



*Annual Report
and
Accounts
2001-2002*



Vindhya Telelinks Limited

VINDHYA TELELINKS LIMITED

ANNUAL REPORT 2001-2002

DIRECTORS

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

AUDIT COMMITTEE

SHRI R.C. TAPURIAH *Chairman*
SMT. RADHIKA BIRLA
SHRI D.R. BANSAL

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.)

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NOTICE

Notice is hereby given that the Nineteenth Annual General Meeting of Vindhya Telelinks Limited will be held at the Registered Office of the Company at Udyog Vihar, P.O. Chorhata, Rewa (M.P.) on Tuesday, the 2nd July, 2002 at 11 a.m. to transact the following business:-

1. To receive and consider the Report of the Directors and to pass the Audited Accounts of the Company and Consolidated Financial Statements for the year ended 31st March, 2002.
2. To declare a dividend.
3. To appoint Director in place of Shri V.D. Jain, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Director in place of Shri R.C. Tapuriah, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration and for that purpose to pass, with or without modification, the following resolution as a Special Resolution:

"RESOLVED that pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s S.R. Batliboi & Co., Chartered Accountants, the retiring Auditors of the Company, be and are hereby re-appointed Auditors of the Company to hold Office from the conclusion of this meeting upto the conclusion of the next Annual General Meeting of the Company and the Board of Directors of the Company be and is hereby authorised to fix their remuneration and sanction travelling and other incidental expenses that may be incurred by them in connection with the audit of accounts of the Company."

Special Business

6. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:
"RESOLVED that Shri R.S. Lodha, a Director of the Company, who holds office upto the date of this Annual General Meeting under Article 95 of the Company's Articles of Association, be and is hereby re-appointed as Director of the Company, liable to retire by rotation."
7. 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 and all other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered in the following manner :
a) Article 89 along with its marginal note be deleted.
b) Consequent to deletion of existing Article 89, subsequent Articles 90 to 178 be renumbered as 89 to 177."

Registered Office:

Udyog Vihar,
P.O. Chorhata,
Rewa - 486 006 (M.P.)
May 2, 2002.

By Order of the Board
R.K. Jain
President & Secretary

NOTES:

- (a) The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business under Item Nos.6 & 7 set out above is annexed hereto.
- (b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER. THE PROXY, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
- (c) A copy of the Memorandum and Articles of Association of the Company together with all proposed amendments will be kept open for inspection at the Registered Office of the Company between 11 A.M. and 1 P.M. on any working day excluding Sundays and Holidays and will also be available for inspection at the meeting.
- (d) The Register of Beneficial Owners, Register of Members and Share Transfer Books of the Company will be closed from Tuesday, the 25th June, 2002 to Tuesday, the 2nd July, 2002, both days inclusive.
- (e) The Directors recommended payment of Dividend for the year (subject to deduction of Income Tax) on 1,18,50,863 Equity Shares of Rs.10/- each @ Rs.2.50 per Share (i.e. 25%).

The Dividend when declared will be made payable on or after 6th July, 2002 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 24th June, 2002 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.

As per the proposed provisions of the Finance Bill, 2002, no deduction of tax at source shall be made, if dividend payable to a resident individual shareholder does not exceed Rs. 1,000/- during a financial year. Further, no Income Tax will be deducted at source from dividend payable to individual resident shareholders, if declaration in Form No. 15G, in duplicate, (provided that the aggregate dividend amount distributed or paid or likely to be distributed or paid during the financial year does not exceed Rs. 50,000/- being the maximum amount not chargeable to tax) or a certificate of non deduction of tax or deduction at lower rate from dividend issued by the assessing officer of the members in Form No.15, is submitted to the Company on or before 24th June, 2002.

