



*Annual Report  
and  
Accounts  
2005-06*

**Vindhya Telelinks Limited**

# VINDHYA TELELINKS LIMITED

## ANNUAL REPORT 2005-06

### DIRECTORS

SHRI R.S.LODHA

*Chairman*

SHRI J.VEERARAGHAVAN

SHRI S.K.MISRA

SHRI R.C.TAPURIAH

SHRI D.R. BANSAL

SHRI H.V.LODHA

SHRI PRACHETA MAJUMDAR

SHRI R.G. MUNDRA

*Managing Director*

### AUDIT COMMITTEE

SHRI J.VEERARAGHAVAN

*Chairman*

SHRI S.K.MISRA

SHRI D.R. BANSAL

SHRI PRACHETA MAJUMDAR

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### AUDITORS

S.R.BATLIBOI & CO.

CHARTERED ACCOUNTANTS

### SOLICITORS

INTERNATIONAL TRADE LAW CONSULTANTS

### BANKERS

STATE BANK OF INDIA

UTI BANK LIMITED

### REGISTERED OFFICE

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

IS ISO 9001:2000



# NOTICE

NOTICE is hereby given that the Twenty Third 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 Wednesday, the 12th July, 2006 at 11 a.m. to transact the following business:-

## ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2006, Profit and Loss Account for the year ended on that date, and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Shri R.C.Tapuriah, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri H.V. Lodha, who retires by rotation and being eligible, offers himself for re-appointment.
4. 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:

5. To take note of the following special resolution which has been placed before the shareholders for approval through Postal Ballot:

"RESOLVED that pursuant to the provisions of Section 17 and other applicable provisions, if any, of the Companies Act, 1956, the Memorandum of Association of the Company be and is hereby altered and extended by inserting the following Sub-clause as new Sub-clauses (62) & (63) immediately after the existing Sub-clause (61) of Clause IIIC of the Memorandum of Association of the Company:

- (62) To carry on the business of manufacture, produce, process, buy, sell, import, export and otherwise deal in all kind of Power Cables, Radio Frequency Cables, Hybrid Cables, Composite Cables, Quad Cables, Railway Signalling Cables, Instrumentation Cables, Control Cables, Ribbon Cables, Flexible Cables and Cords, other speciality cables, Optic Fibre and all kinds of Preform of Silica Rods, Silica Rod and Tubes, Quartz Rods and Tubes, Fibre Reinforced Plastic (FRP) Rods, Glass Roving, Cable Filling/ Flooding Compound, Aramid Yarn, Colouring Inks, Oils, Chemicals, heat shrinkable sleeves, all gases, UV resins, all other raw materials and inputs required for manufacture of all kinds of Optic Fibre, Telecommunication Cables, Power Cables, Radio Frequency Cables, Hybrid Cables, Composite Cables, Quad Cables, Railway signalling Cables, Instrumentation Cables, Control Cables, Other Speciality Cables, Power Distribution Cables, Ribbon Cables and all other types of cables, and other inputs used in telecommunication network including parts, connectors and accessories thereof.
- (63) To carry on business of manufacture, produce, process, sell, buy, import, export and otherwise deal in and repair of all types of Telecom Networking Equipments including Optical Networking Unit, Optical Line Terminating Equipments, Splitters, Routers, Element Management System, Active components of Fibre Optic Network, Passive components of Fibre Optic Network, Accessories, Connectors, adaptors and Testing Equipments for all kind of cables and conductors including Optic Fibre, Optical Fibre Cables, Jelly Filled Telephone Cables and also testing equipments for Optical Fibre System and optical fibre transmission, distribution networks, Transmission Networks such as Line Terminal Equipment, Multiplexers, Opto-Electronic Instruments, Line Repeaters, Jointing and Terminating Equipment, Laser Device, Light Emitting Devices, Testing and Measuring Equipments and design, installation, erection, laying, commissioning, transport and undertake turnkey projects for manufacturing, installing, laying, commissioning of Fibre Optic System, electrical transmission and distribution networks or provide consultancy for installing, laying and commissioning thereof.

FURTHER RESOLVED that the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, proper or expedient for giving effect to the resolution and for matters connected therewith or incidental thereto.

FURTHER RESOLVED that the Board of Directors be and is hereby authorised to sub-delegate all or any of its powers to Managing Director, Director(s) or any officer of the Company to give effect to the aforesaid resolutions, as may be permitted in law."

