year at Rs.367.55 crores is 27% higher as compared to previous year due to quantitative increase in sale of Jelly Filled Telephone Cables and sale of Optical Fibre Cables. Gross Profit at Rs.58.01 crores as compared to Rs.54.47 crores of previous year could be achieved, inspite of lower realisation and higher raw-material cost of Jelly Filled Telephone Cables, due to continuous observance of cost controls in all areas. This being the first full year of working of Optical Fibre Cable Plant, sales of this product at Rs.36.74 crores was satisfactory.

In order to meet part of its requirement for Optical Fibre, your company has floated a subsidiary, Optic Fibre Goa Limited, along with Universal Cables Limited and Birla Ericsson Optical Limited. Production of Fibre is likely to commence in the first quarter of 2002. This will reduce Company's dependence on outsourced Fibre.

CORPORATE GOVERNANCE

The Importance of Corporate Governance lies in its contribution both to business prosperity and to accountability. Directors fully support basic tenets of Corporate Governance as the prudent exercise of management rights in the best interests of all stakeholders

in a Company - in particular, its shareholders, creditors, the State and its employees. Directors are fully committed to implement all requirements of Clause 49 of the Listing Agreements by next Financial Year.

During the year, an Audit Committee of Directors was constituted comprising of Shri V.D. Jain, Shri P.K. Rai, Shri D.R. Bansal and Shri R.G. Mundra. The Committee elected Shri V.D. Jain as its Chairman.

RESPONSIBILITY STATEMENT

The Directors acknowledge their ultimate responsibility for ensuring that the Company has in place a system of controls, financial and otherwise, appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to the reliability of financial information used within the business or for publication and the maintenance of proper accounting records, the safeguarding of assets against unauthorised use or disposition and that the business is being operated efficiently and effectively.

The Accounts of the Company have been prepared on a going concern basis and are in compliance with various accounting policies as particularly described in the Notes to the Accounts. Such accounting policies are in consonance with various applicable accounting standards and are applied consistently. Wherever required, reasonable judgments and estimates have been made so as to give a true and fair view of the profit for the year and of the state of affairs of the Company at the year end.

Directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding assets of the Company and for preventing and detecting fraud and other irregularities.

The Company operates within a control framework developed and refined over a number of years.

DIRECTORS

Shri P.K. Rai and Shri Harsh Vardhan Lodha retire by rotation and, being eligible, offer themselves for re-election.

AUDITORS

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

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

AUDITORS' REPORT

The notes to the accounts referred to in the Auditors' Report are self explanatory and, therefore, do not call for any further comments.

SUBSIDIARY COMPANIES

Particulars relating to Subsidiary Companies, as required under Section 212 of the Companies Act, 1956, are annexed to the Balance Sheet of the Company.

PARTICULARS OF EMPLOYEES

As required under Section 217(2A) of the Companies Act, 1956 and the rules made thereunder, the particulars of the concerned employee are given in Annexure I, 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 II, 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 as also Company's shareholders, customers and bankers for their continued support.

Yours faithfully,

(Smt.) Priyamvada Birla	}	<i>Chairman</i>
V.D. Jain		
(Smt.) Radhika Birla	}	<i>Directors</i>
R.C. Tapuriah		
P.K. Rai		
D.R. Bansal		
Harsh V. Lodha		
R.G. Mundra		<i>Managing Director</i>

New Delhi, April 25, 2001.

ANNEXURE I

**PARTICULARS OF EMPLOYEES AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956
AND THE RULES MADE THEREUNDER AND FORMING PART OF THE DIRECTORS' REPORT
FOR THE YEAR ENDED 31ST MARCH, 2001.**

Name	Designation	Remune- ration (Rs.)	Qualifications	Experi- ence (years)	Date of commence- ment of employment	Age (years)	Particulars of last employment held (concern/place/designation/period of service)
Shri R.G. Mundra	Managing Director	12,41,296	B.Com., F.C.A.	37	04.11.1988	61	Universal Cables Ltd., Satna. President (Finance). 25 years.