- (f) The Members are requested to –
- (i) intimate change in their Registered Addresses, if any, in respect of equity shares held in electronic form (Demat Account) to their Depository Participants.
 - (ii) intimate the Company, changes, if any, in their Registered Addresses in respect of equity shares held in physical form.
 - (iii) forward their Permanent Account Number (PAN) to the Company.
- (g) SEBI has made it mandatory for all the Companies to use the bank account details furnished by the Depositories for distributing dividends through Electronic Clearing Service (ECS) to the Investors wherever ECS and bank details are available. Currently ECS facility is available at locations specified by RBI. In case of shareholders staying at locations not currently covered by ECS, the bank account details will be used for suffixing along with the name of the shareholder on the Dividend Warrants to be issued in future. In view of the above –
- (i) Shareholders holding shares in physical form and desirous of availing the facility of Electronic Credit of Dividend are requested to complete the ECS Form attached to this Annual Report and forward to the Company at its Registered Office. In respect of locations not currently covered by ECS, bank account details as contained in ECS form will be used by the Company to draw the dividend warrant payable accordingly in future.
 - (ii) Shareholders holding shares in dematerialised form are requested to provide the Bank details to NSDL/CDSL, as the case may be, through their respective Depository Participants (DP). Shareholders are also requested to note that details/ changes, if any, directly intimated to Company will not be considered.
- (h) As per the provisions of the Companies Act, 1956, the facility for making nominations is available to the shareholders in respect of the Equity Shares held by them. Shareholders holding Shares in physical form may send their request for nomination in the prescribed Form 2B duly filled in and signed to the Company's Registered Office address. The facility would be made available folio-wise to individual shareholders including joint holders. The members holding shares in dematerialised form may contact and consult their respective Depository Participant (DP) for availing the nomination facility.
- (i) The trading in Company's equity shares on the Stock Exchanges is permitted only in dematerialised form with effect from 28th August, 2000 for all class 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.
- (j) Pursuant to the requirements of Clause 49 of the Listing Agreements with Stock Exchanges, the information about the Directors proposed to be re-appointed is given below :-

(i) **Shri V.D. Jain**

Shri V.D.Jain has five decades of experience in wide range of industries including Cable industry. He is a well known figure in Cable industry. He set up Universal Cables Ltd. under guidance of Late Shri M.P.Birla. Under his leadership Universal Cables Ltd. has achieved the distinction of becoming the best power cable Company in India. His vision is responsible for cable group's consistent track record and rapid growth. He is Director in various companies and is associated with various charitable organisations and is one of the founder Trustees of M.P.Birla Foundation.

Shri V.D.Jain is Director in the following Companies, viz., Universal Cables Ltd., The Indian Smelting & Refining Co.Ltd., Hindustan Gum & Chemicals Ltd., Birla Ericsson Optical Ltd., Birla Financial Corporation Ltd., Universal Telcelinks Ltd., Universal-INP(USSR) Electricals Ltd., Punjab Produce Holdings Ltd., Universal-ABB Power Cables Ltd. and Optic Fibre Goa Limited.

Besides being Chairman of the Share/Debenture Transfer-cum-Investor Grievance Committee in the Company, Shri V.D.Jain is also holding Chairmanship of Share Transfer and Shareholders/Investors Grievance Committee of Universal Cables Limited and Share Transfer-cum-Investor Grievance Committee of Birla Ericsson Optical Limited.

(ii) Shri R.S. Lodha

Shri R.S.Lodha, Senior Partner in Messrs Lodha & Co., Chartered Accountants, is the President of Federation of Indian Chambers of Commerce and Industry (FICCI) and a Past President of the Indian Chamber of Commerce, Calcutta. He is presently a Director of, inter-alia, the National Securities Depository Ltd. and served as a Director on the Central Board of the State Bank of India as well as on its Executive Committee for 6 years from 1995-2001. He is a member of the Securities Exchange Board of India's Advisory Committee on Disclosure in Offer Documents and the Takeover Code Review Committee. A pioneer in acting as Advisor, he has handled GDR/EUR Issues in excess of \$ 1 billion for several Indian Corporates. Currently he serves as the Vice President of the Indian Council of Arbitration, President of FICCI Socio-Economic Development Foundation, Committee Member of the ICC Commission on Financial Services and Insurance, Paris.

Shri R.S.Lodha is Director in the following Companies, viz. Alfred Herbert (India) Ltd., Birla Corporation Ltd., First Capital India Ltd., Gwalior Webbing Co.Ltd., Hindustan Gum & Chemicals Ltd., Lodha Capital Markets Ltd., National Securities Depository Ltd., The Oriental Insurance Co.Ltd., The Punjab Produce & Trading Co.Ltd., The Punjab Produce Holdings Ltd., Tourism Finance Corpn.of India Ltd., Twenty-First Century Printers Ltd. and UTI Securities Exchange Ltd.

Shri R.S.Lodha is the Chairman of the Audit Committee of National Securities Depository Ltd. and Tourism Finance Corporation of India Ltd. and is a member of Audit Committee and Investment Committee of Oriental Insurance Co. Ltd.

(iii) Shri R.C.Tapuriah

Shri R.C. Tapuriah is an industrialist with wide experience in Business and Industry.

Shri R.C. Tapuriah is Director in the following Companies, viz., Adom Investments Ltd., Alfred Herbert (India) Ltd., Bhagwati Pressing Company Ltd., Calcutta Investment Company Ltd., Max Worth Industrial Services Ltd., New India Sugar Mills Ltd., United Investment Company Ltd. and Birla Ericsson Optical Ltd.

