



*Annual Report
and
Accounts
2004-2005*

Vindhya Telelinks Limited

VINDHYA TELELINKS LIMITED

ANNUAL REPORT 2004-2005

DIRECTORS

SHRI R.S.LODHA
SHRI J.VEERA RAGHAVAN
SHRI S.K.MISRA
SHRI R.C.TAPURIAH
SHRI D.R. BANSAL
SHRI H.V.LODHA
SHRI PRACHETA MAJUMDAR
SHRI R.G. MUNDRA

Chairman

Managing Director

AUDIT COMMITTEE

SHRI J.VEERA RAGHAVAN
SHRI S.K.MISRA
SHRI D.R. BANSAL
SHRI PRACHETA MAJUMDAR

Chairman

REMUNERATION COMMITTEE

SHRI PRACHETA MAJUMDAR
SHRI J.VEERA RAGHAVAN
SHRI S.K.MISRA

Chairman

AUDITORS

S.R.BATLIBOI & CO.
CHARTERED ACCOUNTANTS

SOLICITORS

INTERNATIONAL TRADE LAW CONSULTANTS

BANKERS

STATE BANK OF INDIA

REGISTERED OFFICE

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

IS ISO 9001:2000



NOTICE

NOTICE is hereby given that the Twenty Second 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 19th July, 2005 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, 2005 together with Directors' Report and the Auditors' Reports thereon.
2. To appoint a Director in place of Shri D.R.Bansal, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General 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, based on the recommendation of the Audit Committee.

SPECIAL BUSINESS:

4. To consider and, if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution**:
"RESOLVED that Shri J.Veera Raghavan, 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."
5. To consider and, if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution**:
"RESOLVED that Shri Shashi Kant Misra, 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."
6. To consider and, if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution**:
"RESOLVED that Shri Pracheta Majumdar, 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.)

May 26, 2005

By order of the Board

Gautam Sharma
Finance Manager & Assistant 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. 4 to 6 set out above are 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 13th July, 2005 to Tuesday, the 19th July, 2005 (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, viz. M/s Intime Spectrum Registry Ltd. (Unit: Vindhya Telelinks Ltd.) C-13, Pannalal Silk Mills Compound, L.B.S.Marg, Bandrup (West), Mumbai - 400 078 in respect of equity shares held in physical form.
- (e) Members desirous of making nomination as permitted under Section 109A of the Companies Act, 1956, in respect of the Equity Shares of the Company held in the 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. 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 1997-98 or thereafter are requested to write to the Company or Company's Registrar and Share Transfer Agents viz. M/s Intime Spectrum Registry Ltd.
- (h) Additional information pursuant to Clause 49 of the Listing Agreement(s) with Stock Exchanges, or Directors recommended for appointment or re-appointment at the forthcoming Annual General Meeting, are 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 Statements set out material facts relating to the Special Business under Item Nos. 4 to 6 of the accompanying Notice dated 26th May, 2005.

ITEM NO.4

Shri J.Veera Raghavan was appointed as an Additional Director on the Board of the Company on 27th October, 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.

Except Shri J.Veera Raghavan, none of the Directors of the Company is concerned or interested in the said resolution.

ITEM NO.5

Shri Shashi Kant Misra was appointed as an Additional Director on the Board of the Company on 27th October, 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.

Except Shri Shashi Kant Misra, none of the Directors of the Company is concerned or interested in the said resolution.

ITEM NO.6

Shri Pracheta Majumdar was appointed as an Additional Director on the Board of the Company on 27th October, 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.

Except Shri Pracheta Majumdar, 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.)