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

"RESOLVED that pursuant to section 149(2A) and all other applicable provisions, if any, of the Companies Act, 1956, approval of the Company be and is hereby accorded to the Board of Directors for commencing and undertaking all or any of the business specified in Sub-clauses (62) & (63) of Clause IIIC of the Memorandum of Association of the Company as and when deemed fit by the Board of Directors."

Registered Office:

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

April 29, 2006

By order of the Board

Gautam Sharma  
Finance Manager & Assistant Secretary

## NOTES:

- (a) The relevant Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the meeting 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) A copy of 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 shall remain closed from Thursday, the 6th July, 2006 to Wednesday, the 12th July, 2006 (both days inclusive).
- (e) The Members are requested to notify immediately the changes, if any, in their registered address alongwith PINCODE Number-
- to their Depository Participants in respect of equity shares held in electronic form (Demat Account); and
  - to the Company or its Registrar and Share Transfer Agents, viz. M/s Intime Spectrum Registry Ltd. (Unit: Vindhya Teelinks 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.
- (f) Dividends which remain unclaimed/unencashed for a period of 7 years from the date of transfer to the Unpaid Dividend Account, will be transferred by the Company to Investor Education & Protection Fund (IEPF) pursuant to the provisions of Section(s) 205A and 205C of the Companies Act, 1956. Further, under the provisions of Section 205C of the Companies Act, 1956, no claims by the shareholders shall lie against the IEPF or the Company for the Unclaimed Dividend transferred to IEPF. Members who have so far not encashed their dividend warrants for the year(s) ended 31st March, 1999, 2000, 2001 and 2002, are therefore requested immediately to write to the Company or Company's Registrar and Share Transfer Agents, viz. M/s Intime Spectrum Registry Limited for issuance of demand draft in lieu of Unencashed/Unclaimed Dividend Warrant, if any.
- (g) Additional information pursuant to Clause 49 of the Listing Agreement(s) with Stock Exchanges, on Directors recommended for re-appointment at the forthcoming Annual General Meeting, are given in the Annexure to the Notice.
- (h) Members/Proxies are requested to deposit the Attendance Slip duly filled in and signed for attending the meeting.
- (i) As per Section 192A of the Companies Act, 1956 read with The Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, the consent of the Shareholders in respect of Item No.5, is required to be obtained by means of a Postal ballot.

**ANNEXURE TO NOTICE****EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

The following explanatory statements set out material facts relating to the Special Business of the accompanying Notice dated 29th April, 2006.

**ITEM NO.5**

The Company proposes to embark upon additional lines of business like manufacturing of and dealing in various other cables and items used as raw materials in the manufacture of different types of Cables and also to manufacture and deal in various equipments, accessories and systems, etc. used under telecom networks with a view to undertake diverse activities relating to diversified products in a more enlarged and explicit manner. The Directors are of the view that the additional activities covered by the proposed Objects Clause may conveniently and advantageously be combined with the existing business of the Company and also enable the Company to carry on its business more economically.

Accordingly, it is proposed to amend Clause IIIC of the Memorandum of Association of the Company as set out in the proposed resolution. Pursuant to Section 17 of the Companies Act, 1956 a Special Resolution is required to be passed by the shareholders for alteration in the Objects Clause of the Memorandum of Association.

As required under Section 192A of the Companies Act, 1956 read with Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 a Special resolution under Section 17 of the Companies Act, 1956 for alteration in the object clause of the Memorandum of Association is required to be passed through Postal Ballot. Notice of Postal Ballot is being sent to the shareholders separately.

The result of the Postal Ballot shall be declared at the ensuing Annual General Meeting.

The Board of Directors proposes the Resolution for your consideration and recommends the passing of the Special Resolution.

None of the Directors of the Company is interested or concerned in the said resolution except to the extent of Shares held by them in the company.

**ITEM NO.6**

Pursuant to Section 149(2A) of the Companies Act, 1956, commencement of any new Business mentioned under 'Other Objects' of Memorandum of Association of the Company requires approval of the Shareholders vide special resolution passed on that behalf in the General Meeting. New business as mentioned in Sub-clauses (62) & (63) of Clause IIIC of Memorandum of Association may be commenced by the Company any time after approval of Shareholders is obtained vide proposed special resolution.

The Board of Directors proposes the Resolution for your consideration and recommends the passing of the Special Resolution.