Shri R.C. Tapuriah is Chairman of the Audit Committee of the Company and is a member of Audit Committee of Birla Ericsson Optical Limited.

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 business under Item Nos.6 & 7 of the accompanying notice dated 2nd May, 2002.

ITEM NO.6

Shri R.S. Lodha was appointed as an additional Director on the Board of the Company on 24th October, 2001 under Article 95 of the Company's Articles of Association. He holds office upto the date of the ensuing Annual General Meeting. The Company has received 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 R.S. Lodha, none of the Directors of the Company is concerned or interested in the said resolution.

ITEM NO.7

MPSIDC (formerly MPAVN) has disinvested substantial portion of its shareholding in the Company. In view of this disinvestment, provision, in the Articles of Association, of power of MPSIDC to appoint Directors on the Board of the Company are to be deleted.

None of the Directors of the Company is concerned or interested in the said resolution so far as the above amendments are concerned, except Shri P.K. Rai who may be deemed to be interested being Director nominated by MPSIDC.

Registered Office:

Udyog Vihar,
P.O. Chohata,
Rewa - 486 006 (M.P.)
May 2, 2002.

By Order of the Board

R.K. Jain
President & Secretary

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, 2002.

FINANCIAL MATTERS

	31st March, 2002		31st March, 2001	
	Rupees in lacs	Rupees in lacs	Rupees in lacs	Rupees in lacs
Income for the year is		33106.86		36413.70
The year's working shows				
a Gross Profit (after interest but before extraordinary items) of		2856.38		5801.19
Out of which provisions have been made for				
Depreciation	707.57		870.67	
Taxation	745.00	1452.57	1900.00	2770.67
Profit after taxation but before Extraordinary Items is		1403.81		3030.52
After deducting following Extraordinary Items				
Voluntary Retirement Compensation (Net of Tax)	62.77			—
Diminution in value of Investment	460.00	522.77		—
There is a surplus of		881.04		3030.52
After adding				
Excess Tax provision for earlier years written back	—		77.06	
Income Tax Refund for earlier years	6.66		1.07	
Balance brought forward from previous year	558.63	565.29	562.67	640.80
There is a total disposable surplus of		1446.33		3671.32
Which has been appropriated as follows -				
Proposed Dividend	296.27		533.29	
Corporate Dividend Tax	—		54.40	
Transfer to General Reserve	850.00	1146.27	2525.00	3112.69
and balance carried to Balance Sheet		300.06		558.63

In view of lower profits and to conserve resources for future requirements, Directors recommend payment of lower Dividend for the year (subject to deduction of Income Tax) on 1,18,50,863 Equity Shares of Rs.10/- each @ Rs.2.50 per Share (i.e.25%).

16% Secured Non-Convertible Debentures issued by the Company were fully redeemed as per schedule during the year.

GENERAL & CORPORATE MATTERS

Income during the year at Rs.331.07 crores is 9% lower as compared to previous year, which is mainly due to steep decline in prices of Jelly Filled Cables. In volume terms, sale of Jelly Filled Cables was marginally lower. Revenue from sale of Optic Fibre Cable was higher by 172%. Due to decline in prices and extra ordinary charge of Rs.5.23 crores due to diminution in value of investment and payment under Voluntary Retirement Scheme, Gross Profit before extraordinary items at Rs.28.56 crores was lower as compared to Rs.58.01 crores of previous year. The Company has embarked upon cost cutting exercise in all areas.

Demand for Jelly Filled Cables is likely to decrease substantially in the current year which will adversely affect revenues of the Company from this product.

Company's subsidiary, Optic Fibre Goa Limited, commenced commercial production in March, 2002.

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 confirm and state that –

- (i) in the preparation of the Annual Accounts, applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) the Directors had selected such accounting policies and applied them consistently and 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 at the end of the financial year and of the profit of the Company for that period;
- (iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for detecting and preventing fraud and other irregularities;
- (iv) the Directors had prepared the Annual Accounts on a going concern basis.

DIRECTORS

Shri V.D. Jain and Shri R.C. Tapuria retire by rotation and, being eligible, offer themselves for re-election.

Shri Harsh Vardhan Lodha ceased to be a Director on the Board with effect from 24th October, 2001. The Directors would like to place on record their appreciation of the valuable services rendered by Shri Harsh Vardhan Lodha during his tenure.

Shri R.S. Lodha has been appointed as an Additional Director of the Company with effect from 24th October, 2001 and, being eligible, is proposed to be re-appointed as Director liable to retire by rotation in the ensuing Annual General Meeting.

