



*Annual Report  
and  
Accounts  
2003-2004*

**Vindhya Telelinks Limited**

# VINDHYA TELELINKS LIMITED

## ANNUAL REPORT 2003-2004

### DIRECTORS

SMT. PRIYAMVADA BIRLA	<i>Chairman</i>
SHRI R.S.LODHA	<i>Co-Chairman</i>
SHRI R.C.TAPURIAH	
SHRI D.R. BANSAL	
SHRI HARSH VARDHAN LODHA	
SHRI R.G. MUNDRA	<i>Managing Director</i>

### AUDIT COMMITTEE

SHRI R.C.TAPURIAH	<i>Chairman</i>
SHRI D.R.BANSAL	
SHRI HARSH VARDHAN LODHA	

### REMUNERATION COMMITTEE

SHRI R.S.LODHA	<i>Chairman</i>
SHRI R.C.TAPURIAH	
SHRI HARSH VARDHAN LODHA	

### AUDITORS

S.R.BATLIBOI & CO.  
CHARTERED ACCOUNTANTS,

### SOLICITORS

KHAITAN & KHAITAN

### BANKERS

STATE BANK OF INDIA

### REGISTERED OFFICE

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

ISASO 9001:2000



# NOTICE

Notice is hereby given that the Twenty First 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 20th July, 2004 at 11 a.m. to transact the following business:-

## Ordinary Business:

1. To receive, consider and adopt the Audited Accounts of the Company and Consolidated Financial Statements for the year ended 31st March, 2004 together with Directors' Report and the Auditors' Reports thereon.
2. To appoint a Director in place of Shri R.S.Lodha, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri R.C.Tapuriah, 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 an Ordinary Resolution:

"RESOLVED that Shri Harsh Vardhan Lodha, a Director of the Company, who holds office upto the date of this Annual General Meeting under Article 94 of the Company's Articles of Association, be and is hereby re-appointed as Director of the Company, liable to retire by rotation."

Registered Office:

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

By order of the Board

Pankaj Kalani  
Vice-President (Commercial) & Secretary

May 5, 2004

## NOTES:

- (a) The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business under 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/HERSELF 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 Wednesday, the 14th July, 2004 to Tuesday, the 20th July, 2004 (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 Agents 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 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 1996-97 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 set out material facts relating to the Ordinary Business of the accompanying Notice dated 5th May, 2004.

#### ITEM NO.5

Shri Harsh Vardhan Lodha was appointed as an Additional Director on the Board of the Company on 5th May, 2004 under Article 94 of the Company's Articles of Association. He holds office upto the date of this 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.

None of the Directors of the Company is concerned or interested in the said Resolution except Shri Harsh Vardhan Lodha and his father, Shri R.S.Lodha.

Registered Office:  
Udyog Vihar,  
P.O.Chorhata,  
Rewa - 486 006 (M.P.)  
May 5, 2004

By order of the Board

Pankaj Kalani  
Vice-President (Commercial) & Secretary



**ANNEXURE TO NOTICE**

**Details of Directors seeking appointment / re-appointment in ensuing Annual General Meeting scheduled to be held on 20th July, 2004**