May 26, 2005

By order of the Board

Gautam Sharma
Finance Manager & Assistant Secretary

ANNEXURE TO NOTICE

Details of Directors seeking appointment/re-appointment in ensuing Annual General Meeting scheduled to be held on 19th July, 2005

Name of Director	Shri J.Veera Raghavan	Shri Shashi Kant Misra	Shri Pracheta Majumdar	Shri D.R.Bansal
Date of Birth	04.03.1932	28.04.1933	15.08.1944	01.08.1939
Date of Appointment	27.10.2004	27.10.2004	27.10.2004	06.11.1987
Expertise in specific functional areas	Retired Senior IAS Officer who has served as Secretary to the Govt. of India including of the HRD Ministry.	Retired Senior IAS Officer who has served as Secretary to the Govt. of India including Principal Secretary to the Prime Minister.	Mechanical Engineer and Management Advisor by profession. He is having vast experience in diverse fields viz. design and project management of Chemicals, Petrochemicals and Fertilizer Plants. Has served Hindustan Lever Ltd. in a Senior Position as also Managing Director of CEAT Tyres Ltd.	Company Executive and vast experience in Cable Industry.
List of outside Directorships held*	None	1. Tourism Finance Corporation of India Ltd.	1. Birla Corporation Ltd.	1. Birla Ericsson Optical Ltd. 2. Hindustan Gum & Chemicals Ltd. 3. Optic Fibre Goa Ltd.
Chairman/Member of the Committee of the Board of Directors of the Company	Chairman - Audit Committee - Share Transfer-Cum-Investor Grievance Committee Member - Remuneration Committee	Member - Audit Committee - Remuneration Committee	Chairman - Remuneration Committee Member - Share Transfer-Cum-Investor Grievance Committee - Audi Committee Committee	Member - Audit Committee - Share Transfer-Cum-Investor Grievance Committee
Chairman/Member of the Committee of the Board of Directors of other Public Companies	None	None	Chairman - Audit Committee of Birla Corporation Ltd.	Chairman - Audit Committee of Optic Fibre Goa Ltd. Member - Share Transfer-Cum-Investor Grievance Committee of Birla Ericsson Optical Ltd.
Shareholding of Non-Executive Directors	Nil	Nil	Nil	Nil

* This excludes Directorships 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

Before presenting the Audited Accounts, the Directors record their profound sorrow and grief on the untimely sad demise of Smt. Priyamvada Birla, Chairman of the Board of Directors, who left for her heavenly abode on 3rd July, 2004. Smt. Priyamvada Birla was not only an eminent industrialist but also a great Philanthropist who dedicated herself towards furthering the progress in the fields of education and health care. She was a woman of simple living and high thinking and lived on the Gandhian principles for the cause of humanity and the general masses. She gave to the nation, several pioneering industrial ventures, research, cultural, medical, religious and educational institutions and always helped the needy. The fruits of her munificence, unannounced and unrelated to her name, may be found in so many different parts of the country. Under her able stewardship, M.P. Birla group in general and the Company in particular consolidated and expanded to greater heights. Her indomitable courage, firm faith, conviction and dynamic vision will continue to inspire the Company to cross new frontiers of challenge and opportunity in the years ahead.

Your Directors have the pleasure of presenting their Annual Report, together with the Audited Accounts of the Company for the year ended 31st March, 2005.

FINANCIAL MATTERS

	Year Ended	
	31st March, 2005	31st March, 2004
	(Rs. in lacs)	
Gross Income for the year is	11529.97	6392.52
The year's working shows a Gross Profit/(Loss) after interest of	440.41	(505.28)
Out of which provision has been made for		
Depreciation	377.65	365.09
Profit/(Loss) before Exceptional Item, Prior Period Item and Tax	62.76	(870.37)
After deducting		
Exceptional Item (Voluntary Retirement Compensation)	7.08	125.32
Prior Period Item (Gratuity Liability)	48.93	56.01
Profit/(Loss) before Tax	6.75	(995.69)
After adjusting		
Deferred Tax Credit/(Charge)	25.80	(157.70)
Income Tax Credit for earlier years (Net)	9.58	35.38
There is a total surplus/(deficit) of	42.13	9.39
which has been carried to Balance Sheet/transferred (from) General Reserve		(148.31)
		(1144.00)

In view of past losses and to conserve cash resources for future requirements, your Directors do not recommend any dividend for the year under review.

