



*Annual Report
and
Accounts
2002 - 2003*

Vindhya Telelinks Limited

VINDHYA TELELINKS LIMITED

ANNUAL REPORT 2002-2003

DIRECTORS

SMT. PRIYAMVADA BIRLA	<i>Chairman</i>
SHRI V. D. JAIN	
SHRI R. S. LODHA	
SMT. RADHIKA BIRLA	
SHRI R. C. TAPURIAH	
SHRI D. R. BANSAL	
SHRI R. G. MUNDRA	<i>Managing Director</i>

AUDIT COMMITTEE

SHRI R. C. TAPURIAH	<i>Chairman</i>
SHRI RADHIKA BIRLA	
SHRI D. R. BANSAL	

SOLICITORS

KHAITAN & KHAITAN

AUDITORS

S. R. BATLIBOI & CO.
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 Twentieth 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 Thursday, the 10th July, 2003 at 11 a.m. to transact the following business :-

Ordinary 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, 2003.
2. To appoint Director in place of Smt. Priyamvada Birla, who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint Director in place of Shri D.R.Bansal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on such remuneration and reimbursement of out-of-pocket expenses as the Board may decide.

Special Business:

5. To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolution:

"RESOLVED that subject to all applicable provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956 and the rules framed thereunder, Listing Agreement(s) and all relevant guidelines/rules/regulations prescribed by SEBI and Stock Exchanges concerned and/or any other regulatory authority and such approvals, consents, permissions or sanctions, as may be necessary, consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred by the Board) for seeking voluntary delisting of the equity shares of the Company from the Madhya Pradesh Stock Exchange, Indore and the Calcutta Stock Exchange Association Limited, Kolkata at such time as the Board may in its absolute discretion, consider appropriate and on terms and conditions as may be stipulated and/or mutually agreed to in the best interests of the Company.

FURTHER RESOLVED that the Board be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, usual or expedient to give effect to the above resolution including delegating the authority to the Managing Director or any of the Directors or any of the Officers of the Company in connection therewith."

Registered Office:

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

By Order of the Board

Pankaj Kalani
Vice-President (Commercial) & Secretary

May 3, 2003.

NOTES:

- (a) The relative explanatory statement pursuant to section 173 (2) of the Companies Act, 1956, in respect of Item No.5 set out above is annexed hereto.
- (b) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- (c) The Register of Beneficial Owners, Register of Members and Share Transfer Books of the Company shall remain closed from Friday, the 4th July, 2003 to Thursday, the 10th July, 2003 (both days inclusive).

- (d) The Members are requested to notify immediately the changes, if any, in their registered address -
- (i) to their Depository Participants in respect of equity shares held in electronic form (Demat Account); and
 - (ii) to the Company or its Registrar and Share Transfer Agents, M/s Intime Spectrum Registry Ltd. (Unit: Vindhya Telelinks Ltd.) C-13, Pannalal Silk Mills Compound, L.B.S.Marg, Bhandup (West), Mumbai – 400 078 in respect of equity shares held in physical form.
- (e) 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. Members 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 Registrar and Share Transfer Agent viz. M/s Intime Spectrum Registry Ltd. The facility would be made available folio-wise to individual shareholders including joint holders and for the entire shares registered under the folio. The members holding shares in dematerialised form may contact and consult their respective Depository Participants (DP) for availing the nomination facility.
- (f) 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 classes of investors. In view of the numerous advantages offered by the Depository System, members are requested to avail of the facility of dematerialisation of the Company's equity shares held by them.
- (g) In terms of Section(s) 205A and 205C of the Companies Act, 1956, the Company is required to transfer any dividend which remains unpaid or unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend Account, to the credit of Investor Education and Protection Fund established by the Central Government. Members who have not encashed their dividend warrants for the year 1995-96 or thereafter are requested to write to the Company's Registrar and Share Transfer Agents viz. M/s Intime Spectrum Registry Ltd.
- (h) Pursuant to the requirements of Clause 49 of the Listing Agreement(s) with Stock Exchanges, the information about the Directors proposed to be re-appointed is given in the Annexure to the Notice.
- (i) Members/Proxies are requested to deposit the Attendance Slip duly filled in and signed for attending the meeting.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

As required by Section 173 (2) of the Companies Act, 1956, the following explanatory statement sets out material facts relating to the business under Item No.5 of the accompanying notice dated 3rd May, 2003.

ITEM NO.5

The Securities and Exchange Board of India has come out with new Delisting guidelines which permits voluntary delisting of securities of a listed Company from Stock Exchanges subject to certain terms and conditions as mentioned therein.

