

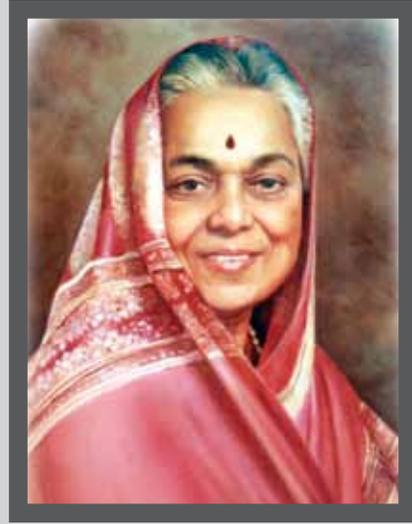
ANNUAL REPORT & ACCOUNTS 2010-11



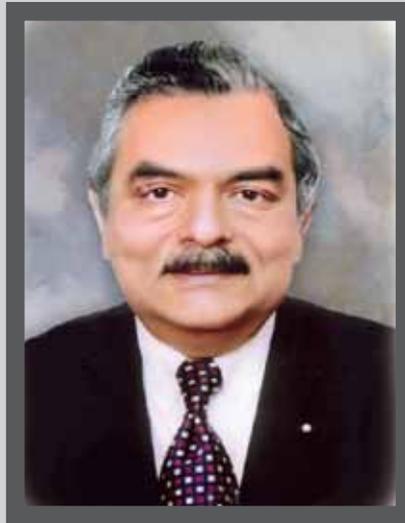
**Birla Ericsson Optical Ltd.**



**Syt. Madhav Prasadji Birla**  
(1918-1990)



**Smt. Priyamvadaji Birla**  
(1928-2004)



**Syt. Rajendra Singhji Lodha**  
(1942-2008)

*Our source of Inspiration*



# BIRLA ERICSSON OPTICAL LIMITED

## ANNUAL REPORT 2010-11

### BOARD OF DIRECTORS

MR. HARSH V. LODHA

*Chairman*

MR. MAGNUS KREUGER

[ALTERNATE MR. DINESH CHANDA]

MR. MATS O. HANSSON

[ALTERNATE MR. S.K. DAGA]

MR. R.C. TAPURIAH

DR. ARAVIND SRINIVASAN

MR. ARUN KISHORE

MR. K. RAGHURAMAN

MR. D.R. BANSAL

*Managing Director*

### AUDIT COMMITTEE

MR. R.C. TAPURIAH

*Chairman*

DR. ARAVIND SRINIVASAN

MR. ARUN KISHORE

MR. K. RAGHURAMAN

### PRESIDENT

MR. Y.S. LODHA

### AUDITORS

V. SANKAR AIYAR & Co.

CHARTERED ACCOUNTANTS

NEW DELHI

### SOLICITORS

NMS & COMPANY

NEW DELHI

### BANKERS

STATE BANK OF INDIA

### REGISTERED OFFICE

UDYOG VIHAR,

P.O. CHORHATA,

REWA-486 006 (M.P.)

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IS / ISO 9001: 2000



IS / ISO 14001



मानक: पर्यावरणकः





# Notice

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NOTICE is hereby given that the Nineteenth Annual General Meeting of the shareholders of the Company will be held at the Registered Office of the Company at Udyog Vihar, P.O. Chorhata, Rewa (M.P.) on Wednesday, the 7th September, 2011 at 11.30 A.M. to transact the following business :-

**Ordinary Business:**

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2011, Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. R.C. Tapuriah, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold Office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company, on such remuneration and reimbursement of out-of-pocket expenses as the Board may decide, based on the recommendation of the Audit Committee.

**Special Business:**

4. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

"RESOLVED that Mr. Mats O.Hansson who was appointed as a Director to fill in the casual vacancy caused by the resignation of Mr. Janne Sjoden and who ceases to hold office at the ensuing Annual General Meeting in terms of Section 262 of the Companies Act, 1956, and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

5. To consider and, if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution:**

"RESOLVED that in modification of the earlier resolution passed in the Extra -ordinary General Meeting of the Company held on 4th December, 2000, save and except things done or omitted to be done before such modification, the consent of the Company be and is hereby accorded to the Board of Directors of the Company, under Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, to borrow any sum or sums of money in any manner from time to time at its discretion for the purpose of business of the Company, with or without security and upon such terms and conditions as it may deem fit, notwithstanding that the money or moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided however that the total amount so borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of Rs.700 crores (Rupees Seven hundred crores only).

