

**DIRECTORS' REPORT**

**TO  
THE SHAREHOLDERS  
HINDUSTAN CABLES LIMITED**

**Shri Kishor Rungta**  
*Chairman and Managing Director*



Dear Shareholders,

On behalf of the Board of Directors, I have great pleasure in presenting you the 60th Annual Report on the working of the Company for the year ended 31st March 2012 along with the Audited Statement of Accounts, Auditors' Report and the Review of the Accounts by the Comptroller & Auditor General of India.

**2. PERFORMANCE**

2011-12 continued to be another crucial year for the Company with adverse business environment. The demand for Polythene Insulated Jelly Filled (PIJF) cable, which is the main product of the company, has been drastically dropped due to introduction of Wireless Technology. As a result, the company do not have any order from BSNL/ MTNL and the operation in all the units of HCL remained suspended during the year. The company was executing the turnkey job of laying of PIJF cable, which has also been affected adversely due to above reasons. Turnkey Division also could not achieve any turnover during 2011-12.

**3. FINANCIAL RESULTS**

Summarised position of the Company's results for the year 2011-12 compared to 2010-11 is given below:

		(₹ In lakhs)	
		<b>2011-12</b>	<b>2010-11</b>
(a)	Gross Income	243	239
(b)	Operating Profit/(Loss)	(11956)	(12306)
(c)	Less/(Add):		
	(i) Finance Charges	49066	42123
	(ii) Depreciation	1053	1199
	(iii) Prior period adjustment, provision and tax	2752	5111
(d)	Profit/(Loss) for the year	(64827)	(60739)

**4. FUTURE OUTLOOK**

The demand for PIJF Cable has been drastically reduced due to introduction of Wireless Technology and the



revolutionary change in the Telecom Sector. The PIJF cable has become obsolete and the demand for Optic Fibre cable is picking up. In the major units of HCL i.e at Rupnarainpur and Hyderabad units, the main product was PIJF cable, the production of which is adversely affected due to product obsolescence. The Naini plant of HCL which was engaged in the production of Optic Fibre Cable has also become non-operative due to change in product specification which needs complete technology upgradation.

The consultant IIT/Kharagpur suggested six products which should be manufactured for revival of the company. Since the products suggested by IIT/Kharagpur is almost Greenfield projects for the company, Government of India has decided to induct Joint Venture Partners from public/private sector. Accordingly there was an advertisement in various newspapers inviting expression of interest from various interested central public sector enterprises. Few CPSEs have expressed interest for making joint venture. However, a firm decision on the proposed joint venture is yet to be taken.

In the mean time Ordnance Factory Board (OFB) has taken keen interest to take over all the units of HCL. It has been in principle agreed that OFB will take over the assets of HCL, as the proposal has been approved by the Board of OFB. The OFB has already submitted its proposal to Department of Defence Production (DDP), Govt. of India. However, the formal approval from DDP is awaited

## **5. STATUS IN BIFR**

The company has been registered with BIFR in the year 2002 vide case No.505/2002. BIFR is still examining the prospect of revival of the company.

Ordnance Factory Board (OFB) under the Department of Defence Production (DDP), Ministry of Defence is very keen to revive the company and take over all the units of the company. It is expected that the proposal for taking over by OFB will materialise by March, 2013 and BIFR's concurrence on the scheme of revival of HCL will be taken by the Company at that point of time

## **6. ISO 9001:2000 CERTIFICATION**

All the cable production Units and Turnkey Service Division of the Company were holding ISO 9001:2000 certification. Hyderabad, Rupnarainpur and Naini Units were accredited holders of ISO 9001:2000 Certificate for manufacture and supply of Jelly Filled Telecommunication Cables. Naini Unit was holding ISO 9001:2000 Certificate for manufacture and supply of Optical Fibre, Optical Fibre Cables and Cable accessories. Turnkey Project Division was holding ISO 9001:2000 Certificate for installation and commissioning of external plant network (Telecom Network) namely underground cable laying, ducting, cable installation in the duct, jointing, termination, testing and commissioning of the installation under copper and fibre network.

## **7. SHARE CAPITAL**

The Authorised Capital of the Company is ₹450 crore. The Subscribed and Paid-up Capital as on 31.3.2012 stood at ₹4,19,36,11,250/- divided into 41,93,61,125 Equity Shares of ₹10 each.

