

GUJARAT OPTICAL COMMUNICATION LIMITED

MANAGEMENT DISCUSSIONS AND ANALYSIS

OVERALL REVIEW

The Company is in the business of manufacture and sale of Jelly Filled Telephone Cables and Optical Fiber Cables .

Jelly Filled Telephone Cables were introduced by the erstwhile Department of Telecommunications (DOT) to substitute paper covered unfilled cables in order to solve the problem of water seepage in Telecom Cables resulting in distortion of signals. The Telecom industry in India forms part of the priority sector of the Industrial Policy of the Government of India and a total outlay of Rs.40000 Crores have been planned for this sector in the 8th Five year plan. Bharat Sanchar Nigam Limited (BSNL), part of erstwhile Department of Telecommunications (DOT) and Mahanagar Telecom Nigam Limited (MTNL) are the major purchasers of the cables accounting for more than 80% of the domestic consumption, other users includes railways, defence and other private sector telecom service providers. At present there are 48 PIJF Cable Manufacturers in India, which has resulted in increase in competition and pressure on the prices of the cables. The year under review was a difficult year for the Telecom Industry due to steep decline in the prices and increased competition

FINANCIAL REVIEW

The Company's earnings were lower mainly due to steep fall of about 15% in the cable prices.

OPPORTUNITIES AND THREATS:

With the Telecom Industry being part of Priority Sector, the Government of India has ambitious plans carved out for the industry in its Eighth Five-year plan. Gujarat Optical Communications Limited, with its huge manufacturing capacity and being one of the major players of the Industry, is in a better position to reap the fruits of the same.

The Telecom Cables Industry depends on the Bharat Sanchar Nigam Limited (BSNL) and Mahanagar Telephone Nigam Limited (MTNL). During the year, BSNL has floated the tender for a quantity which is less by about 50 % of the Tender for the previous year. This reduction is mainly due to increased use of Wireless in Local Loop (WLL) technology by BSNL and MTNL and other private operators. This is in addition to the increased competition from the existing as well as new entrants in the Industry. Orders are being accepted by the competitors at a rate much below the variable cost. The Company is taking steps to offset the implications of this by undertaking a major cost cutting exercise.

INTERNAL CONTROL SYSTEMS:

The Company has proper and adequate Internal Control System, which ensures the proper authorisation, recording and reporting of all the transactions and safeguard of all assets from the risk of loss due to unauthorised use and disposition. The in place internal control system ensures prompt financial reporting, optimum utilisation of various resources and quick reporting of deviations. Compliance with laws and regulations is also ensured and confirmed and is reported in every

Board Meeting.

The Company has fully computerised and integrated various financial and accounting functions, information feed back system of process parameters and back tracing from finished goods to raw-material stage.

All financial, operating and information technology systems are reviewed from time to time by the Management.

INDUSTRIAL RELATIONS AND HUMAN RESOURCES

The biggest asset of any Company is its committed staff and work force, and your Company sees its relationship with its employees as very critical to the existence of the Company. The Company has a proper mix of experienced and youth among its employees. The Company is committed to provide the necessary training and opportunity to its employees, which helps them to develop themselves to face the future challenges.

The company's relations with the employees at all levels are very cordial and peaceful.

As at 30th June 2002, the Company employed 268 permanent as well as contractual employees.

CORPORATE GOVERNANCE REPORT

[Pursuant to Clause 49 of the Listing Agreement]

The detailed report on Corporate Governance as per the format prescribed by SEBI and incorporated in Clause 49 of the Listing Agreement is set out below:

1. CORPORATE GOVERNANCE PHILOSOPHY

Corporate Governance makes a significant contribution to the business prosperity and accountability. The Company fully supports this basic tenets of Corporate Governance and envisages the attainment of the highest levels of transparency, accountability and equity, in all facets of its operations and in all its interactions with the Stakeholders, employees, the Government and Lenders.

During the Financial Year, the Company has not fully complied with the requirements of Clause 49 of the Listing Agreements and will continue its efforts towards raising its standard in Corporate Governance and will also review its systems and procedures constantly in order to keep pace with the changing economic environment. The Company shall also put all efforts to comply with the balance requirement of the Corporate Governance code so far not complied with by the Company.

2. BOARD OF DIRECTORS

The Board of Directors of the Company consist of five (5) Directors. Composition and category of the Directors is as follows:

Name of Directors	Category
1. Shri Ramji H Patel	Chairman Non Independent
1. Shri Shantilal R Patel	Managing Director
1. Shri Dilip D Patel	Non Independent and
2. Shri Narendra R Patel	Non Executive Directors
3. Shri Tulsī R. Patel	

The Company has no independent Director as against the requirement of the Board as independent Director.

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Attendance of each Director at the Board meeting, Last Annual General Meeting and number of other Directorship and Chairmanship/Membership of committee of each Director in various Companies.