FURTHER RESOLVED that for the purpose of giving effect to this resolution, the Board of Directors be and is hereby authorised to do all acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty, doubt that may arise in respect of the borrowing(s) aforesaid and further to do all acts, deeds matters and things and to execute all documents, writings as may be necessary, proper or desirable or expedient."

6. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that in modification of the earlier resolution passed in the Extra-ordinary General Meeting of the Company held on 4th December, 2000, save and except things done or omitted to be done before such modification, the consent of the Company be and is hereby accorded to the Board of Directors of the Company under Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to mortgage and /or create charge(s) on all or any of the immovable and movable properties or such assets of the Company, wherever situate, both present and future, or the whole or substantially the whole of the undertaking of the Company on such terms and conditions and at such time or times and in such form or manner as the Board of Directors may think fit, together with power to enter upon and take possession of the assets of the Company in certain events, for securing debentures, any loan and/or advances including credit facilities already obtained or that may be obtained from banks, financial institutions or trustees of the debenture holders or other person or persons together with interest/additional interest, further interest, compound interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses and other moneys including any increase as a result of devaluation/revaluation/ fluctuation in exchange rate of foreign currency involved, payable by the Company to the concerned lenders within



the overall limit of Rs.700 crores (Rupees Seven hundred crores only). The security as aforesaid by way of mortgage and/or charge(s) may rank pari-passu with, or second or subservient to, the mortgages and / or charges already created or to be created by the Company or in such manner as may be agreed to between the concerned parties and as may be thought expedient by the Board of Directors of the Company.

FURTHER RESOLVED that for the purpose of giving effect to this resolution, the Board of Directors be and is hereby authorised to do all acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty, doubt that may arise in respect of the mortgage and/or charge(s) as aforesaid and further to do all acts, deeds, matters and things and to execute all documents, writings as may be necessary, proper or desirable or expedient."

Registered Office:  
Udyog Vihar,  
P.O. Chorhata,  
Rewa - 486 006 (M.P.)  
July 14, 2011

By Order of the Board  
  
Somesh Laddha  
Sr. Manager (Finance) & Secretary

#### NOTES FOR SHAREHOLDERS' ATTENTION :

- (a) The relevant Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Business to be transacted at the meeting is annexed hereto.
- (b) A SHAREHOLDER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND PROXY NEED NOT BE A SHAREHOLDER OF THE COMPANY. THE PROXY IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE ANNUAL GENERAL MEETING.
- (c) The Register of Beneficial Owners, Register of Shareholders and Share Transfer Books of the Company shall remain closed from Thursday, the 1st September, 2011 to Wednesday, the 7th September, 2011 (both days inclusive).
- (d) Messrs Link Intime India Pvt.Ltd., C-13, Pannalal Silk Mills Compound, L.B.S.Marg, Bhandup (West), Mumbai - 400 078 is the Registrar and Share Transfer Agent for physical shares of the Company. Link Intime India Pvt. Ltd. is also the depository interface of the Company with both NSDL and CDSL.
- (e) Members are requested to note that the Company's shares are under compulsory demat trading for all the investors. Members are, therefore, requested to dematerialise their shareholding to avoid inconvenience.
- (f) Members holding shares in dematerialised mode are requested to intimate all changes pertaining to their bank details, ECS mandates, nominations, power of attorney, change of address/name, etc. to their depository participant only and not to the Company or its Registrar and Share Transfer Agent. The said intimation will be automatically reflected in the Company's records.
- (g) SEBI vide circular ref. no. MRD/DoP/Cir-05/2007 dated April 27, 2007 made Permanent Account Number (PAN) mandatory for all securities market transaction. Thereafter, vide circular no. MRD/DoP/Cir-05/2009 dated May 20, 2009 it was clarified that for securities market transactions and off market/private transaction involving transfer of shares in physical form of listed companies, it shall be mandatory for the transferee(s) to furnish copy of PAN Card to the Company / RTAs for registration of such transfer of shares.