### 8. BORROWINGS

During the year, Company received ₹130.56 crore as non-plan loan from Government of India for payment of salaries/wages, statutory dues to the employees of the Company.

### 9. CONTRIBUTION TO NATIONAL EXCHEQUER

The Company's contribution to National Exchequer by way of Income Tax etc. aggregate to ₹1.60 crore.

### 10. TURNKEY SERVICES

As Telecom Sector is mostly switching over their services from fixed line technology to WLL, Cellular technology, there is drastic reduction of outdoor network in laying PIJF & OF Cable. So Turnkey Project Division could hardly get any business from BSNL/MTNL and other non-BSNL sector. As a result TKP division could not achieve any turnover during 2011-12.

### 11. RESEARCH & DEVELOPMENT PROGRAMMES, TECHNOLOGY INDUCTION AND ABSORPTION/UPDATION

The in house R&D Centre at Hyderabad used to provide its services in the following areas of technology absorption, adaptation and innovation:

- (i) Redesign of cost effect Jelly Filled Cables and usage of new cheaper basic raw materials for Jelly Filled Cables.
- (ii) Development of water swellable flooding compound for telecom cable and cross linked polythene for sleeve manufacturing as import substitution.
- (iii) Testing and standardisation of various joint closures and cable raw materials in association with Telecom Engineering Centre (TEC).
- (iv) Testing of telecom cables/raw materials for Indian Railways in association with Research Designs and Standards Organisation (RDSO) on charge basis.
- (v) Providing test facilities to other organizations and project guidance to educational institutions on charge basis.
- (vi) Development and maintenance of quality control instruments used in manufacturing of telecom cables.
- (vii) Development of GD Tube Tester used in Telephone Exchanges for testing gas Discharge Tubes.
- (viii) Development and Testing of Thermoplastic Sleeving on Carbon fibre Tows for Advanced Systems Laboratory (ASL), Defence R&D Organisation, Hyderabad, used in Agni Missiles, Light Combat Aircraft (LCA) and satellites etc.
- (ix) The R&D Centre was approved by Component Approval Centre Telecommunications (CACT), QA, BSNL, Bangalore for testing raw materials and components and is in the process of getting accreditation by National Accreditation Board for Testing and Calibration Laboratories (NABL) to meet ISO/IEC 17025 Quality standards.

However, due to non operation of its units, no expenditure on R&D has been incurred during the year other than salary, wages and depreciation.

### 12. PROJECTS

New projects will be taken up only with the joint venture partner, for which efforts are being made.



### 13. HUMAN RESOURCE MANAGEMENT

The Company during the year has taken specific initiatives towards development of human resources and employee relations. Efforts were directed towards facilitating the organisation to meet the challenges of the competitive business situation. The manpower strength as on 31.3.2012 was 1958 as against 2141 as on 31.3.2011.

#### ❖ Industrial Relations

Industrial Relations throughout the Company have been conducive during the year under review. Continued efforts are being made to maintain cordial, congenial and peaceful atmosphere in the organization.

#### ❖ Voluntary Retirement Scheme

33 nos. of employees have opted for VRS during the period 2011-12.

#### ❖ Training

Positioning and repositioning of Human Resources Development in all the Units of the Company has always been considered as a key area in order to keep pace with changes in the competitive business scenario being faced at the present juncture. To adopt measures for turn-around strategy, continuous and exemplary thrust has been given to achieve optimum utilisation of the human resource available through suitable deployment and re-deployment programme.

#### ❖ Employee Welfare and Family Planning

Attention is being given for furtherance of various welfare schemes by way of providing medical facilities, transport, housing, education, cooperative societies, socio-culture activities, etc.

The Company encourages timely counselling of employees towards family welfare measures. It has taken regular steps in this direction such as providing vaccines, polio, measles, tetanus etc. and other family planning measures. The employees and their dependant family members are provided with the facilities of periodical specialised consultation.