GENERAL & CORPORATE MATTERS

Gross income during the year at Rs.115.30 crores was almost 80% higher as compared to previous year mainly due to supplies of Jelly Filled Telephone Cables (JFTC) to Bharat Sanchar Nigam Ltd. (BSNL) out of the tender floated in the year 2003-2004. The Company earned a gross profit of Rs.4.40 crores as compared to a gross loss of Rs.5.05 crores in the previous year.

BSNL had floated a global tender of 120 LCKM of JFTC during the year. Order against the same have not yet been finalised. The Company expects good volume of business out of this tender. The Company also expects to see volume in OFC business to increase considerably mainly due to increase in demand from Private Operators for rollout of broadband services. The pressure on prices, however, is likely to continue.

The Company has during the year started production of Fibre Ribbon and your Directors are glad to report that all necessary approvals have been obtained from concerned authorities.

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, state that;

- in the preparation of the Annual Accounts for the year ended 31st March, 2005, 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 2004-05 and of the profit for the year ended 31st March, 2005;
- proper and sufficient care have been taken 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 attached Annual Statement of Accounts for the year ended 31st March, 2005 have been prepared on a 'going concern' basis.

DELISTING OF EQUITY SHARES

Pursuant to the approval of Members at the Annual General Meeting held on 10th July, 2003 the equity shares of the Company have been voluntarily delisted from the Madhya Pradesh Stock Exchange, Indore and The Calcutta Stock Exchange Association Ltd., Kolkata with effect from 5th August, 2004 and 28th April, 2005 respectively. The Company's equity shares are now listed on The Stock Exchange, Mumbai and The National Stock Exchange of India Limited, Mumbai.

INDUSTRIAL RELATIONS

Industrial relations generally remained cordial barring certain instances of indiscipline, disruptive action and concerted go-slow tactics adopted by the workers which are being dealt with as per governing legal provisions.

DIRECTORS

Shri J.Veera Raghavan, Shri Shashi Kant Misra and Shri Pracheta Majumdar were appointed as Additional Directors of the Company with effect from 27th October, 2004 and, being eligible, are proposed to be re-appointed as Directors liable to retire by rotation in the ensuing Annual General Meeting.

Shri D.R.Bansal retires by rotation and, being eligible, offers himself for re-election.

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.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Accounting Standard (AS) 21 "Consolidated Financial Statements" read with Accounting Standard (AS) 27 "Financial Reporting of Interests in Joint Venture", Group Accounts form part of this Annual Report.

SUBSIDIARY COMPANIES

In terms of approval granted by the Central Government under Section 212(b) 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 Registered Office of the Company and of the respective Subsidiary Companies for inspection by any member of the Company.

JOINT VENTURE

Despite depressed market conditions, Birla Ericsson Optical Ltd., a venture promoted by your Company in association with Universal Cables Ltd. and Ericsson Cables AB, Sweden has shown comparatively improved performance during the year under review. Optic Fibre Goa Ltd., another venture (also a subsidiary) promoted by your Company in association with Universal Cables Ltd. and Birla Ericsson Optical Ltd. has also shown comparatively improved performance during the year under review.

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 as amended from time to time.

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,

R.S.Lodha

Chairman

J.Veera Raghavan

S.K.Misra

R.C.Tapuriah

D.R.Bansal

H.V.Lodha

Pracheta Majumdar

Directors

R.G.Mundra

Managing Director

New Delhi, May 26, 2005.

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, 2005.

(A) CONSERVATION OF ENERGY

Following Energy Conservation measures were taken during the year :

1. On the basis of suggestions made by 'teri', the renowned energy and resources institute, certain measures were taken during the year in the areas of compressed air system, pump house and plant lighting.
2. Re-distribution of Diesel Generating Sets for optimum utilisation of energy.
3. Continuous monitoring of all the production processes and adoption of preventive maintenance practices.
4. 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

I. 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. |

II. 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 and adapted. 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

Earnings :	NIL
Outgo :	Rs.519.20 lacs

R.S.Lodha	Chairman
J.Veera Raghavan	} Directors
S.K.Misra	
R.C.Tapuriah	
D.R.Bansal	
H.V.Lodha	
Pracheta Majumdar	
R.G.Mundra	Managing Director

New Delhi, May 26, 2005.