Name of Director	Shri R.S.Lodha	Shri R.C.Tapuriah	Shri Harsh Vardhan Lodha
Date of Birth	06.09.1942	15.06.1942	13.02.1967
Date of Appointment	24.10.2001	19.08.1985	05.05.2004
Expertise in specific functional areas	Leading Chartered Accountant	Industrialist with wide experience in Business and Industry	Has considerable industrial, management and rich corporate experience.
List of outside Directorships held*	1. Alfred Herbert (India) Ltd. 2. Birla Corporation Ltd. 3. First Capital India Ltd. 4. Hindustan Gum & Chemicals Ltd. 5. Henkel Spic India Ltd. 6. Indian Petrochemicals Corporation Ltd. 7. Lodha Capital Markets Ltd. 8. National Securities Depository Ltd. 9. PNB Gilts Ltd. 10. Swiss India Financial Services Co.Ltd. 11. The Punjab Produce Holdings Ltd. 12. SBI Life Insurance Co.Ltd. 13. Twenty-First Century Printers Ltd. 14. UTI Securities Exchange Ltd.	1. Adorn Investments Ltd. 2. Alfred Herbert (India) Ltd. 3. Bhagwati Pressing Company Ltd. 4. Calcutta Investment Company Ltd. 5. Max Worth Industrial Services Ltd. 6. New India Sugar Mills Ltd. 7. United Investment Company Ltd. 8. Birla Ericsson Optical Ltd.	1. Alfred Herbert (India) Ltd. 2. Birla Corporation Ltd. 3. Fenner (India) Ltd. 4. HGI Industries Ltd. 5. Indian Rayon & Industries Ltd. 6. Jindal Steel & Power Ltd. 7. OCL (India) Ltd. 8. Optic Fibre Goa Ltd. 9. Sicpa India Ltd. 10. Swiss India Financial Services Co.Ltd. 11. TI Diamond Chain Ltd. 12. Universal Cables Ltd.
Chairman/Member of the Committee of the Board of Directors of the Company	Chairman - Remuneration Committee	Chairman - Audit Committee Member - Remuneration Committee	Member - Audit Committee & Remuneration Committee
Chairman/Member of the Committee of the Board of Directors of other Public Companies	Chairman - Audit Committee of National Securities Depository Ltd. & Indian Petrochemicals Corporation Ltd.	Member - Audit Committee of Birla Ericsson Optical Ltd. & New India Sugar Mills Ltd. - Remuneration Committee of Birla Ericsson Optical Ltd. - Investor Grievance Committee of New India Sugar Mills Ltd.	Chairman - Audit Committee of Birla Corporation Ltd., OCL (India) Ltd. & Sicpa India Ltd. - Share Transfer & Investor Grievance Committee of Birla Corporation Ltd. Member - Audit Committee of TI Diamond Chain Ltd., Fenner (India) Ltd., Jindal Steel & Power Ltd. & Universal Cables Ltd. - Remuneration Committee of Universal Cables Ltd.

\* This excludes Directorship held in Indian private limited companies and trusteeship/ membership of managing committees of various trusts and other bodies. Directorships held in foreign companies and Alternate Directorships.

# 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, 2004.

### FINANCIAL MATTERS

	Year Ended	
	31st March, 2004	31st March, 2003
	(Rs. in lacs)	
Net Income for the year is	<u>5683.82</u>	<u>7489.90</u>
The year's working shows a Gross (Loss) after interest of	(505.28)	(652.03)
Out of which provisions have been made for		
Depreciation	365.09	409.60
Taxation/Deferred Tax (Credit) (Net)	<u>148.31</u>	<u>513.40</u>
	(388.97)	20.63
(Loss) after taxation but before Extraordinary Item is	(1018.68)	(672.66)
After deducting Extraordinary Item (Voluntary Retirement Compensation)	<u>125.32</u>	<u>63.11</u>
There is a (deficit) of	(1144.00)	(735.77)
Balance brought forward from previous year		300.06
There is a total (deficit) of	<u>(1144.00)</u>	<u>(435.71)</u>

which has been transferred from General Reserve

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

### GENERAL & CORPORATE MATTERS

Net income during the year at Rs.56.84 crores was almost 25% lower as compared to previous year mainly due to depressed market conditions. The Company incurred a gross loss of Rs.5.05 crores after interest during the year as compared to a loss of Rs.6.52 crores in the previous year. The loss for the year is lower mainly because of addition of new product line in trading items.

The telecom cable sector continued to witness tough times. Capacity utilisation rates across the industry was at low and uneconomical levels leading to lower realization. Demand for Jelly Filled Telephone Cables (JFTC) is largely dependent on orders from BSNL. No JFTC supplies have been made during the year against the annual tender floated by BSNL because of delays in finalization of the same. The demand for Optical Fibre Cables (OFC) remained more or less stagnant with the main requirement coming from government owned enterprises.