#### ❖ Scheduled Castes and Scheduled Tribes

The Company continues to follow the Government directives in the matter of reservation in all groups of posts for SC/ST communities, OBC, Physically Handicapped, Ex-servicemen and Minority communities etc. Employees in the various categories as on 31.3.2012 stood as follows:

	<u>Gr. A</u>	<u>Gr. B</u>	<u>Gr. C</u>	<u>Gr. D</u>	<u>Total</u>
SC	36	58	180	75	349
ST	06	11	27	15	59
OBC	17	14	81	33	145
Total	59	83	288	123	553

Disabilities					
VH	-	01	02	03	06
HH	-	01	-	01	02
OH	-	03	20	03	26
Total	-	05	22	07	34

Other than above there were 09 ex-servicemen. Total no. of employees as on 31.3.2012 was 1958.

❖ **Schemes for welfare of disabled persons**

The disabled employees are paid disablement benefit of ₹100/- per month. They are engaged in light jobs commensurate with their respective physical ability. The talented disabled employees have been given the opportunity to flourish in their extra curricular activity.

❖ **Particulars of employees**

No employee of the Company comes under the purview of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended.

**14. PROGRESS IN IMPLEMENTATION OF OFFICIAL LANGUAGE ACT AND RULES THEREUNDER**

All efforts have been made for the promotion of official language as per Official Language Act, 1961 and Rules thereunder. The Official Language Implementation Committees are effectively functioning in all the units of the Company including Corporate Office and appreciable progress has been achieved. The achievements during the year are enumerated below:

- (a) All the letters received in Hindi are replied in Hindi.
- (b) Signboards, notices, name plates, rubber stamps etc. are made bi-lingual.
- (c) Most of the computers are provided with bi-lingual facilities.
- (d) Hindi-Day was organised wherein High-Level Management, other officers as well as employees actively participated.
- (e) All the Departments and Head of Departments are advised to increase the usage of Hindi in the daily correspondence.
- (f) More employees are motivated to learn Hindi.
- (g) Our employees participated successfully in annual functions organised by Town Official Language Implementation Committees.
- (h) Company's web site is maintained bilingual.
- (i) The employees were motivated to put their respective signatures in Hindi in the attendance registers.



## 15. FORESTRY AND ENVIRONMENT PROTECTION

The Company has been consistently putting its dedicated efforts to check the pollution and enhance quality of work life as well as environment through sustained efforts for plantation of trees in and around the factory premises and in the townships for promoting greeneries and ecological balance.

## 16. ENERGY USE AND CONSERVATION MEASURES

To minimise the consumption of energy, the Company has undertaken various energy conservation measures at its Units. The details are as under:

- (a) Cleanliness of transparent roof sheets have been maintained to maximise the usage of natural light.
- (b) Residential lightings are monitored effectively in phased manner through utility of photocell and effective distribution throughout the complex.
- (c) Lighting arrangements are being duly monitored and energy consumption is being regulated to the maximum extent by adopting various "Need based Energy Consumption Methods", such as, restricting the illumination to limited areas. Switching off the equipments when not required, improving cross window ventilation wherever possible and removal of fuses wherever not necessary.
- (d) Steps have been initiated to create awareness among the employees and officers on minimising the energy consumption by switching off the lights, fans, ACs and other electrical machinery, when not required.
- (e) Installed Timers for street lights inside the factory premises and closely monitored to function at pre-set times. Timers put off the lights in the morning at the pre-set time. This directly saves the electrical energy.
- (f) Regular checking of electrical installations are maintained in planned manner and stress is emphasized to ensure economic usage of lighting of all levels

## 17. VIGILANCE

During the year, Vigilance Department expanded its activities and visits/checks in different units and also suggested in improving systems and procedures. Preventive vigilance activities were also reinforced. CVC circulars/guidelines were circulated for implementation.

## 18. CORPORATE GOVERNANCE REPORT

As per clause 49 of the Listing Agreements with the stock exchanges, a Report on Corporate Governance together with a certificate from the auditors regarding compliance of conditions of corporate governance is annexed and forms part of this annual report.

### 19. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company confirm:

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure.
- ii. that the selected accounting policies were applied consistently and the directors made judgement 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 March 31, 2012 and of the loss of the Company for the year ended on that date.
- iii. that proper and sufficient care has 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.
- iv. that the annual accounts have been prepared on a going concern basis.