- Notes:** 1) Nature of employment : Contractual.
2) Other terms and conditions : As per Agreement and Company's rules.
3) Shri R.G. Mundra is not a relative of any Director of the Company.
4) Remuneration received includes Salary, Company's contribution to provident fund, perquisites, commission and sitting fees but excludes contribution to gratuity fund, provisions for pension and leave encashment.
5) Age is given in years completed as on the last day of the financial year.



Yours faithfully,

(Smt.) Priyamvada Birla
V.D. Jain

Chairman

(Smt.) Radhika Birla
R.C. Tapuriah
P.K. Rai

Directors

D.R. Bansal
Harsh V. Lodha
R.G. Mundra

Managing Director

New Delhi, April 25, 2001.

ANNEXURE II

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, 2001.**(A) CONSERVATION OF ENERGY**

Following Energy Conservation measures were taken during the year :

1. Installation of diesel generating sets of higher efficiency engines resulting in higher output of electricity per litre of diesel consumption.
2. Installation of overhead pipe line for compressed air to ensure early detection of leakages resulting in prevention of wastage of energy.
3. Installation of UPS for machines for critical operations resulting in higher utilisation of machines with consequent reduction in consumption of power per unit of production.

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

- | | |
|---|--|
| 1. Specific areas in which R&D carried out by the Company | Product design, process improvement and import substitution. |
| 2. Benefits derived as a result of the above R&D | Cost reduction and productivity improvement. |
| 3. Future plan of action | To continue efforts for better product design, cost reduction and product quality improvement. |
| 4. Expenditure on R&D | R&D expenditure have not been accounted for separately. |

Technology absorption, adaptation and innovation

- | | |
|--|---|
| 1. Efforts, in brief, made towards technology absorption, adaptation and innovation. | Technology for manufacture of PIJF Cables has been fully absorbed. Company has started manufacturing Optical Fibre Cables with in-house developed process technology. Improvements are being made on continuous basis in all areas. |
| 2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc. | New product development, cost reduction and productivity improvement. |

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

There was no foreign exchange earning during the year. Details of foreign exchange outgo are contained in Schedule 14 [12 (d), (e) & (f)].

Yours faithfully,

(Smt.) Priyamvada Birla	}	<i>Chairman</i>
V.D. Jain		
(Smt.) Radhika Birla	}	<i>Directors</i>
R.C. Tapuriah		
P.K. Rai		
D.R. Bansal		
Harsh V. Lodha		
R.G. Mundra		<i>Managing Director</i>

New Delhi, April 25, 2001.

Auditors' Report

TO THE MEMBERS OF VINDHYA TELELINKS LTD.

We have audited the attached Balance Sheet of Vindhya Telelinks Limited, as at 31st March, 2001 and also the attached Statement of Profit & Loss Account for the year ended on that date.

As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, we report that, in our opinion and to the best of our knowledge and belief and as per information and explanations furnished to us and the books and records examined by us in the normal course of audit :

1. The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management at reasonable intervals. No material discrepancies have been noticed on such verification and the same have been properly dealt with in the books of account.
2. The fixed assets have not been revalued during the year under report.
3. (a) Physical verification has been conducted by the management at reasonable intervals in respect of finished goods, stores, spares, packing materials and raw materials.
(b) The procedures followed by the management for such physical verification are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) No material discrepancies were noticed on such physical verification as compared with book records.
(d) On the basis of our examination, we are satisfied that the valuation of stocks is fair and proper in accordance with normally accepted accounting principles and is on the same basis as in the previous year.
4. The Company has not taken/given any loan from/to Companies listed in the Register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, the provisions of this section are not applicable with effect from 31st October, 1998.
5. Interest Free Loans and advances given to employees and others are being repaid as stipulated.
6. There are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, spares, packing materials, raw materials, plant and machinery, equipment and other assets, and for the sale of goods.
7. According to the information and explanations given to us, the transactions of purchase of goods and materials, and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000/- or more in respect of each party, have been made at prices which, in our opinion, are reasonable having regard to prevailing market prices for such goods, materials and services or the prices at which similar transactions have been made with other parties and the Company's business needs and exigencies.
8. Adequate provision has been made in the accounts for the unserviceable or damaged stores, spares, packing materials, raw-materials and finished goods, as determined by the management.
9. The Company has not accepted any deposits from the public in terms of Section 58A of the Companies Act, 1956 and the Rules framed thereunder.
10. There are no saleable by-products. Reasonable records are maintained for the sale and disposal of realisable scrap and waste materials.
11. The Company has an internal audit system commensurate with its size and the nature of its business.
12. We have broadly reviewed the books of account maintained by the Company pursuant to the Order made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of manufacture of Cables and are of the opinion that, prima facie, the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of these records.
13. The Company has been regular in depositing Provident Fund dues with the appropriate authorities. The Company is not required to make Employees State Insurance contribution.

