

## **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 55<sup>th</sup> Annual Report on the working of the Company for the year ended 31<sup>st</sup> March 2007 along with the Audited Statement of Accounts, Auditors' Report and the Review of the Accounts by the Comptroller & Auditor General of India.

### **2. PERFORMANCE**

2006-07 continued to be another critical year for the Company with adverse business environment. BSNL did not release any order for PIJF Cables under the policy of reservation. Operations in all the Units remained suspended during the year because of non availability of orders at remunerative price and shortage of working capital. The Turnkey Division achieved a turnover of Rs.2.22 crores during the year 2006-07 compared to Rs.6.08 crore during the year 2005-06.

### **3. FINANCIAL RESULTS**

Summarised position of the Company's results for the year 2006-07 compared to 2005-06 is given below:

(Rs. In lakhs)

		<b>2006-07</b>	<b>2005-06</b>
(a)	Gross Income	392	864
(b)	Operating Profit	(7747)	(7332)
(c)	Less:		
	(i) Finance Charges	21164	17499
	(ii) Depreciation	1365	1437
	(iii) Prior period adjustment, provision and write off	789	3260
(d)	Profit/(Loss) for the year	(31065)	(29528)

The higher loss is mainly due to low turnover, increase in finance charges and charging of expenses relating to earlier years.

#### **4. FUTURE OUTLOOK**

BSNL did not place any order during the year in favour of HCL under the policy of reservation. In absence of orders at remunerative price and advance, the operations in all the Units remained suspended.

As per direction of BRPSE, the company had engaged IIT/Kharagpur (Consultant) to conduct fresh techno economic study of viability of HCL. The consultant has submitted final report suggesting certain alternative products and the same has been put up before BRPSE by Govt. of India. However the report of IIT, Kharagpur is yet to be deliberated by BRPSE.

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

All the cable production Units and Turnkey Service Division of the Company are 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 also holds ISO 9001:2000 Certificate for manufacture and supply of Optical Fibre, Optical Fibre Cables and Cable accessories. Turnkey Project Division holds 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.

#### **5. SHARE CAPITAL**

The Authorised Capital of the Company is Rs.450 crore. The Subscribed and Paid-up Capital as on 31.3.2007 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.93.10 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. aggregated to Rs.33 lakhs.

## **9. TURNKEY SERVICES**

Due to introduction of various wireless services such as WLL, Cellular etc., there has been a drastic reduction in laying of Jelly Filled & 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 other sectors and could bag few orders from IRCON, South Eastern Railway, Eastern Railway, Rail Tel Corporation, etc. through open tenders. These works are in progress.

## **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).
- (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.

## **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.

## **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 31.3.2007 was 3105 as against 3153 as on 31.3.2006.

### **❖ Industrial Relations**

Industrial Relations throughout the Company have been maintained satisfactorily during the period under review. Continued efforts are being made to promote cordial, congenial and peaceful atmosphere in the organisation.

### ❖ **Voluntary Retirement Scheme**

No employees have opted for Voluntary Retirement during the year 2006-07.

### ❖ **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 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, subsidized canteen, 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 of posts for SC/ST communities, OBC, physically

handicapped, ex-servicemen and minority communities etc. Employees in the various categories as on 31.3.2007 stood as follows:

SC Community	:	812
ST Community	:	230
Physically Handicapped	:	42
Ex-Servicemen	:	52
Others	:	1969
TOTAL	:	3105

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

The employees belonging to disabled category are being paid an amount of Rs.100 per month towards disablement benefit. They are engaged in light jobs commensurate with their respective physical ability. The talented disabled employees have been given the opportunity to flourish 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:

- 1) The letters received in Hindi are being replied in Hindi.
- 2) Signboards, notices, name plates, rubber stamps etc. are made bi-lingual.

- 3) A number of incentive schemes have been introduced to motivate employees for effective implementation of Official Language throughout the Company.
- 4) More employees are motivated to learn Hindi.
- 5) All the Departments and Head of Departments are advised to increase the usage of Hindi in the daily correspondence.
- 6) Most of the computers are provided with bi-lingual facilities.
- 7) 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.

#### **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) Translucent sheets in factory sheds are used for utilisation of natural daylights.
- (b) Awareness of employees in general at the shop floor level has been increased for the useful utilisation of electrical accessories and restrict idle run of machines.
- (c) Periodical check of terminations and wires is followed to avoid unwanted line loss.
- (d) Switching off lights, fans and other electrical appliances in the factories as well as in the office are strictly adhered.
- (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 present 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 2007 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**

The Audit Committee reconstituted by the Board of Directors on 29<sup>th</sup> December 2006 comprised of Shri Ardhendu Sen, Director and Chairman of the Audit Committee, Dr. Ved Prakash, Director and Shri I S Sastry, Director. 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 2006-07, the Audit Committee met once on 28.8.2006

## **20. BOARD OF DIRECTORS**

Dr. Ved Prakash, Director, Ministry of Heavy Industries & Public Enterprises Department of Heavy Industry joined as part-time official director on the Board of the Company with effect from 23.10.2006 vice Shri Mukesh Nigam. The Board of Directors place on record its appreciation for the valuable and excellent services rendered by Shri Mukesh Nigam during his tenure as director of the Company.

Ministry of Heavy Industry & Public Enterprises has entrusted additional charge of the post of Chairman & Managing Director (CMD), Hindustan Cables Limited in favour of Shri Kishor Rungta, Director (Finance), HCL upon release of Shri S K Mukherjee, CMD, HCL on his selection to the post of CMD in M/s Artificial Limbs Manufacturing Corporation of India, Kanpur.

The Board met 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 2006-07, the Board met 5 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 2006-07, M/s George Read & 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 Department of Company Affairs for the financial year 2006-07 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 , Delhi Stock Exchange and Ahmedabad Stock Exchange. The listing fee for the financial year 2006-07 has been paid to all the Stock Exchanges. The Shares were not traded at any of the Stock Exchanges. The share transfers are taking place amongst the nominees of the President of India. The distribution of shareholding as on 31st March, 2007 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 31.12.2004 subsequently adjourned to 14.3.2005, 24.11.05 and 27.9.06 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 : 27<sup>th</sup> November 2007**

**(KISHOR RUNGTA)  
CHAIRMAN & MANAGING DIRECTOR**