The continued downturn in the telecom cable industry has changed the competitive landscape by increasing competition based upon pricing. Notwithstanding the fact that the Company has already responded to the depressed telecom cable market by cutting costs, it still is putting all out efforts to come out successful in mitigating the adverse effects of a prolonged downturn. The income for the current financial year is expected to be higher as compared to the year under review mainly because of the roll over of the JFTC quantity out of the tender floated by BSNL during the year. We also expect to see volume in our OFC business to increase, but will continue to experience price pressure. The Company continued its focus on development of export markets for Foam-skinned JFTC. However, it must be noted that exports will be a viable option only if we are able to compete in prices with the global players.

During the year, the Company has further invested a sum of Rs.838.75 lacs in Optic Fibre Goa Ltd., a subsidiary Company (also a Joint Venture) to make the Company self sufficient in its operations.

It is gratifying to report that your Company have once again been awarded with 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 to the best of their knowledge and belief and according to the information and explanation obtained by them, confirm that:

- In the preparation of the Annual Accounts for the year ended 31st March, 2004, the applicable accounting standards have been followed;
- The Company has selected such accounting policies, applied them consistently, 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 as at the end of the financial year 2003-04 and of the loss of the Company for that period;
- They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- The Company has prepared the attached Annual Statement of Accounts for the year ended 31st March, 2004 on a 'going concern' basis.

**DELISTING OF EQUITY SHARES**

In pursuance to the Special Resolution passed by the shareholders in the last Annual General Meeting held on 10th July, 2003, the Company has made applications to the Madhya Pradesh Stock Exchange, Indore and the Calcutta Stock Exchange Association Limited, Kolkata for voluntary delisting (without an exit opportunity) of its equity shares which are under active consideration of the concerned authorities. However, the Company's equity shares shall continue to be listed on the Stock Exchange, Mumbai and the National Stock Exchange of India Limited, Mumbai.

**INDUSTRIAL RELATIONS**

Industrial relations remained largely cordial during the year.

**DIRECTORS**

Shri V.D.Jain and Smt. Radhika Birla ceased to be Directors on the Board with effect from 31st March, 2004 and 4th May, 2004 respectively. The Directors place on record their appreciation for the valuable services rendered by them during their tenure as Directors of the Company.

Shri Harsh Vardhan Lodha has been appointed as an Additional Director of the Company with effect from 5th May, 2004 and, being eligible, is proposed to be re-appointed as Director liable to retire by rotation in the ensuing Annual General Meeting.

Shri R.S.Lodha and Shri R.C.Tapuriah retire by rotation and, being eligible, offer themselves for re-election.

**AUDITORS**

Messrs S.R.Balliboi & 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**

In terms of approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, the documents relating to Subsidiary Companies as provided in Section 212(1) of the Companies Act, 1956 have not been attached with the Balance Sheet of the Company. The Company will make these documents available upon request by any member of the Company interested in obtaining the same. These documents will also be kept at the Head Office of the Company for inspection by any member of the Company. However, pursuant to Accounting Standard-21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company includes the financial information of its subsidiaries.

**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, 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

R.S.Lodha

Co-Chairman

R.C.Tapuriah

Directors

D.R.Bansal

R.G.Mundra

Managing Director

Mumbai, May 5, 2004



## ANNEXURE

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, 2004.

## (A) CONSERVATION OF ENERGY

Following Energy Conservation measures were taken during the year :

1. Continuous monitoring of all the production processes and adoption of preventive maintenance practices.
2. Continuous emphasis on awareness for energy saving by effective implementation of energy conservation schemes better house keeping, control and process upgradation, etc.
3. Provision made for manufacturing lower sizes of cable on machines with low capacity extruders instead of conventional high capacity extruders.

## (B) TECHNOLOGY ABSORPTION

## Research and Development (R&amp;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

Details of Foreign Exchange Earnings and Outgo are contained in schedule 23(11.2, 11.3, 11.4 and 11.5) to Balance Sheet and Profit & Loss Account.

(Smt.) Priyamvada Birla	Chairman
R.S. Lodha	Co-Chairman
R.C. Tapuriah	Directors
D.R. Bansal	
R.G. Mundra	

Mumbai, M y 5, 2004

# Management Discussion and Analysis

## INDUSTRY STRUCTURE AND DEVELOPMENTS

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 was 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. In a Telecommunication network, JFTC is most commonly used in the subscriber loop network for the last mile connectivity between telephone exchange and the subscriber. The telecom market in India is experiencing a major shift in the customer base from the fixed wire basic telephone to cellular telephone services, thereby reducing the demand for JFTC. At present there are 48 manufacturers of these cables in private sector with installed capacity of approximately 1600 Lacs Conductor Kilometers (LCKM). As against this the current estimated annual demand of around 125 LCKM is resulting in lower capacity utilisation across the industry and putting continuous pressure on the selling prices and margins.