The Company's Equity Shares are presently listed on the following Stock Exchanges :-

- (1) Madhya Pradesh Stock Exchange, Indore (MPSE)
- (2) The Stock Exchange, Mumbai (BSE)
- (3) The Calcutta Stock Exchange Association Limited, Kolkata (CSE)
- (4) National Stock Exchange of India Limited, Mumbai (NSE)

The equity shares of the Company are not being traded in a material way regularly at stock exchanges other than The Stock Exchange, Mumbai and the National Stock Exchange of India Limited, Mumbai. The trading volumes on the Company's equity shares in Stock Exchanges other than BSE and NSE are extremely low. The Company's equity shares are specified by the Securities and Exchange Board of India ("SEBI") for settlement only in dematerialised form by all investors. With the extensive networking of BSE and NSE terminals to other cities, the investors have access to trade and deal in the Company's equity shares across the country. Further, the Company is subject to compliance and unnecessary costs in the form of listing fees to MPSE and CSE and adherence to procedural formalities, which can be avoided upon delisting. It is therefore felt that continued listing with Madhya Pradesh Stock Exchange, Indore and the Calcutta Stock Exchange Association Limited, Kolkata does not provide any significant tangible advantage to the members of the Company.

The Company is therefore contemplating voluntary delisting of its shares from the MPSE and CSE at an appropriate time in the future. In line with the SEBI (Delisting of Securities) Guideline, 2003 the required members approval is being sought

by a special resolution for enabling voluntary delisting of equity shares from the aforesaid Stock Exchanges. The delisting will take effect after all approvals, permissions and sanctions from the appropriate authorities including Stock Exchanges concerned are received. It is further proposed to give authority to the Board in this connection.

The resolution is accordingly recommended for approval of the members.

None of the Directors of the Company is concerned or interested in the said resolution.

Registered Office:

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

By Order of the Board

(Pankaj Kalani)
Vice-President (Commercial) & Secretary

May 3, 2003.

ANNEXURE TO NOTICE

Details of Directors seeking re-appointment in ensuing Annual General Meeting to be held on 10th July, 2003

Name of Director	Smt. Priyamvada Birla	Shri D. R. Bansal
Date of Birth	18.10.1927	01.08.1939
Date of Appointment	16.05.1994	06.11.1987
Expertise in specific functional areas	Renowned Industrialist with vast experience and diversified business interest	Company executive and wide experience in Cable Industry.
List of outside Directorship held*	<ol style="list-style-type: none"> 1. Birla Corporation Limited. 2. Birla Financial Corporation Limited. 3. Hindustan Gum & Chemicals Limited. 4. Pilani Investment & Industries Corporation Limited. 5. Universal Cables Limited. 6. Birla Ericsson Optical Limited. 7. The Indian Smelting & Refining Company Limited. 8. Punjab Produce Holdings Limited. 9. Century Textiles & Industries Limited. 10. Optic Fibre Goa Limited. 	<ol style="list-style-type: none"> 1. Birla Ericsson Optical Limited. 2. The Indian Smelting & Refining Company Limited. 3. Hindustan Gum & Chemicals Limited. 4. Universal-ABB Power Cables Limited. 5. Ken Electricals Limited. 6. Optic Fibre Goa Limited.
Chairman/Member of the Committee of the Board of Directors of the Company	—	Member - Audit Committee - Share Transfer-cum - Investor Grievance Committee
Chairman/Member of the Committee of the Board of Directors of Other Public Limited Companies	—	Member - Share Transfer-cum Investor Grievance Committee(s) of Universal Cables Ltd. & Birla Ericsson Optical Ltd.

* This excludes Directorship held in Indian private limited companies/foreign companies and trustee/membership of managing Committees of various trust and other bodies.

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, 2003.

FINANCIAL MATTERS

	31st March, 2003		31st March, 2002	
	Rupees in lacs	Rupees in lacs	Rupees in lacs	Rupees in lacs
Income for the year is		8536.95		33106.86
The year's working shows				
a Gross Profit/(Loss) (after interest but before extraordinary item(s)) of		(651.23)		2856.38
Out of which provisions have been made for				
Depreciation	409.60		707.57	
Taxation/Deferred Tax Asset (Credit)(Net)	(365.53)	44.07	738.34	1445.91
Profit/(Loss) after taxation but before Extraordinary Item(s) is		(695.30)		1410.47
After deducting following Extraordinary Item(s)				
Voluntary Retirement Compensation (Net of Tax)	40.47		62.77	
Diminution in value of Investment		40.47	460.00	522.77
There is a surplus/(deficit) of		(735.77)		887.70
Balance brought forward from previous year		300.06		558.63
There is a total disposable surplus/(deficit) of		(435.71)		1446.33
Which has been appropriated as follows -				
Proposed Dividend			296.27	
Transfer (from)/to General Reserve	(435.71)	(435.71)	850.00	1146.27
and balance carried to Balance Sheet				300.06

In view of loss in the current year and to conserve resources for future requirements, Directors do not recommend any Dividend for the year under review.