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 to resolve the problem of water seepage in erstwhile paper covered unfilled cables. Huge capacities were built up in India by the private sector in anticipation of demand rise. However, currently 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. The low capacity utilisation in the OFC industry too is putting lot of pressure on prices. The demand for OFC in India in the near future is expected to come primarily from operators for their Broadband Services.

The frenzy over the integration of voice, data and video has over the years made OFC the preferred cable for linking up states within the country and linking countries. OFC scores over conventional JFTC since its capacity to carry voice and data is larger. The low capacity utilisation in the OFC industry too is putting lot of pressure on prices. The demand for OFC in India in the near future is expected to come primarily from operators for their Broadband Services.

PRODUCT-WISE PERFORMANCE, OPPORTUNITIES, THREATS & BUSINESS OUTLOOK

Jelly Filled Telephone Cables

The Company sold 15.19 LCKM of JFTC as against 9.70 LCKM in the previous year showing an increase of almost 55%. Gross turnover of this product was more than double at Rs.8661 lacs. This increase in turnover was mainly due to the supply of JFTC to BSNL out of the tender floated in previous year.

More recently, the global industry including India has witnessed a shift towards wireless technologies from traditional wire-line technologies. The demand for JFTC is expected to come from the basic telecom operators on account of replacement and maintenance and some demand arising from increase in rural telephone lines. The growing Triple Play demand from Broadband subscribers for telephony, internet access and broadcast television over high speed cable networks over a single connection to the home or business, has cemented the hope of sustenance in demand for JFTC industry.

It is worthwhile to note here that the Company has been able to retain the private player customers in the fixed line segment despite stiff competition. The company expects to increase its sale volume in the current financial year mainly due to expectations of good orders from BSNL out of the annual tender of JFTC floated in 2004-05.

Optical Fibre Cables

The Company sold 4809 Kms of OFC resulting in almost 14% increase vis-a-vis previous year. Turnover of this product at Rs.1154 lacs is higher by almost 9% as compared to previous year. During the year the business climate in the OFC industry improved slowly but pressure on prices continued because of significant over capacity. This growth, however, is largely dependent on the success of broadband services in various pilot cities.

The Company expects considerable increase in its sale volume in the current financial year mainly because of the demand for broadband services from BSNL as well as Private Operators. The Company has received orders out of the BSNL's 2004-2005 tender for Optical Fibre Ribbon Cable which will further add to the volumes in the current financial year and is also expecting good tender in the current financial year. The Company may benefit from having a manufacturing capacity for Fibre Ribbon the production of which started during the year under review.

During the year, Company sold Cable Accessories valuing Rs.368 lacs as compared to Rs.423 lacs in the previous year. The major portion of sale is of Ericsson make Fusion Splicer Equipment which are marketed in India by the Company. The decrease in volume for Fusion Splicer Equipment was mainly due to the non participation in the tenders during the last quarter of the financial year owing to discontinuation of the particular model by Ericsson. This will affect the revenues in the current financial year also.

Overall Review

Based on global trends and Indian experience, the rate of growth of Cellular Mobile Services would continue to be higher for a number of years. Telecommunications is one of the fastest growing sectors in India. However, viewed in the context of global growth patterns and indicators, the section is still in the early stages of development.

The policy of liberalization followed since 1991 in India has resulted in a big push to the growth path of the telecom sector. The importance of telecom sector can be gauged from the immense contribution it is making to other sectors of the Indian economy, particularly the information technology industry, where India is now acknowledged as a world leader. The overall teledensity, which was only about 0.5 per cent in 1999 has now increased to almost 9 per cent. A society based on ubiquitous networking, which allows every one to communicate with each other anywhere and any time, will be a reality in future. The Indian Policy makers and regulators have envisioned the growth of Broadband in India as the next focus area for telecom industry. It is expected that broadband would have more explosive impact on the market than cellular mobile. India can reach broadband penetration levels that are 50 times more than what is available today, replicating the growth in telephony.