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

Registered Office:

Udyog Vihar,  
P.O.Chorhata,  
Rewa - 486 006 (M.P.)  
April 29, 2006

By order of the Board

Gautam Sharma  
Finance Manager & Assistant Secretary

## ANNEXURE TO NOTICE

**Details of Directors seeking re-appointment in ensuing Annual General Meeting scheduled to be held on 12th July, 2006**

Name of Director	Shri R.C.Tapuriah	Shri H.V.Lodha
Date of Birth	15.06.1942	13.02.1967
Date of Appointment	19.08.1985	05.05.2004
Expertise in specific functional areas	Industrialist with wide experience in Business and Industry.	An eminent Chartered Accountant and a Partner of M/s Lodha & Co., Chartered Accountants. He has served various committees and working groups set up by Federation of Indian Chambers of Commerce and Industry (FICCI); Indian Chambers of Commerce, Kolkata; Department of Company Affairs, Government of India; Reserve Bank of India; apart from being a member of the Accounting Standards Board set up by the Institute of Chartered Accountants of India and alternate member of the National Advisory Committee on Accounting Standards set up by Government of India. He has handled professional advisory assignments in various fields and has been involved in various Trusts, Educational and Cultural Institutions.
List of outside Directorships held*	<ol style="list-style-type: none"> <li>1. Alfred Herbert (India) Ltd.</li> <li>2. Adorn Investments Ltd.</li> <li>3. Birla Ericsson Optical Ltd.</li> <li>4. Bhagwati Pressing Company Ltd.</li> <li>5. Calcutta Investment Company Ltd.</li> <li>6. Maxworth Industrial Services Ltd.</li> <li>7. New India Sugar Mills Ltd.</li> <li>8. United Investment Company Ltd.</li> </ol>	<ol style="list-style-type: none"> <li>1. Alfred Herbert (India) Ltd.</li> <li>2. Birla Corporation Ltd.</li> <li>3. Fenner (India) Ltd.</li> <li>4. Hindustan Gum &amp; Chemicals Ltd.</li> <li>5. OCL (India) Ltd.</li> <li>6. Optic Fibre Goa Ltd.</li> <li>7. Punjab Produce Holdings Ltd.</li> <li>8. Sicpa India Ltd.</li> <li>9. Universal Cables Ltd.</li> </ol>
Chairman/Member of the Committee of the Board of Directors of the Company		
Chairman/Member of the Committee of the Board of Directors of other Public Company	Member - Audit Committee & Share Transfer - Cum - Investor Grievance Committee of New India Sugar Mills Ltd.	Chairman - Audit Committee of OCL (India) Ltd. and Sicpa India Ltd. - Share Transfer & Investor Grievance Committee of Birla Corporation Ltd. Member - Audit Committee of Fenner (India) Ltd.
Shareholding (both own or held by/for other persons on a beneficial basis), if any, in the paid up equity share capital of the Company.	NIL	NIL

\* Number of other Directorships held by the Directors, as mentioned above, do not include alternate directorships, and directorships held in foreign companies, Section 25 Companies and Indian private limited companies besides trustee/membership of managing Committees of various trusts and other bodies, and are based on the latest declarations received from the Directors. The details of Committee Membership/Chairmanship is in accordance with revised Clause 49 of the Listing Agreements and reflects the Membership/Chairmanship of the Audit Committee and Shareholders'/Investors' Grievance Committee alone of all other Public Limited Companies.

# 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, 2006.

### FINANCIAL MATTERS

	Year Ended	
	31st March, 2006	31st March, 2005
	(Rs.in lacs)	
Gross Income for the year is	16075.67	11569.69
The year's working shows a Gross Profit after interest of	606.51	440.41
Out of which provision has been made for		
Depreciation	479.36	377.65
Profit before Exceptional Item, Prior Period Items and Tax	127.15	62.76
After deducting		
Exceptional Item (Voluntary Retirement Compensation)	-	7.08
Prior Period Items	32.09	48.93
Profit before Tax	95.06	6.75
After adjusting		
Income Tax for current year	(2.35)	-
Income Tax-Credit for earlier years (Net)	-	9.58
Deferred Tax Credit	51.42	25.80
Fringe Benefit Tax	(14.60)	35.38
Net profit for the year is	129.53	42.13
Credit balance brought forward	42.13	-
There is a total surplus of which has been carried to Balance Sheet	171.66	42.13

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

Your Company's performance during the year under review has improved substantially, particularly the operating performance has recorded significant improvement during the year compared to the previous year.