### 20. AUDIT COMMITTEE

Like last year, the Audit Committee comprised of Shri Dipankar Saha, Director and Chairman of the Audit Committee, Shri S Jainendra Kumar, Director and Member of Audit Committee and Shri S Ray, Director and Member of Audit Committee. However, Shri S.Roy, Director and Member of Audit Committee of the Company superannuated from Bharat Sanchar Nigam Limited, West Bengal Circle on 31.01.2012. Accordingly Shri S.Roy ceased to be a Member of the Audit Committee from 01.02.2012. The terms of reference of the Audit Committee are to review and discuss with the Auditors periodically about internal control systems, the scope of audit and the observations of the Auditors, review of financial statements before submission to the Board, adequacy of internal control systems and any matter referred by the Board. During the year 2011-12, the Audit Committee met once on 02.09.2011.

### 21. BOARD OF DIRECTORS

Shri S.Roy, Director of the Company superannuated from Bharat Sanchar Nigam Limited, West Bengal Circle on 31.01.2012. However, appointment of new Director in place of Shri Roy is yet to be approved by DHI.

The Board of Directors place on record its appreciation for the service rendered by Shri S.Roy as Part-time Director of the Company.

The Board meets with prior notice and circulation of the agenda papers in advance. The meetings focus on strategy formulation, policy and control, review of the performance, annual operating plan and budgets and for considering statutorily required matters. During the year 2011-12, the Board met 4 times.

The whole time directors of the Company are appointed by the Government of India and are being paid remuneration as per the terms of their appointment. Hence, the Company has not constituted a remuneration committee.



## 22. AUDITORS

For the year 2011-12, M/s D. P. Sen & Co., Chartered Accountants, Kolkata, were appointed as Statutory Auditors of the Company for auditing the accounts relating to Rupnarainpur Unit, Machine Tool Works, Fibre Optics Project, Turnkey Project Division and consolidation of Company's Accounts.

M/s G S Murty & Associates, Chartered Accountants, Hyderabad were appointed as Branch Auditors of the Company for auditing the Accounts of Hyderabad Unit and R&D Centre including Pilot Plant at Hyderabad.

## 23. AUDIT REVIEW

The comments of the Comptroller and Auditor General of India, Statutory Auditors' Report to the members and replies of the Management to the observations are annexed.

## 24. COST AUDITORS

Exemption of cost audit was sought for from the Ministry of Corporate Affairs, Cost Audit Branch for the financial year 2011-12 and the approval is awaited.

## 25. LISTING OF SHARES AND OTHER INFORMATION

The disinvested Shares of the Company are listed with the Calcutta Stock Exchange, Delhi Stock Exchange and Ahmedabad Stock Exchange (Regional Stock Exchanges). The company could not pay listing fees for the financial year 2011-12 owing to its sickness and financial crisis. The Shares were not traded at any of the Stock Exchanges. The share transfers taking place are amongst the nominees of the President of India. The distribution of shareholding as on 31st March, 2012 was as under:

Sl.No.	Category	No. Of Shares held	% age
1	President of India	417692325	99.60
2	Mutual Fund	1668800	0.40
	Total	419361125	100.00

The last 3 Annual General Meetings were held on 16.9.2009, 10.09.2010 and 30.09.2011 at Kolkata.

## 26. ACKNOWLEDGEMENT

The Directors are grateful for the support, guidance and assistance received from the Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises, Ministry of Communication, Ministry of Finance and other Ministries of Government of India and State Governments of West Bengal, Andhra Pradesh and Uttar Pradesh. The Board thankfully acknowledge the valuable support, co-operation and assistance rendered by State



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Bank of India, Bank of India, Indian Overseas Bank, State Bank of Saurashtra, Bank of Baroda, Unit Trust of India, Life Insurance Corporation of India, Industrial Finance Corporation of India Ltd., Bharat Sanchar Nigam Ltd., Mahanagar Telephone Nigam Ltd. and Garden Reach Shipbuilders & Engineers Ltd. The Directors also convey their thanks for the co-operation and support received from the office of Comptroller and Auditor General of India and the Principal Director of Commercial Audit.

The Directors take this opportunity to express their appreciation for the support, co-operation and contribution from the employees of the Company in meeting various challenges during the year under review.

For and on behalf of the  
Board of Directors

REGISTERED OFFICE  
9, LALA LAJPAT RAI SARANI  
(ELGIN ROAD)  
KOLKATA 700 020  
DATED : 28<sup>th</sup> September, 2012

(KISHOR RUNGTA)  
CHAIRMAN-AND-MANAGING DIRECTOR