Name of Director	Attendance Particulars		No. of other Directorship and Committee Membership / Chairmanship		
	Board Meeting	Last Annual General Meeting	Other Directorship	Committee Membership	Committee Chairman
Shri Ramji H Patel	4	No	3	Nil	Nil
Shri Dilip D Patel	5	Yes	3	2	Nil
Shri Narendra R Patel	5	Yes	3	1	Nil
Shri Shantilal R Patel	5	Yes	3	2	1
Shri Tulsi R. Patel	Nil	No	Nil	Nil	Nil

No. of Board Meetings held and the dates on which held :

5 (five) Board Meetings were held during the year, as against the minimum requirement of 4 meetings. The dates on which the meeting were held 24th July, 2001, 25th August, 2001, 27th October, 2001, 9th February, 2002 and 25th May, 2002.

As required by clause 49 VI.A of the Listing Agreements the particulars of Directors seeking re-appointment is as under :

Shri Narendra R. Patel

Shri Narendra R. Patel is a graduate having a very rich experience of over 17 years in the Cable Industry and is the Promoter Director of the Company. He is the Executive Director (Operations) of Gujarat Telephone Cables Limited and is looking after Quality Control, Research & Development of company. Apart from the Company, he is Director in Gujarat Telephone Cables Limited, GTCL Mobile Com Technology Ltd. and RHP Cables & Industries Ltd. He is also member of all the aforesaid compaines apart from being member of the Company.

3. AUDIT COMMITTEE

The Company is in consistent search for competent persons for inducting them as independent Directors on the Board and hence the Board of Directors had not set up an Audit Committee pursuant to the provisions of Section 292A of the Companies Act, 1956 and clause 49 of the Listing Agreement.

4. REMUNERATION OF DIRECTORS

The Company does not have formal Remuneration Committee. No Remuneration is paid to Non-Executive Directors and no sitting fees is paid to any for attending the Meetings of the Board of Directors or Committee thereof. Further the remuneration of the Managing Director is decided by the Board of Directors subject to the approval of the shareholders in General Meeting.

DETAILS OF REMUNERATION PAID TO ALL THE DIRECTORS FOR THE YEAR

NAME OF DIRECTOR	REMUNERATION	SITTING FEES	TOTAL
	Rs.	Rs.	Rs.
Shri Ramji H. Patel	NIL	NIL	NIL
Shri Dilip D. Patel	NIL	NIL	NIL
Shri Narendra R. Patel	NIL	NIL	NIL
Shri Shantilal R. Patel	6,99,972	NIL	6,99,972
Shri Tulsi R. Patel	NIL	NIL	NIL

Notes:

- All the elements of remuneration of the Managing Director, i.e. Salary, Commission, Perquisites and other benefits etc. are given in the schedule 10 annexed to and forming part of Profit & Loss Account. For the purpose of Gratuity, pension and other benefits, the services of Managing Director will be considered continous service with the Company from Original date of joining.
- No sitting fees are paid for attending the meeting of the sub committees of the Board.

5. SHARE TRANSFER-CUM INVESTOR GRIEVANCE COMMITTEE

The Company has reconstituted the Transfer committee as SHARE TRANSFER-CUM INVESTOR GRIEVANCE COMMITTEE and the scope was extended to include overview and review of all matters connected with Investors Grievance and redressal mechanism besides function of Share Transfer approval etc. The Minutes of the Committee meetings were placed before the Board from time to time.

The Chairman of the Committee is Shri Shantilal R. Patel, Shri Dilip D. Patel and Shri Narendra R Patel are the Members of the committee. The Company Secretary is the Compliance Officer.

With a view to expediting the process of transfer in physical segment, the Board had delegated the authority to the Committee of Officers to approve the transfer. To facilitate prompt and efficient services to the Investors, all the transactions in connection with transfer, transmission etc. are processed on fortnightly basis by the Company and the same are placed before the Committee of Directors for approval.

During the year 52 complaints were received from the shareholders directly or through regulatory authorities.

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All the complaints have generally been solved to the satisfaction of complainants except for sub-judice matters, which would be attended to on final disposal by the judicial and other authorities.

6. GENERAL BODY MEETINGS

Venue and time where the last three Annual General Meetings were held are given below:

DATE	VENUE	TIME
15.10.1999	Registered Office: Village Iyawa, Tal. Sanand, Dist. Ahmedabad 382 170	12.30 P.M.
16.11.2000	SAME AS ABOVE	11.00 A.M.
22.9.2001	SAME AS ABOVE	11.00 A.M.

There were no special resolutions passed by the Company through postal ballot in any of the above meetings. In the ensuing Annual General Meeting, there is no resolution required to be passed through postal ballot.

7. A] **Disclosure on materially significant related party transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the company at large.**

There is no materially significant related party transaction which has potential conflict with interest of the Company.

- B] **Details of non-compliance by the company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets during the last three years.**

No penalties, strictures were imposed by any authority on the Company during the last three years.

8. MEANS OF COMMUNICATION

- [a] Half-Yearly Report sent to each household of shareholders

: NO

- [b] Quarterly Results

: Quarterly Results were taken on record by the Board of Directors and submitted to the Stock Exchanges as per requirements of the Listing Agreements.

