

## **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 58<sup>th</sup> Annual Report on the working of the Company for the year ended 31<sup>st</sup> March 2010 along with the Audited Statement of Accounts, Auditors' Report and the Review of the Accounts by the Comptroller & Auditor General of India.

### **2. PERFORMANCE**

2009-10 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.36.20 lakhs during the year 2009-10.

### **3. FINANCIAL RESULTS**

Summarised position of the Company's results for the year 2009-10 compared to 2008-09 is given below: (Rs. In lakhs)

		<b>2009-10</b>	<b>2008-09</b>
(a)	Gross Income	257	351
(b)	Operating Profit/(Loss)	(9689)	(9765)
(c)	Less:		
	(i) Finance Charges	36773	33234
	(ii) Depreciation	1210	1249
	(iii) Prior period adjustment, provision and tax	(1740)	289
(d)	Profit/(Loss) for the year	(45932)	(44537)

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 The PIJF cable has been gradually becoming outdated and the demand for Optic Fibre cable is picking up.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 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.

Exploring joint venture interest from private sector is yet to be taken by Govt. of India. Since the joint venture partnership with private sector requires approval of Govt. of India, the decision for same is yet to be taken for the proposed joint venture formation with private sector.

The Hon'ble Board for Industrial and Financial Reconstruction in the meeting held on 22.6.2010 decided to issue a show cause notice u/s 20(1) of The Sick Industrial Companies Special Provisions Act 1985 returnable in 60 days and HCL is required to submit reasons why the company should not be wound up and action being taken by the company. The next date of hearing has been

fixed on 30<sup>th</sup> September 2010. Since discussion for joint venture formation is in progress with various PSUs and we have not explored the private sector as of now, therefore the company has decided to seek extension of time from BIFR for another 6 months to explore all possibilities of revival.

## **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 31.3.2010 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.59.90 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.0.41 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 used to provide its services 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 crosslinked 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.

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.

## **11. PROJECTS**

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

## **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 31.3.2010 was 2389 as against 2909 as on 31.3.2009.

### **❖ 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**

220 nos. of employees have opted for VRS during the period 2009-10.

### ❖ **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.

### ❖ **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 31.3.2010 stood as follows:

	<u>Gr. A</u>	<u>Gr. B</u>	<u>Gr. C</u>	<u>Gr. D</u>	<u>Total</u>
SC	45	24	235	280	584
ST	06	10	103	93	212
OBC	19	20	93	43	175
Total	70	54	431	416	971
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Disabilities					
VH	-	-	1	4	5
HH	-	1	1	3	5
OH	-	1	14	15	30
Total	-	2	16	22	40

Other than above there were 50 ex-servicemen. Total no. of employees as on 31.3.10 was 2389.

#### ❖ 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 2010 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 24<sup>th</sup> August 2009. 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. 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 2009-10, the Audit Committee met twice on 22.6.2009 and 24.8.2009.

## **20. BOARD OF DIRECTORS**

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.

The Board of Directors place on record its appreciation for the valuable and excellent services rendered by Shri H C Baveja during his 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 2009-10, 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 2009-10, M/s A Kayes & 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 G S Murty & Associates, 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 2009-10 and the approval is awaited.

## **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 2009-10 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, 2010 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 27.11.2007, 26.9.2008 and 16.9.2009 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 : 10<sup>th</sup> September, 2010**

**(KISHOR RUNGTA)  
Chairman and Managing Director**

## REPORT ON CORPORATE GOVERNANCE

1. **Company's philosophy** – The Company as a responsible corporate citizen believes in practicing good corporate governance in relation to ensuring the transparency, professionalism, accountability, integrity and to promote ethical conduct throughout the organization with the main object to enhance the value of all stake holders.
  2. **Board of Directors** – In terms of company's corporate governance policy, all statutory and other significant and material information are placed before the Board of Directors to enable it to discharge the responsibilities of strategic supervision of the company as trustees of its shareholders.
- 2.1 Composition** – The composition of the board of directors of the company consist of eminently qualified executive and non-executive directors. Total number of directors of the company as on 31.3.2010 was five of which two were whole time directors viz. Chairman-cum-Managing Director and Director(Finance) and the rest three were non-executive directors. The composition of the board of directors and their number of other directorship and membership/chairmanship held by the directors in the committees of various companies during the year 2009-10 are given below:

Name of the director	Category of directorship	No. of other directorship held as on 31.03.10	Committee membership held in other companies
Shri K Maheshwar Rao	Chairman-cum- Managing Director	-	-
Shri Kishor Rungta	Director (Finance)	1	-
Shri Dipankar Saha	Part time Director	-	
Shri H C Baveja*	ex-Part time official Director (upto 10.7.2009)	-	-
Shri S Jainendra Kumar*	Part time official Director (from 10.7.2009)	-	
Shri S Ray	Part time Director	-	-

\*Note: Director for a period less than one year

#Shri S Jainendra Kumar, Dy. Secretary, Department of Heavy Industry, Ministry of Heavy Industries & Public Enterprises, Govt. of India has joined as part time official director on the board of the company w.e.f 10.7.09 vice Shri H C Baveja.