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 attached to the Balance Sheet of the Company.

Consolidated Financial Statements prepared as per requirements of Accounting Standard 21 issued by Institute of Chartered Accountants of India form part of the Annual Report.

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.

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 I, 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 *Chairman*

V.D. Jain

R.S. Lodha

R.C. Tapuria

P.K. Rai

D.R. Bansal

R.G. Mundra

Directors

Managing Director

Mumbai, May 2, 2002.

ANNEXURE I

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, 2002.

(A) CONSERVATION OF ENERGY

Following Energy Conservation measures were taken during the year:

1. Total Productive Maintenance (TPM) is under implementation. Overall equipment effectiveness was improved which resulted in reduction of power consumption per Unit of production.
2. Installation of variable speed drive for compressors resulted in substantial energy saving.

(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 Telecom Cables has been fully absorbed. 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 15 [17 (d), (e) & (f)].

Mumbai, May 2, 2002.

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

Management Discussion and Analysis

OVERALL REVIEW

The Company is in the business of manufacture and sale of Telecom Cables comprising of Jelly Filled Telephone Cables and Optical Fibre Cables.

Jelly Filled Telephone Cables were introduced by the erstwhile Department of Telecommunications (DoT) to substitute paper covered unfilled cables in order to solve the problem of water seepage in Telecom Cables resulting in distortion of signals. At present there are forty eight manufacturers of these Cables with installed capacity of more than 1600 Lacs Conductor Kilometers (LCKMs). Over the period there has been a healthy growth in demand of such Cables but capacity increase always surpassed increase in demand resulting in intense competition and continuous pressure on prices. Major user of these Cables is still Bharat Sanchar Nigam Limited. Private operators are using very small quantities of Jelly Filled Cables. During the year, market share of the Company was 5% in Jelly Filled Cables. Over the years, Company's market share has declined due to increase in number of players and continuous capacity increases effected by smaller manufacturers.

Optical Fibre Cable industry in India is relatively new. Initially licences were granted only to public sector undertakings to manufacture these Cables. After 1991 industrial reforms, this sector was delicensed and now installed cable manufacturing capacity in the country is 5 million Fibre Kilometers (FKM) per annum. Due to initial delays in implementation of projects of various private operators, growth in demand of these Cables was sluggish. Now all issues having been resolved between private operators and DoT, demand of these Cables from private operators is also coming forth. Demand growth from BSNL is also healthy. Looking into very low tele-density in India, there is immense scope for demand increase of these Cables. China consumed about 12 Million FKMs of Optic Fibres this year as compared to consumption of about 2 Million FKMs in India. It indicates a possibility of rapid growth in demand of Optic Fibre Cables in India. Company enjoys a market share 10% in Optic Fibre Cables.

Financial Year 2001-02 was a challenging year for the Telecom Cables Industry due to intense competition. There was steep decline in prices of Telecom Cables. There was a dramatic change in Optic Fibre scenario which turned from shortage to glut with consequent precipitous decline in prices.

Income from operations at Rs.32,889 lacs represents a decline of 9% over the previous year. About 6% decline in volume of Jelly Filled Cables coupled with substantially lower average realisation resulted in such decline. This was inspite of the healthy growth in terms of volume of sale of Optic Fibre Cables, which increased from 3787 KMs to 14530 KMs, i.e. an increase of 283%.

FINANCIAL REVIEW

Company's earning was Rs.7.43 (Rs.11.85 before extraordinary items) per share for the year ended 31st March, 2002 against Rs.25.57 of previous year. Lower earning was due to –

- (a) Lower demand resulting in lower sales volume of Jelly Filled Cables.
- (b) Steep fall of 15% in prices of Jelly Filled Cables.
- (c) Charge of exceptional items, viz., diminution in value of investment and payout under Voluntary Retirement Scheme.

Income from operations contracted by 9% to Rs.32,889 lacs due to reduced off-take of Copper Cables by its major customer, Bharat Sanchar Nigam Limited, coupled with steep drop in prices of such cables. Profit before depreciation and exceptional charges was lower by 51% at Rs.2,856 lacs.

Interest expense decreased by 61% to Rs.389 lacs due to better working capital management and lower interest rates.

During the year the Company has written off diminution in value of investment, made by the Company in Universal-ABB Power Cables Limited, due to stoppage of operations by this Company.

During the year, the Company further invested Rs.1,357 lacs in equity share of its subsidiary, Optic Fibre Goa Limited.

BUSINESS ANALYSIS AND OUTLOOK

Jelly Filled Cables and Optic Fibre Cables are covered under WTO-IT Agreement which envisages progressive reduction in import duty so as to achieve the target rate of 'Zero' percent by the year 2005. In order to meet this challenge, the Company has to benchmark its cost and quality competitiveness with the best companies.