14. There are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty outstanding as at 31st March, 2001, for a period exceeding six months from the date they became payable.
15. During the course of our examination of the books of account carried out in accordance with generally accepted auditing practices, we have not come across any expenses charged to Revenue Account which, in our opinion and judgement and to the best of our knowledge and belief, could be regarded as personal expenses.
16. The Company is not a Sick Industrial Company as defined under the Sick Industrial Companies (Special Provisions) Act, 1985.
17. We are informed that the Company does not have any damaged goods in respect of traded items.

Further to and in terms of the above, we also report that :

- (i) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
- (ii) In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of these books.
- (iii) The attached Balance Sheet and Profit & Loss Account are in agreement with the books of account.
- (iv) In our opinion, the attached Balance Sheet and Profit & Loss Account comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956, *except for non compliance of Accounting Standard 13 in respect of non provision on account of an investment of Rs.460 lacs made in a Joint Venture Company, as stated in Note No. 5(a) of Schedule 14.*
- (v) On the basis of the written representations received from the Directors, we report that none of the Directors is disqualified from being appointed as a Director in terms of Clause(g) of sub section (1) of Section 274 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said statements of account, *subject to Note No. 5(a) of Schedule 14 regarding non provision on account of an investment of Rs.460 lacs made in a Joint Venture Company for the reasons stated in the said Note thereby resulting in overstatement of Reserves and Surplus to the same extent* and read together with other Notes appearing thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2001 and;
- (b) in the case of the Profit & Loss Account, of the Profit of the Company for the year ended on that date.

S.R. BATLIBOI & CO.
Chartered Accountants

Per ANIL GUPTA
Partner

New Delhi, April 25, 2001.

BALANCE SHEET AS AT 31ST MARCH, 2001

	Schedule	Rs. in lacs	As at 31.3.2001 Rs. in lacs	As at 31.3.2000 Rs. in lacs
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Capital	1		1181.18	1180.74
Reserves and Surplus	2		22437.98	19922.23
LOANS				
Secured	3	8499.13		7839.04
Unsecured	4	5022.60		4004.27
			13521.73	11843.31
Total			37140.89	32946.28
APPLICATION OF FUNDS				
FIXED ASSETS				
Gross Block	5	12612.27		12034.68
Less: Depreciation		7376.34		6875.30
Net Block			5235.93	5159.38
INVESTMENTS	6		10055.41	7566.40
CURRENT ASSETS, LOANS AND ADVANCES				
Interest Accrued on Investments	7	0.78		0.84
Inventories		3781.90		5284.09
Sundry Debtors		16490.84		13370.48
Cash and Bank Balances		1929.89		2216.91
Other Current Assets		4.73		63.56
Loans and Advances		1474.10		1172.81
		23682.24		22108.69
LESS: CURRENT LIABILITIES AND PROVISIONS	8			
Current Liabilities		1245.00		1888.19
Provisions		587.69		—
		1832.69		1888.19
NET CURRENT ASSETS			21849.55	20220.50
Total			37140.89	32946.28

NOTES TO THE ACCOUNTS

14

As per our attached report of even date

S. R. BATLIBOI & CO.
Chartered AccountantsPer ANIL GUPTA
Partner

New Delhi, April 25, 2001.