There are 21 manufacturers of OFC with installed capacity of approximately 6.00 Million Fibre Kilometers (FKM). As against this the current estimated annual demand is around 2.00 million FKMs which works out to a capacity utilisation of about 35%. The low capacity utilisation in the OFC market is putting lot of pressure on prices and consequently on margins. The demand for Optical Fibre Cables has witnessed a downturn due to sluggish worldwide demand in the long distance networks. The demand for OFC in India is expected to come primarily from Broadband Service Operators like Bharat Sanchar Nigam Ltd. (BSNL) and Reliance who are expected to deploy access networks for their customers in large cities and towns, taking fibre upto the building.

## PRODUCT-WISE PERFORMANCE, OPPORTUNITIES, THREATS & BUSINESS OUTLOOK

### Jelly Filled Telephone Cables

The Company sold 9.70 LCKM of JFTC resulting in almost 33% decrease vis-à-vis previous year. Turnover of this product at Rs.4079 lacs was lower by 33% as compared to previous year. Company's major customer over the years, BSNL had floated a Tender for 120 LCKM of JFTC in September, 2003. Because of delay in the finalization of the Tender, no quantities were supplied in the year.

The demand for JFTC is unlikely to improve because of low demand for fixed lines and increasing use of WLL based systems. The future of the Industry does not look very encouraging as low demand and the over supply position will be a barrier for any improvement in margins. However, it is gratifying to note that despite of stiff competition the Company has been able to grab a reasonable chunk of the demand from private players in fixed line segment. The Company is also actively exploring the export markets for Foam-skin Insulated JFTC. The export market is however, not very encouraging because of price competitiveness with global players in the field.

The Company expects to increase its sale volume in the current financial year mainly because of rollover of the quantity against the BSNL tender of 2003-2004 and retention of customers in the private sector due to our continued customer satisfaction and support measures.

### Optical Fibre Cables

The Company sold 4228 KMs of OFC resulting in almost 8% decrease vis-à-vis previous year. Turnover of this product at Rs. 1062 Lacs was lower by almost 25% as compared to previous year. The substantial growth of OFC capacity between 1998 & 2001 worldwide, the increased number of Optical Fibre per cable and improved technology has raised data transport capacity of cable enormously. All in all, this meant that fewer cables were needed. While demand in India by government owned enterprises was largely met by domestic manufacturers, large-scale deployment by many of the private players was carried out through imports of OFC. This has resulted in an over supply situation with substantial idle capacity. Another reason for sluggish worldwide demand is that both in Europe and North America many identical networks were built, which led to over capacity. This forced global players to concentrate on the Indian market which further vitiated the demand-supply position in India.

We, believe that the demand condition in this sector has now begun to stabilize. Though, we ultimately expect a recovery in this sector sometime in 2005, we believe that the current financial year will be more or less comparable to the year under review. We expect to see volumes in our OFC business to increase, but will continue to experience pricing pressure, though at lower levels.

BSNL, the largest buyer is expected to purchase OFC mainly for laying the intra-city networks (for broadband) and inter-exchange links which require cables with a higher fibre count. OFC demand from major public sector undertakings in Oil, Gas, Transportation and Power should continue as they are expected to deploy OFC networks to improve their communications and signaling system and in case of Oil Companies, to track oil leakages. With policy on Conditional Access System (CAS) expected in 2004-05, OFC demand for metro access is also expected to materialize.

During the year the Company has been able to increase its sale of cable accessories by a whopping 435% to Rs.423 lacs as compared to Rs. 79 lacs in the previous year which is mainly because of sale of Ericsson make Fusion Splicer equipments which is used for jointing optic fibre. The company has been able to manage a market share of almost 50% in supplies of these equipments to government owned enterprises.