

## **DIRECTORS' REPORT**

**TO  
THE SHAREHOLDERS  
HINDUSTAN CABLES LIMITED**

Dear Shareholders,

On behalf of the Board of Directors, I have great pleasure in presenting you the 57<sup>th</sup> Annual Report on the working of the Company for the year ended 31<sup>st</sup> March 2009 along with the Audited Statement of Accounts, Auditors' Report and the Review of the Accounts by the Comptroller & Auditor General of India.

### **2. PERFORMANCE**

2008-09 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 remain 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. The Turnkey Division achieved a turnover of only Rs.1.22 crores during the year 2008-09.

### **3. FINANCIAL RESULTS**

Summarised position of the Company's results for the year 2008-09 compared to 2007-08 is given below: (Rs. In lakhs)

		<b>2008-09</b>	<b>2007-08</b>
(a)	Gross Income	351	415
(b)	Operating Profit/(Loss)	(9558)	(9770)
(c)	Less:		
	(i) Finance Charges	33191	31484
	(ii) Depreciation	1249	1333
	(iii) Prior period adjustment, provision and write off	537	911
(d)	Profit/(Loss) for the year	(44535)	(43498)

The higher loss is mainly due to increase in finance charges as compared to previous year.

#### **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 The PIJF cable has been gradually becoming outdated and the demand for Optic Fibre cable is picking up.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 also engaged in the production of Optic Fibre Cable has also become non-operative due to change in product specification which needs complete technology upgradation.

Considering the above fact, Government of India took a view to appoint IIT/Kharagpur for the preparation of Draft Rehabilitation Scheme (DRS). IIT/Kharagpur has suggested six new products mainly relating to XLPE Power Cable, FRLS Cable, Broad Band Equipment, Renewable Energy System and optical fibre products which should be manufactured for the 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 for the proposed products. Accordingly DHI arranged an advertisement in various newspapers in the months of July and August 2008, inviting expression of interest from various interested central public sector enterprises. M/s Rashtriya Ispat Nigam Ltd. (RINL) and M/s Mineral and Metal Trading Co. Ltd. have been short listed for our Hyderabad unit. A firm decision on the proposed joint venture is yet to be taken. Similarly RAIL-TEL has expressed interest for Naini unit. Discussion is in progress.

## **5. 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 are 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.

## **6. SHARE CAPITAL**

The Authorised Capital of the Company is Rs.450 crore. The Subscribed and Paid-up Capital as on 31.3.2009 stood at Rs.4,19,36,11,250/- divided into 41,93,61,125 Equity Shares of Rs.10 each.

## **7. BORROWINGS**

During the year, Company received Rs.119 crore as non-plan loan from Government of India for payment of salaries/wages, statutory dues to the employees of the Company.

## **8. CONTRIBUTION TO NATIONAL EXCHEQUER**

The Company's contribution to National Exchequer by way of Income Tax etc. aggregating to Rs.0.39 crore.

## **9. TURNKEY SERVICES**

Telecom scenario of the country has been changing rapidly and new services like WLL, Cellular etc. are emerging in high pace. As a result, there has been a drastic reduction in laying of Jelly Filled and Optical Fibre Cables in external plant network of BSNL/MTNL. This has affected the business of Turnkey Project Division seriously. However, HCL is trying to get orders from non-BSNL segment and could bag few orders from IFFCO, IRCON, South Eastern Railway, Eastern Railway, RAILTEL Corporation etc. through open tenders.

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

The in house R&D Centre at Hyderabad continued its activity in the 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 guidances 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 is 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.

No expenditure on R&D has been incurred during the year other than salary, wages and depreciation.

## **11. PROJECTS**

Various projects like FRLS Cables, High Count Optical Fibre Cables, LT and HT XLPE Power Cable, Renewable energy equipment and Broad Band equipment are under active consideration for product diversification along with J.V partner.

## **12. 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 31.3.2009 was 2909 as against 3018 as on 31.3.2008.

### **❖ Industrial Relations**

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

### ❖ **Voluntary Retirement Scheme**

There was no Voluntary Retirement scheme during the year 2008-09 in the company.

### ❖ **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 resources available through suitable deployment and re-deployment programme.