GENERAL & CORPORATE MATTERS

Income during the year at Rs.85.37 crores was drastically low as compared to previous year due to depressed market conditions. In volume terms sale of Jelly Filled Telephone Cables was lower by around 63% and 68% in case of Optical Fibre Cables. Due to reduced off take coupled with precipitous decline in prices of cables, the Company incurred a loss of Rs.6.51 crores before extra-ordinary item as compared to profit of Rs.28.56 crores in the previous year. To partially tide over the current crisis in the telecom cable market the company has initiated various cost cutting exercise in all possible areas. The Company did not accept any quantity out of the BSNL Tender for Jelly Filled Telephone Cables opened in the year because of below cost prices. Demand for Jelly Filled Telephone Cables is expected to decrease in the current year which may further effect revenues of the Company from this product. Demand for Optical Fibre Cables is also not encouraging. It is gratifying to report that your Company have been awarded National Safety Awards for achieving the 'Longest Accident Free Period' and 'Lowest Average Frequency Rate'.

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, the 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 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 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

Smt.Priyamvada Birla and Shri D.R.Bansal retire by rotation and, being eligible, offer themselves for re-election.

Shri P.K.Rai ceased to be a Director on the Board with effect from 30th November, 2002. The Directors would like to place on record their appreciation of the valuable services rendered by Shri P.K.Rai during his tenure.

AUDITORS

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

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

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 requirement of Accounting Standards 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 and also Company's shareholders, customers and bankers for their continued support.

Yours faithfully,

(Smt.) Priyamvada Birla *Chairman*

V.D.Jain
R.S.Lodha
D.R.Bansal

Directors

Mumbai, May 3, 2003.

R.G.Mundra *Managing Director*

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, 2003.

(A) CONSERVATION OF ENERGY

Following Energy Conservation measures were taken during the year :

1. High power HPMV lamps in production have been replaced by low power HPSV lamps.
2. Continuous monitoring of all the production processes and adoption of preventive maintenance practices.
3. Continuous emphasis on awareness for energy saving by effective implementation of energy conservation schemes, better house keeping, control and process upgradation, etc

(B) TECHNOLOGY ABSORPTION**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, 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 16 [13(d), (e) & (f)].

(Smt.) Priyamvada Birla **Chairman**

V.D.Jain	}	Directors
R.S.Lodha		
D.R.Bansal		

R.G.Mundra **Managing Director**

Mumbai, May 3, 2003.

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 (JFTC) and Optical Fibre Cables (OFC).

JFTC 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). As against this the current estimated annual demand of 200 LCKM is resulting in lower capacity utilisation across the industry and putting continuous pressure on the selling prices. During the year, the major off take of JFTC from the Company was to Bharti Group and other private operators.

There are about 21 manufacturers of OFC with installed capacity of 5.12 Million Fibre Kilometers (FKMs). The off take of OFC industry wide was around 1.5 million FKMs during the year that works out to a capacity utilisation of 29%. As a result of glut in the market the prices have fallen to rock bottom and not sustainable. The demand is expected to be lower due to high level of stock with BSNL. During the year prices of Optical fibre have declined considerably as compared to the average prices in the previous year due to surplus Optical Fibre in the global market as a result of shutdown in work rollouts by major telecom service providers. However, decline in the prices of OFC has been more significant as compared with prices of Optical Fibre, resulting in pressure on margins.

Financial year 2002-2003 was a very bad year for the telecom cable industry due to intense competition and lower demand resulting in precipitous decline in the prices coupled with decrease in volumes.

Income from operations at Rs. 7920 lacs represents a decline of 76% over the previous year. About 63% decline in volume of JFTC with substantial lower realisation resulted in such decline. In case of OFC the decline in volume was almost 68%.