**2.2 Meeting and attendance** – During the financial year ended 31.3.2010, there were 4 meetings of board of directors held on 22.6.2009, 24.8.2009, 23.12.2009 and 30.3.2010. Attendance of directors at board meetings and the annual general meeting are given below:

Name of Director	No. of board meetings attended	Attendance at the last AGM held on 16.9.09
Shri K Maheshwar Rao	4	Yes
Shri Kishor Rungta	4	Yes
Shri Dipankar Saha	4	Yes
Shri H C Baveja*	-	-
Shri S Jainendra Kumar*	3	-
Shri S Ray	1	-

\*Note: Director for a period less than one year

**3. Audit Committee** – The company is having a audit committee consisting of directors duly constituted by the board of directors, for last several years. The terms of reference of 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, two audit committee meetings were held on 22.6.2009 and 24.8.2009. During the year, the audit committee comprised of the following members:

Committee member	Designation	Status in the committee	No. of meetings attended
Shri Dipankar Saha	Joint Secretary, Industrial Reconstruction & Public Enterprises Department, Govt. of West Bengal	Chairman	2
Shri S Ray	Chief General Manager, BSNL, West Bengal Circle	Member	-

Shri H C Baveja*	Dy. Secretary, Ministry of Heavy Industries & Public Enterprises, Govt. of India	ex-Member	-
Shri S Jainendra Kumar*	Dy. Secretary, Ministry of Heavy Industries & Public Enterprises, Govt. of India	Member	1

\*Note: Audit Committee member for a period less than one year

**4. Subsidiary Companies -**

There was no listed or non-listed subsidiary company.

**5. Remuneration Committee -**

a) The need for constitution of a remuneration committee is not felt by the company in view of the fact that company is a government company in terms of section 617 of the Companies Act, 1956, the remuneration of the whole time functional directors and other terms and conditions are fixed by the Govt. of India.

b) The remuneration of the whole time functional directors include basic salary, allowances and perquisites as determined by Govt. of India and also as per the rules of the company. The details of remuneration paid to all the whole time functional directors during the year ended 31.3.10 are given below:

<b>Name of the Director</b>	<b>Salary (Rs. in lakhs)</b>
Shri K Maheshwar Rao	8.72
Shri Kishor Rungta	8.56

**6. Shareholders Committee –** The matters relating to redressal of shareholders complaints are being looked after by the Directors of the Company. No compliant was received from the shareholders during the year 2009-10 and no compliant is lying pending with the company. Shri Subrat Kumar Acharya is the compliance officer of the company.

**7. General body meetings –** The last general body meeting took place on 16<sup>th</sup> September 2009 at Kolkata. There was no special resolution passed in last three AGMs. There was no special resolution passed in the last AGM through postal ballot.



8. **Disclosure** – There was no transaction of material nature with its promoter, directors or their relatives etc. that may have potential conflict of interest with the company at large. There were no instance of non compliance by the company, the penalties strictures imposed on the company by stock exchange or SEBI or any other statutory authority on any matter relating to the capital market during the last three years. There is no personnel who has been denied access to the audit committee of the company.

9. **Means of communication** – Since there is no production at our units and the company is a sick company registered with BIFR, the quarterly results are not published. Details of the company are displayed in the website [www.hindcables.com](http://www.hindcables.com).

10. **General Information for Shareholders-**

- (i) AGM : Date, time and and venue – 10.9.2010 at 11.30 a.m at  
Registered Office, Kolkata.
- (ii) Financial year : 1<sup>st</sup> April 2009 – 31<sup>st</sup> March 2010
- (iii) Date of book closure : 16<sup>th</sup> August 2010 to 20<sup>th</sup> August 2010 (both days inclusive)
- (iv) Dividend payment date : Not applicable.
- (v) Listing of stock exchanges: The Calcutta Stock Exchange Association Ltd.  
The Delhi Stock Exchange Association Ltd.  
The Stock Exchange – Ahmedabad

Listing fees from the financial year 2009-10 could not be paid to the three stock exchanges, owing to sickness of the company.

- (vi) Market price data : Not traded
- (vii) Performance in comparison to broad based indices : Not applicable
- (viii) Distribution of shareholding : Govt. of India : 99.6%  
Canbank Mutual Fund : 0.4%
- (ix) Dematerialization of shares and liquidity : Our shares are not traded. Hence not applicable.

- (x) Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity : Not applicable.
  - (xi) Plant locations:
    - Rupnarainpur unit, P.O Hindustan Cables Rupnarainpur 713 335, Burdwan, West Bengal.
    - Hyderabad Unit, P.O Hindustan Cables, Hyderabad 500 051, Andhra Pradesh
    - Naini Units, UPSIDC Industrial Area, P.O TSL, Naini, Allahabad 211 010
    - Machine Tool Works, P.O Narendrapur 743 508, Dist: 24 Parganas (S), West Bengal
  - (xii) Address for correspondence : Regd. & Corporate Office, 9 Elgin Road, Kolkata 700 020
- 11.** Non-mandatory requirement relating to shareholder's right to receive half yearly declaration of financial performance including summary of the significant events in the last six months has not been complied.