SEBI further clarified that it shall be mandatory to furnish a copy of PAN in the following cases:

- (i) Deletion of name of the deceased shareholder(s), where the shares are held in the name of two or more shareholder(s).
  - (ii) Transmission of shares to the legal heir(s), where deceased shareholder was the sole holder of shares.
  - (iii) Transposition of shares when there is a change in the order of names in which physical shares are held jointly in the names of two or more shareholders.
- (h) Additional information pursuant to Clause 49 of the Listing Agreement(s) with Stock Exchanges, on Directors recommended for appointment or re-appointment at the forthcoming Annual General Meeting, are given in the Annexure to the Notice.
- (i) Shareholders/Proxies are requested to deposit the Attendance Slip duly filled in and signed for attending the Meeting. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote. Corporate shareholders intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Annual General Meeting. Members who hold shares in de-materialized form are requested to bring their DP I.D. and client I.D. No.(s) for easier identification of attendance at the meeting.



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**ANNEXURE TO NOTICE  
EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

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The following explanatory statements set out material facts relating to the Special Business of the accompanying Notice dated July 14, 2011.

**ITEM NO.4**

Mr. Mats O. Hansson was appointed as a Director on the Board of the Company with effect from 30th July, 2009, to fill in the casual vacancy caused by resignation of Mr. Janne Sjoden. In terms of Section 262 of the Companies Act, 1956, Mr. Mats O. Hansson holds office as a Director only upto the date of this Annual General Meeting, as Mr. Janne Sjoden, in whose place he has been appointed, would have retired by rotation at this Annual General Meeting, had he not resigned.

The Company has received a notice in writing from a member alongwith requisite deposit of Rs.500/-, proposing the candidature of Mr. Mats O. Hansson for the office of Director of the Company under Section 257 of the Companies Act, 1956.

The Board of Directors accordingly recommend the resolution as set out in Item No.4 of the Notice for your approval.

Save and except Mr. Mats O. Hansson, none of the other Directors of the Company is, in any way, concerned or interested in the said resolution.

**ITEM NO.5**

The Members in the Extra-ordinary General Meeting of the Company held on 4th December, 2000, authorised the Board of Directors of the Company pursuant to Section 293(1)(d) of the Companies Act, 1956, to borrow moneys (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) from time to time in excess of the aggregate of paid-up capital of the Company and its free reserves, subject to a limit of Rs.250 crores.

With the envisaged increased business activities of the Company and future growth plans, it is considered that the borrowing limit of Rs.250 crores authorised earlier is not sufficient. Hence the limit be increased to Rs.700 crores as proposed in the resolution.

The Board of Directors accordingly recommend the Members to adopt the proposed resolution as an ordinary resolution.

None of the Directors of the Company is concerned or interested in the said resolution.

**ITEM NO.6**

As a security for the Rupee/Foreign Currency Loans and/or advances including credit facilities or debentures to be sanctioned or subscribed by banks, financial institutions or other person(s) with whom the Company negotiates for financial assistance/credit facilities from time to time and to provide security against other loans, the Company is required to create mortgages/charges on its movable and immovable properties, both present and future.

In view of increased requirements of funds in future for envisaged increased business activities and growth plans of the Company, it is proposed that the authority given to the Board of Directors to create mortgage(s) and/or charge(s) be increased from Rs.250 crores to Rs.700 crores.

Section 293(1)(a) of the Companies Act, 1956, provides, inter alia, that the Board of Directors of a public company shall not without the consent of the such public company in General Meeting sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company. Since the mortgages and/or charges proposed to be created by the Company in favour of banks, financial institutions, trustees of the debenture holders or other person or persons may be regarded as disposal of Company's properties/undertaking, it is felt advisable by way of abundant caution to obtain the consent of the members by an Ordinary Resolution pursuant to Section 293(1)(a) of the Companies Act, 1956.