The gross total income for the year registered an impressive growth at Rs.160.76 Crores compared to Rs.115.70 Crores in previous year led by volume growth in both Jelly Filled Telephone Cables (JFTC) and Optical Fibre Cables (OFC). The Company achieved significant improvement in its sale of JFTC to private operators for rollout of their wireline networks. The OFC volume improved due to increased demand from both BSNL and private operators mainly for their broadband requirements.

The outlook for JFTC would depend much on the order flow from BSNL/MTNL and wireline rollout plans of the private operators.

However, due to poor demand scenario, and existence of huge idle capacities for JFTC, operating margins for JFTC are likely to remain under pressure. The profit and operating margins for OFC are expected to be stable during the current year on likely improved scenario for the OFC business.

Your Company is taking steps to add further products in its portfolio with an eye on future like Ribbon Fibre Cable and Fibre-To-The-Home (FTTH) network equipments. The Company is jointly participating with world renowned Fujikura Ltd. for the Expression of Interest floated by MTNL/BSNL for FTTH Access Network Technology. The Company is gearing up its facilities in order to achieve the desired results in terms of product quality and productivity.

**CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, Management Discussion and Analysis, Corporate Governance Report and certificate by the Managing Director (CEO) confirming compliance by all the Board members and Senior Management Personnel with Company's Code of Conduct 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, 2006, 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 2005-06 and of the profit for the year ended 31st March, 2006;
- 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, 2006 have been prepared on a 'going concern' basis.

**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 remarkably 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 with its continued efforts on developing newer optical fibres.

**INDUSTRIAL RELATIONS & SAFETY**

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

Your Company has been bestowed with the National Safety Award for outstanding performance in industrial safety during the year 2004 based on "Lowest Average Frequency Rate" and also "Longest Accident Free Year". The award received during the year under review is a validation of your Company's efforts to continually improve upon the standards of occupational health and safety at its operations.

**DIRECTORS**

Shri R.C.Tapuriah and Shri H.V. Lodha retire from the Board by rotation at the ensuing Annual General Meeting and, being eligible, offers themselves for re-appointment.

**AUDITORS**

Messrs S.R.Batliloi & Co., Chartered Accountants, retire as Auditors at the ensuing Annual General Meeting 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(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 Registered Office of the Company and of the respective Subsidiary Companies for inspection by any member of the Company.

Optic Fibre Goa Ltd., subsidiary of the Company, has decided to merge with one of its promoter companies with effect from 1st April, 2005 and has initiated the process of getting requisite approvals.

**PARTICULARS OF EMPLOYEES**

Particulars of employees in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are not given, as none of the employees qualify for such disclosure.

**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 therein, the concerned particulars relating to Energy Conservation, Technology Absorption, 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, suppliers and bankers for their continued support.

Yours faithfully,

R.S.Lodha

Chairman

J.Veeraraghavan

S.K.Misra

R.C.Tapuriah

D.R.Bansal

H.V.Lodha

Pracheta Majumdar

Directors

R.G.Mundra

Managing Director

New Delhi, April 29, 2006.

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## 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 THEREIN AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2006.

## (A) CONSERVATION OF ENERGY

The Company adopted following measures on energy conservation:

- Optimization of DG Sets by implementing higher specific energy generation ratio (SEGR).
- Energy saving by achieving unity Power Factor.
- Putting off one Transformer by load optimization.
- Optimization of plant lighting and outdoor lighting.
- Engineering changes to minimize power consumption on machines.

## (B) TECHNOLOGY ABSORPTION

## I. Research and Development (R&amp;D)

- |   |  |
|---|--|
| 1. Specific areas in which R&D carried out by the Company | (a) Process re-engineering and optimization of process equipment.<br>(b) Developments of new products for emerging market requirements including Micro Cables and speciality cables. |
| 2. Benefits derived as a result of the above R&D          | (a) Technology upgradation, enhanced flexibility, cost optimization and competitive edge.<br>(b) Opportunity to compete in International Market.                                     |
| 3. Future plan of action                                  | Continue efforts for development of new products, in addition to other engineering processes and upgrades.   |
| 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.   | The technology used to manufacture various products of the Company in process control, product development, cost reduction and quality improvements are being made on continuous basis. |
| 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 22 [13.2] and [13.3 and 13.4] respectively annexed to and forming part of the Accounts.

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

New Delhi, April 29, 2006.

