

MANAGEMENT DISCUSSIONS AND ANALYSIS**OVERALL REVIEW**

The Company is in the business of manufacture and sale of Jelly Filled Telephone 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 Sachar Nigam Limited (BSNL), part of erstwhile Department of Telecommunications (DOT) and Mahanagar Telephone Nigam Limited (MTNL) are the major purchasers of the cables accounting for more than 80% of the domestic consumption, other users include railways, defence and other private sector telecom service providers. At present there are 48 PIJF Cable Manufacturers in India, which has resulted in the 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 was over which was mainly due to:

- 1) Lower demand resulting into lower sales volume of Jelly Filled Cables.
- 2) 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. Your Company being part of GTCL group 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 authorization, 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 tracking 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 assets 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 202 permanent as well as contractual employees.