In which newspapers normally published

: The Western Times, English & Gujarati

- Websites where displayed

: None

- Whether it also displays official news

Releases and presentations made to

Institutional investors/analysts

: NO

- [c] Whether Management Discussion and analysis is part of Annual Report

: Yes

9. GENERAL SHAREHOLDER INFORMATION

9.1 Annual General Meeting:

Date, time and Venue

: 9th November 2002 at 11.00 A.M.
Registered Office of the Company at
Village- Iyawa, Tal Sanand,
Dist. Ahmedabad 382 170.

9.2 Financial Calendar (2002-03)

(TENTATIVE)

Quarterly Results

Quarter ending 30th September 2002

: Last Week of October 2002

Quarter ending 31st December 2002

: Last Week of January 2003

Quarter ending 31st March 2003

: Last Week of April 2003

Quarter ending 30th June 2003

: Last Week of September 2003

9.3 Book- closure Date

: 2-11-2002 to 9-11-2002

9.4 Dividend Payment Date

: N.A.

9.5 Listing of Equity Shares/ Debentures on Stock Exchanges

: Ahmedabad, Mumbai
Delhi & Calcutta.

9.6 Stock Codes

: Ahmedabad - 21945
Mumbai - 526949
Delhi - 107153

Demat ISIN No.

: INE 069D01011

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9.7 Market Price Data

Monthly high and low quotations of shares and volume of Equity Shares traded on the Mumbai Stock Exchange is as follows:

Month	Monthly high	Monthly low	Monthly volume
July 2001	2.50	1.90	800
August 2001	3.10	2.50	910
September 2001	1.25	2.00	1700
October 2001	0.95	0.85	600
November 2001	2.25	1.05	3295
December 2001	3.10	1.60	3900
January 2002	2.55	1.80	4350
February 2002	1.95	1.40	17253
March 2002	2.05	1.45	2306
April 2002	2.65	1.15	4920
May 2002	2.15	1.75	10590
June 2002	3.75	1.65	54067

9.8 Registrar & Transfer Agents

: In-House
Share Department
Gujarat Optical Communication Ltd.
507, Harekrishna Complex, Pritam Nagar, Ellisbridge,
Ahmedabad 380 006. Phone: 079-6578517 Fax: 079-6441592

9.9. Share Transfer Agents (For Electronic Transfers)

: Sharepro Services
Satam Estate, 3rd Floor Above Bank of Baroda,
Cardinal Gracious Road, Chakala, Andheri (East) Mumbai-99.

9.10 Share Transfer System

:
Presently the share transfers which are received in physical form are processed and the share certificates are returned within a period of 20 days from the receipt, subject to the documents being valid and complete in all respects.

Dematerialisation requests are normally confirmed within an average period of 15 days.

9.11 Category of shareholders as on 30th June 2002:

PARTICULARS	NO. OF HOLDERS	NO. OF SHARES	% OF TOTAL
FOREIGN FINANCIAL INSTITUTIONS	4	13400	0.0784
FOREIGN NATIONAL (NRI)	147	299500	1.7512
LIFE INSURANCE CORP. OF INDIA	1	1200	0.0070
NATIONALISED BANKS	10	52000	0.3041
BODIES CORPORATES	2	7767600	45.4184
BODIES CORPORATES	129	516100	3.0177
DIRECTORS AND RELATIVES	25	3066000	17.9274
PUBLIC SHAREHOLDERS (physical)	29078	5386500	31.4958
TOTAL	29396	17102300	100.0000

9.12 Dematerialisation of Shares

: 7767600 Equity Shares representing 45.42% of the total equity Capital of Company are held in dematerialised form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CSDL) as on 30th June 2002.

LIQUIDITY

: Company's shares are reasonably liquid and are actively traded. Relevant Data for the approximate monthly turnover in terms of volume for the Financial year 2001-02 is given.

9.13 Outstanding GDRs/ADRs/Warrants or any other instruments, conversion date and likely impact on equity.

: There are no outstanding instruments which are convertible into Equity Shares in future.

9.14 Plant Location

: Village Iyawa, Tal. Sanand,
Dist. Ahmedabad 382 170.

9.15 Address for correspondence

: Gujarat Optical Communication Ltd.
507 Harekrishna Complex,
Pritam Nagar, Ellisbridge,
Ahmedabad 380 006.

AUDITORS CERTIFICATE

To,
The Members
Gujarat Optical Communication Limited

We have examined the compliance of conditions of Corporate Governance by Gujarat Optical Communication Limited for the year ended on June 30th 2002 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of the opinion on financial statements of the Company.

As discussed in paragraph 2 & 3 of the Corporate Governance Report prepared by the Company, the Company has not complied with the condition of Corporate Governance as mentioned in the above mentioned Listing Agreement.

1. There is no independent Director on the Board of the Directors of the Company as against the requirement of sub clause 1(A) of clause 49 of the Listing Agreement that one-third of the Board should comprise of independent Directors.

2. The Company has not constituted audit committee as required by sub clause II of clause 9 of the Listing Agreement.

Subject to above, in our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with majority of the conditions of Corporate Governance as stipulated in the above Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/ Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For, **MANUBHAI & CO.**
Chartered Accountants

KSHITIJ M. PATEL
PARTNER

Place: Ahmedabad

Date : 28th September 2002.