The Board of Directors accordingly recommend the Members to adopt the proposed resolution as an ordinary resolution.

None of the Directors of the Company is concerned or interested in the said resolution.

Registered Office:  
Udyog Vihar,  
P.O. Chorhata,  
Rewa - 486 006 (M.P.)  
July 14, 2011

By Order of the Board

Somesh Laddha  
Sr. Manager (Finance) & Secretary



### Important Communication to Members

The Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in the Corporate Governance", allowing paperless compliances by the companies through electronic mode. The Company welcomes this initiative. The attention of the Members is specifically drawn to the Circular nos.17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011 respectively issued by MCA clarifying that a company would be deemed to have complied with the provisions of Sections 53 and 219(1) of the Companies Act, 1956, if documents like notices, annual report, etc. are sent in electronic form to its Members. In terms of the enabling provisions and underlying theme of this circular, the Company has decided to send henceforth, all documents, required to be sent to Shareholders like, General Meeting Notices (including AGM), Audited Financial Statements, Directors' Report, Auditors' Report, etc., in electronic form on the e-mail id provided by them and made available to us by the Depositories/Registrar and Share Transfer Agent of the Company. Kindly note that the email address furnished for your respective folios will be deemed to be your registered email address for serving the said notices/documents, including those covered under Section 219 of the Companies Act, 1956. Members who have not registered their email addresses so far are requested to register their email addresses, in respect of electronic holdings with the Depository through their concerned DP. Members who hold shares in physical form are also requested to register their e-mail address with our Registrar and Share Transfer Agent Messrs Link Intime India Pvt. Ltd., (Unit: Birla Ericsson Optical Limited), C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West), Mumbai - 400 078, E-mail ID: rnt.helpdesk@linkintime.co.in, by sending a letter duly signed by the first/sole holder quoting the name and folio number(s). The Annual Report and other communication sent electronically will also be displayed on the Company's website www.birlaericsson.com and will be made available for inspection at the Registered Office of the Company on all working days during business hours. Further, please note that members are entitled to be furnished free of cost, copy of Annual Report and other documents upon receipt of their written requisition at any time.

### ANNEXURE TO NOTICE

Details of Directors seeking appointment/re-appointment at the ensuing Annual General Meeting scheduled to be held on 7th September, 2011

Name	Mr. R.C. Tapuriah	Mr. Mats O. Hansson
Date of Birth	15.06.1942	04.11.1956
Date of Appointment	29.07.2001	30.07.2009
Expertise in specific functional areas	Industrialist with wide experience in Business and Industry.	Company Executive with rich business and management experience
List of outside Directorship held	1. Adorn Investment Ltd. 2. Alfred Herbert (India) Ltd. 3. The Bhagwati Pressing Co. Ltd. 4. The Calcutta Investment Co. Ltd. 5. Maxworth Industrial Services Ltd. 6. Mohta Carbide & Chemicals Ltd. 7. New India Retailing & Investment Ltd. 8. The United Investment Co. Ltd. 9. Vindhya Telelinks Ltd.	-
Chairman/Member of the Committee of the Board of Directors of the Company	Chairman - Audit Committee Member - Share Transfer-Cum-Investors' Grievance Committee	-
Chairman/Member of the Committee of the Board of Directors of other Public Companies	Chairman - Audit Committee and Investor Grievance Committee of New India Retailing & Investment Ltd. Chairman - Audit Committee of Vindhya Telelinks Ltd. Member - Audit Committee and Investor Grievance Committee of Alfred Herbert (India) Ltd.	-
Shareholding (both own or held by/for other persons on a beneficial basis), if any in the paid up equity share capital of the company	NIL	NIL
Relationship between Directors of the Company	No	No

**Note:** Number of other Directorships held by the Directors, as mentioned above, do not include alternate directorships and directorships held in foreign companies and Indian Private Limited companies are based on the latest declarations received from the Directors. The details of Committee Membership/Chairmanship is in accordance with revised clause 49 of the Listing Agreements and reflects the Membership/Chairmanship of the Audit Committee and Shareholders' Investors' Grievance Committee alone of all other Public Limited Companies.