### ❖ **Employee Welfare and Family Planning**

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.

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

### ❖ **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 31.3.2009 stood as follows:

	<u>Gr. A</u>	<u>Gr. B</u>	<u>Gr. C</u>	<u>Gr. D</u>	<u>Total</u>
SC	49	72	290	336	747
ST	06	11	104	101	222
OBC	24	24	100	45	193
<b>Total</b>	<b>79</b>	<b>107</b>	<b>494</b>	<b>482</b>	<b>1162</b>
<b>Disabilities</b>					
VH	-	1	1	4	6
HH	-	1	1	3	5
OH	-	1	14	15	30
<b>Total</b>	<b>-</b>	<b>3</b>	<b>16</b>	<b>22</b>	<b>41</b>

Other than above there were 50 ex-servicemen. Total no. of employees as on 31.3.09 was 2909.

#### ❖ **Schemes for welfare of disabled persons**

The disabled employees are paid disablement benefit of Rs.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.

### **13. OFFICIAL LANGUAGE POLICY**

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 with 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.

### **14. 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.

### **15. 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 of 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.

## **16. 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.

## **17. 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.

## **18. 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 2009 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.

## **19. AUDIT COMMITTEE**

During the year, the Audit Committee was reconstituted by the Board of Directors on 12<sup>th</sup> August 2008. The Audit Committee comprised of Shri Dipankar Saha, Director and Chairman of the Audit Committee, Shri H C Baveja, Director and Member of Audit Committee and Shri S Ray, Director and Member of Audit Committee. 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 2008-09, the Audit Committee met once on 12.8.2008.

## **20. BOARD OF DIRECTORS**

Shri K Maheshwar Rao has been appointed as Chairman-cum-Managing Director of HCL vide DHI's letter no.1(5)/2007-PE.II dated 6.1.2009 and he joined on 21.1.2009.

Shri S. Jainendra Kumar, Deputy Secretary, Department of Heavy Industry, Ministry of Heavy Industry and Public Enterprises, Govt. of India, joined as part time official director on the board of the company with effect from 10.7.09 vice Shri H C Baveja.

Shri H C Baveja, Deputy Secretary, Department of Heavy Industry, Ministry of Heavy Industry and Public Enterprises, Govt. of India, joined as part time official director on the board of the company with effect from 8.8.2008 vice Shri R P Goyal.

Shri R P Goyal, Director, Department of Heavy Industry, Ministry of Heavy Industry and Public Enterprises, Govt. of India, joined as part time official director on the board of the company with effect from 27.6.08 vice Dr. Ved Prakash.

Shri S Ray, CGM, BSNL, West Bengal Circle joined as part time director on the board of the company with effect from 18.7.08 vice Shri Rakesh Agrawal.

The Board of Directors place on record its appreciation for the valuable and excellent services rendered by Shri H C Baveja, Shri R P Goyal, Dr. Ved Prakash and Shri Rakesh Agrawal during their respective tenure as 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 2008-09, 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.

## **21. AUDITORS**

For the year 2008-09, M/s G Basu & 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 as a whole.

M/s C Ramachandram & Co., Chartered Accountants, Hyderabad were appointed as Branch Auditors of the Company for auditing the Accounts of Hyderabad Unit, Pilot Plant and R&D Centre at Hyderabad.

## **22. 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.

## **23. COST AUDITORS**

Exemption of cost audit was sought for from the Ministry of Corporate Affairs, Cost Audit Branch for the financial year 2008-09 and the approval has been accorded.

## **24. LISTING OF SHARES AND OTHER INFORMATION**

The disinvested Shares of the Company are listed with the Calcutta Stock Exchange (Regional Stock Exchange), Delhi Stock Exchange and Ahmedabad Stock Exchange. The company could not pay listing fees for the financial year 2008-09 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, 2009 was as under:

<b>Sl.No.</b>	<b>Category</b>	<b>No. Of Shares held</b>	<b>% age</b>
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 27.9.06, 27.11.2007 and 26.9.2008 at Kolkata.

## **25. 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 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 : 16<sup>th</sup> September 2009**

**(K MAHESHWAR RAO)  
CHAIRMAN-CUM-MANAGING DIRECTOR**