# 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), Optical Fibre Cables (OFC) including Fibre Ribbon.

JFTC made its foray as a substitute for the dry core paper cables. The capacities were built up since the mid-nineties leading to installed capacity of approx. 1650 Lac Conductor Kilometers (LCKM) with around 1000-1100 LCKM being operational today. However, as a result of the increasing preference for deployment of wireless networks and popularity of mobile services, the JFTC industry has shrunk at 120 LCKM per annum level resulting in abysmally low capacity utilisation by nearly 40 companies that manufacture JFTC.

OFC has increasingly enabled the deployment of large backbone networks across the country in view of its higher capacity to transmit voice and data. The preference of deploying OFC in intercity and subscriber access networks has also enabled the OFC sector to grow in India. There are nearly 20 OFC manufacturers having an installed capacity of around 7 million fibre kilometers (FKMs) with current size of the domestic market being estimated at approx. 2.25 million FKM p.a.

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

### Jelly Filled Telephone Cables

The Company achieved a sales volume of 19.70 LCKM of JFTC compared to 15.19 LCKM in the previous year reflecting an increase of almost 30%. The turnover value reached Rs.12137.98 lacs compared to Rs.8660.87 lacs in the previous year amid continuously spiralling copper prices. The improvement in turnover was primarily due to the supply of JFTC to BSNL against the annual tender floated in previous year and increased demand from private operators.

The demand for JFTC is expected to be driven mainly by new wireline connections, regular replacement of old copper cables and replacement of old wirelines to make them broadband enabled, and some quantum of exports. The overall outlook for JFTC appears uncertain for the current year depending upon the order flow from BSNL/MTNL and the wireline rollout plans of the private operators. Even after the reported restructuring of JFTC plants by certain JFTC manufacturers, the idle capacities are huge. The export market also does not have significant upside potential. Given the poor demand scenario and the existence of large idle capacities, the Company is making all out efforts for increasing operational efficiency, cost control and development of newer market.

### Optical Fibre Cables

The OFC turnover of 5769 KM valued at Rs.2537.26 lacs during the year represented a significant increase over the previous year turnover of 4809 KM valued at Rs.1153.64 lacs. The total turnover in terms of fibre kilometer during the year reached at 221258 fkm (including the Fibre Ribbon) compared to 71640 fkm during the previous year.

The demand for OFC in current year is expected to grow mainly driven by the rollout of broadband networks, interconnection of mobile networks using OFC, and laying of national long distance networks. In the backdrop of significant over capacity, the OFC prices are expected to be stable.

The increased off take of OFC is also fuelled by the growing demand from private operators for their national long distance services. With the increase in telecom traffic, the mobile networks would require increased OFC to inter connect. There is an increasing adoption of fibre-based networks by the cable TV operators to offer Ethernet Local area network and also by the large government owned utilities and the infrastructure providers. The rollout of Fibre-To-The-Home (FTTH) Networks expected to begin in current year could provide another fillip to the OFC demand.

Subsequent to the abolition of customs duty on OFC last year, the domestic OFC prices have become competitive with the imports. However, due to insignificant market share of India in the world OFC trade and the improvement in global demand of OFC, the threat from imports does not appear significant.

The Company had to discontinue the sale of Ericsson make Fusion Splicer Equipments during the year owing to discontinuation of the particular model by Ericsson, which had contributed significantly to the profitability in previous year. The Company has successfully added Fibre Ribbon in its product portfolio strengthening its competitive edge by achieving a turnover of 2293 KM valued at Rs.138.87 lacs in the first full year of operations. The Company is taking steps to add further products in its portfolio both with a view to integrate its operations and also to better its capacity utilization including tie-up with Fujikura Ltd. to collaborate in the Expression of Interest for FTTH Access Network Technology floated by MTNL/BSNL.

### Overall Review

The year 2005-06 has been a come back year of sorts for the telephone cable industry after a gap of 4 years. Plagued by huge capacities, the industry witnessed revival of demand. The decline in domestic as well as international bandwidth prices is driving subscriber growth, which is expected to encourage enhanced capital outlay for access network expansion. The growing triple play demand from Broadband subscribers for telephony, internet access and broadcast television has endured the scope of fixed line telephony. However the Broadband connections at a level of 13.10 lacs as at 31st March, 2006 are way below the target set by the Government leaving a huge demand gap to fill. The teledensity has steadfastly reached at 12.73 at the end of March, 2006, but which has still higher potential in view of the huge untapped rural market in the country. Coupled with one of the lowest tariffs in the Country, ONE INDIA Plan becoming a reality still holds out scope for the industry. However, price levels are expected to be range bound in view of the large idle capacities in the telephone cable industry.