FINANCIAL REVIEW

The company had negative earning of Rs.6.21 per share after extra-ordinary item for the year ended 31st March, 2003 as against Rs.7.49 earning per share of previous year. The negative earning was due to:

- Lower demand resulting in lower sales volume for both JFTC and OFC.
- Steep fall in selling prices of both JFTC and OFC.
- Steep fall in raw material prices in case of Optical Fibre Cables resulting in huge impact on the valuation of raw materials in stock.

Income from operations was lower by 76% to Rs.7920 lacs due to reduced off take coupled with steep decline in prices.

Other Income increased by 183% to Rs. 617 lacs due to increase in Interest income.

The Company incurred a loss of Rs.651 lacs before depreciation, tax and extra-ordinary item as compared to a profit of Rs.2856 lacs in the previous year.

Interest & Financial charges decreased by 84% to Rs.82 lacs due to lower interest rates and utilisation of surplus funds available with the Company.

Depreciation charge was lower by around 42% because of single shift working of Plant & Machinery for maximum number of days during the year.

During the year, the Company has extended a sum of Rs. 716 lacs to its subsidiary, Optic Fibre Goa Ltd. as loan.

BUSINESS ANALYSIS AND OUTLOOK

Jelly Filled Telephone Cables (JFTC)

Company sold 14.49 LCKM of JFTC resulting in 63% decrease vis-à-vis previous year. Turnover of this product at Rs.6043 lacs was lower by 72% as compared to previous year. Company's major customer over the years, Bharat Sanchar Nigam Ltd.(BSNL), had floated a tender for 215 LCKM of JFTC in February, 2002. Large JFTC producers did not accept BSNL orders, given the low prices quoted by the new and small JFTC producers. The company also did not accept any quantity out of this tender because of prices below cost of production.

With BSNL and private operators planning to rely largely on Wireless in Local Loop (WiLL) for installing direct exchange lines (DELs), demand for JFTC is expected to further decline significantly. Moreover, the new small players have started bidding aggressively for procuring orders, resulting in decline in prices, over the last two years. These two factors have resulted in structural change in the JFTC industry. Orders are being accepted by competitors at rates even below the variable costs.

The company is taking effective steps to meet this challenge by exploring export opportunities and by reducing corresponding size of operations and overheads.

Optical Fibre Cables (OFC)

Company sold 4587 kilometers of OFC resulting in 68% decrease vis-à-vis previous year. Turnover of this product at Rs.1415 lacs was lower by 86% as compared to previous year. The demand for Optical Fibre and OFC continue to remain severely depressed both in domestic and international market. However, sustainable recovery seems highly unlikely in the immediate future.

The OFC exports have nearly grounded to a halt following a downturn in the US Telecommunication industry, which is the main market for Optical Fibre and OFC. Global Optical Fibre prices have crashed in the last year following the depressed state of the US Telecom sector.

Further, because of the anomaly in duty structure on raw materials vis-à-vis finished products in OFC, there are threats of imports of OFC especially in the Long Distance Networks.

During the year the Company has also installed manufacturing capacity of Fibre Ribbon Cables where demand is expected.

During the year the Company has entered into a Distributorship Agreement with Ericsson Network Technologies AB, Sweden for sale of Fusion Splicer Equipments which is used for joining OFC. The long presence of the Company in the domestic telecom cable industry would help in the marketing of the equipments. The company has started selling these equipments.

RISKS AND CONCERNS

Technological

Over the years Company has been mainly dependant for its revenue from sale of JFTC. Company's diversification in the field of OFC has resulted in revenue from OFC at 18% of total sales revenue. With BSNL and other private operators planning to rely largely on Wireless in Local Loop (WiLL) for installing direct exchange lines (DELs), demand for JFTC is expected to decline significantly which is a great matter of concern. The Company is seriously trying to explore export opportunities in case of JFTC and to increase market share in OFC. During the year Company had supplied OFC to almost all the operators.

Financial

As a matter of prudent foreign exchange management, all foreign exchange exposures are closely monitored for risks in exchange rate fluctuations. Forward coverage for foreign exchange exposure for imports is made based on prudent decisions taken from time to time keeping in view all relevant aspects including discussions with the Company's Bankers, State Bank of India.

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

The Company has filed a Law Suit against an overseas supplier and its agent relating to the validity and existence of an alleged Agreement before a competent Court which is already seized of the said Suit. The supplier in order to overreach the said Law Suit has initiated an arbitration claiming recovery of value of the goods, the supplies whereof have been unilaterally rescinded by the supplier. The said arbitration is at an early stage of examination of validity of such initiation. The Company has been legally advised that the said claim against the Company is unsustainable and there is no likelihood of any liability arising against the Company.