Jelly Filled Cables

Company sold 39.26 LCKMs of Cables resulting in 6% decrease vis-à-vis previous year. Turnover of this product at Rs.21,600 lacs was lower by 30% as compared to previous year. Company's major customer, viz., Bharat Sanchar Nigam Limited, has floated Tender for current year with quantities lower by about 51% as compared to previous year. Surprisingly, few more players have entered the arena. With supply far outstripping demand, future seems to be glum. Reduction in demand is mainly due to proposed introduction of Wireless Network in a big way doing away with requirement of Jelly Filled Cables. Demand from Private Operators is also meager

and due to intense competition, orders are being accepted by competitors at rates which are much below the variable cost. With substantially lower future demand, sale of this product will further go down during the current year. Company is taking effective steps to meet this challenge by reducing corresponding size of operations and overheads.

Optic Fibre Cables

There was healthy growth in demand for Optic Fibre Cables both from BSNL and Private Operators. Company further consolidated its position by increasing volumes. Sales volume at 14530 KMs was higher by 283% as compared to previous year. It is expected that demand for these Cables should grow steadily. During the year, market share of the Company was approximately 10%. Company is equipping itself to meet the requirements of different designs of Optic Fibre Cables.

In order to have smooth availability of major raw-material - Optic Fibre - Company floated a subsidiary, viz., Optic Fibre Goa Limited to meet its requirement of this raw-material.

With Fibre to home translating into reality in due course, demand for Optic Fibre Cables should have quantum jump. Increased requirement of data traffic shall also necessitate more and more use of Optic Fibre Cables.

With tariff barriers steadily going down, threat of import is looming large. Company shall constantly improve quality of Cables and shall diversify its product range to meet different types of Optic Fibre Cables requirements of its customers.

RISKS AND CONCERNS

Technological

Company has been mainly dependant for its revenue from sale of Jelly Filled Cables. Company's diversification in the field of Optic Fibre Cables has resulted in revenue from Optic Fibre Cables at 31% of total sales revenue. As projected by BSNL, demand for Jelly Filled Cables is likely to shrink substantially due to increased use of wireless technology which is a matter of concern. In order to meet this challenge, Company is seriously trying to export Jelly Filled Cables and to increase its market share in Optic Fibre Cables. During the year Company has supplied Optic Fibre Cables to almost all the operators.

Financial

Financial risks could include high foreign exchange exposure, adverse movements in prices of raw-materials covered under long term raw-material supply contracts, adverse movements in exchange rates, insufficient liquidity to meet working capital requirements and bad debts.

As a matter of prudent foreign exchange management, all exposures in foreign currency loans are fully covered for exchange rate fluctuations. Amounts on revenue account are paid as and when due by market purchase of foreign exchange. Coverage for foreign exchange exposure for imports is made based on prudent decisions taken from time to time keeping in view all relevant aspects.

Working capital requirements are kept at the minimum and constant endeavours are made to finance such requirements by borrowings at lowest possible rates of interest.

Company has entered into a long term supply contract for a period of 5 years for supply of Silica Preform, raw-material for Optic Fibre. This contract has been entered into looking into the wild fluctuations in demand - supply position of Optic Fibre resulting in periodical gluts and shortages. In order to have constant and smooth supply, Company decided to enter into this contract. At present, due to substantial reduction in demand in USA and European countries, prices of Optic Fibre have fallen below economical levels with a consequent fall in prices of Preform. Company envisages this position as a temporary phenomena and in the long run it is considered prudent to have smooth supply of basic raw-material in order to meet contractual obligations from time to time.

Envisaged lower tariff barriers on telecom cables culminating into Zero duty by the year 2005 pose a big challenge. The company has taken steps to integrate its operations, to cut costs and supply world class products at most competitive prices.

INTERNAL CONTROL SYSTEMS

The Company has proper and adequate system of internal control procedures to ensure that all transactions are authorised, recorded and reported correctly. Internal control system is in place to ensure prompt financial reporting, optimum utilisation of various resources and quick reporting of deviations. Compliance with laws and regulations is also ensured and confirmed and is also checked by the internal auditor of the Company and is reported to the Board in every Board Meeting.

An external firm of Chartered Accountants has been appointed to carry out internal audit of all functions including physical verification of inventories.

Reports of internal auditor are reviewed in the meetings of the Audit Committee of the Board. Audit Committee also reviews adequacy of internal controls, adequacy of insurance coverage of assets from various risks and steps taken to manage foreign currency