(Smt.) Priyamvada Birla	Chairman
V.D. Jain	
(Smt.) Radhika Birla	
R.C. Tapuriah	
P.K. Rai	Directors
D.R. Bansal	
Harsh V. Lodha	
R.G. Mundra	Managing Director
R.K. Jain	President & Secretary

New Delhi, April 25, 2001.

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2001

	Schedule	2000-2001 Rs. in lacs	1999-2000 Rs. in lacs
INCOME			
Income from Operations	9	36469.39	28639.96
Other Income	10	285.76	392.75
		36755.15	29032.71
EXPENDITURE			
Manufacturing and Other Expenses	11	24945.29	19009.64
Excise Duty		4903.22	3812.93
Interest and Financial Charges	12	1105.45	762.89
		30953.96	23585.46
PROFIT BEFORE DEPRECIATION		5801.19	5447.25
Depreciation	13	870.67	774.54
PROFIT BEFORE TAX		4930.52	4672.71
Provision for Tax		1900.00	1760.00
PROFIT AFTER TAX		3030.52	2912.71
Income Tax Refund for earlier years (Net)		1.07	19.08
Excess Provision for Tax for earlier years written back		77.06	—
		3108.65	2931.79
Credit balance brought forward		562.67	572.83
AMOUNT AVAILABLE FOR APPROPRIATIONS		3671.32	3504.62
APPROPRIATIONS			
Interim Dividend		—	533.29
Proposed Dividend		533.29	—
Corporate Dividend Tax		54.40	58.66
General Reserve		2525.00	2350.00
Surplus Carried to Balance Sheet		558.63	562.67
		3671.32	3504.62

NOTES TO THE ACCOUNTS

14

As per our attached report of even date

S. R. BATLIBOI & CO.
Chartered AccountantsPer ANIL GUPTA
Partner(Smt.) Priyamvada Birla
V.D. Jain
(Smt.) Radhika Birla
R.C. Tapuriah
P.K. Rai
D.R. Bansal
Harsh V. Lodha
R.G. Mundra
R.K. Jain

Chairman

Directors

Managing Director
President & Secretary

New Delhi, April 25, 2001.

New Delhi, April 25, 2001.

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2001

	Rs. in lacs	Rs. in lacs	As at 31.3.2001 Rs. in lacs	As at 31.3.2000 Rs. in lacs
SCHEDULE 1 : CAPITAL				
Authorised				
1,50,00,000 Equity Shares of Rs. 10/- each			1500.00	1500.00
Issued				
1,18,52,014 Equity Shares of Rs. 10/- each			1185.20	1185.20
Subscribed and Paid-up				
1,18,50,863 Equity Shares of Rs. 10/- each fully paid-up			1185.09	1185.09
Less: Calls unpaid			3.91	4.35
Total			1181.18	1180.74
SCHEDULE 2 : RESERVES AND SURPLUS				
Capital Reserves				
On Revaluation of Plant & Machinery				
As per last account	28.53			38.06
Less: Adjustment in respect of Disposal of Fixed Assets	0.15			-
Less: Transferred to Profit & Loss Account being depreciation on increased amount on revaluation of Plant & Machinery	7.02			9.53
		21.36		28.53
Capital Investment Subsidy				
As per last account	33.75			33.75
Less: Transferred to General Reserve (on completion of specified period/ condition)	33.75			-
			21.36	33.75
				62.28
Debenture Redemption Reserve				
As per last account		885.00		1485.00
Less: Transferred to General Reserve		455.00		600.00
			430.00	885.00
Share Premium Account				
As per last account		3870.80		3859.62
Add: Received during the year		1.96		11.18
			3872.76	3870.80
General Reserve				
As per last account		14541.48		11591.48
Add: Transferred from Debenture Redemption Reserve		455.00		600.00
Transferred from Capital Investment Subsidy		33.75		-
Transferred from Profit & Loss Account		2525.00		2350.00
			17555.23	14541.48
Profit & Loss Account				
Balance as per attached account			558.63	562.67
Total			22437.98	19922.23