# Directors' Report

TO THE SHAREHOLDERS

Your Directors have pleasure in presenting their Nineteenth Annual Report, together with the Audited Financial Statements of the Company for the year ended 31st March, 2011.

## ACCOUNTS & FINANCIAL MATTERS

	<b>2010-11</b> <b>(Rs. in lacs)</b>	2009-10 (Rs. in lacs)
Turnover (Gross)	<b>7055.23</b>	10518.79
Other Income	<b>371.17</b>	174.78
	<b>7426.40</b>	10693.57
The year's working shows a Gross Profit/(Loss) (after Interest) of –	<b>(73.20)</b>	586.59
Less: Depreciation/Amortisation	<b>364.72</b>	358.76
Profit/(Loss) before Tax	<b>(437.92)</b>	227.83
(Excess) provision for tax in respect of earlier years	<b>(0.32)</b>	(0.37)
Net Profit/(Loss) for the year	<b>(437.60)</b>	228.20
(Debit) Balance Brought Forward	<b>(24.84)</b>	(253.04)
(Deficit) carried to Balance Sheet	<b>(462.44)</b>	(24.84)

Your Directors regret their inability to recommend any equity dividend for the year under consideration.

## GENERAL & CORPORATE MATTERS

During the year under review, your Company's domestic sales were adversely affected due to significantly lower sales volume in the traditional Jelly Filled Telephone Cables (JFTC) and also reduced off take of Optical Fibre Cables by a majority of telecom operators. In addition, the sale of Specialty Cables and Automobile Wires also decreased by Rs.1136.14 lacs due to sluggish demand. However, more off take from overseas customers has dramatically improved the export sales of JFTC/ Specialty Cables from Rs.380.38 lacs to Rs.1446.71 lacs in the year under review. This has been possible since your Company, in a pre-emptive move, has strengthened its presence in the overseas markets to offset the general fall in the volume of domestic market. The Company's renewed focus on overseas markets has already resulted in significant tractions in acquiring new customers, particularly in Middle East and SAARC regions. Market focus has also been extended to specific regions in Africa and Europe continents. These initiatives are expected to yield greater proportion of revenue from exports in the overall turnover of the Company in the years to come.

The gross turnover for the year under review decreased to Rs.7055.23 lacs as compared to Rs.10518.79 lacs last year. As the turnover dropped by almost 33%, the Company had to suffer a gross loss of Rs.73.20 lacs (loss before depreciation) as against the gross profit of Rs.586.59 lacs of the previous year. Despite the lower turnover, general control on material consumption, factory and other overheads along with higher interest income and gain in the exchange rate fluctuations have to a great extent restricted the loss. Several measures were also taken to rationalize costs and improve margins in the highly competitive product categories.

The year under report would have been substantially better with the expectation of a major contract to be awarded by BSNL to the Company and its consortium partner for a Defence OFC Network Project. However, despite of your Company alongwith its consortium partner being the lowest eligible bidder in one package of the said tender floated by BSNL, due to a multitude of reasons, the placement of orders have been postponed as the concerned tender has not yet been decided.

Despite the Indian telecom cable market being currently depressed, the driving force for future growth will emanate from the proposed new National Broadband Policy, which envisages a massive rollout of nationwide OFC Network down to the village level.



After the auction of 3G Spectrum, the winning companies have failed to undertake the network expansion plan with the speed anticipated by the cable industry. With a progressive increase in 3G usage the necessity of enhanced Optical Fibre connectivity will be felt by the end users. This huge untapped demand of connectivity through Optical Fibre Cable Network along with the announcement of new Broadband Policy and the setting up of National Broadband Network by the Government of India will generate substantial demand of Optical Fibre Cable across the country. Your Company having recognized its core business strength has already re-engineered itself by re-thinking its internal business processes and cannibalizing its internal systems using the best-in-class available technologies, to achieve cost reduction and productivity improvement. During the year, the Company also focused on building differentiated capability and strengthening its sales and technical delivery teams in order to strengthen its capability platform for future growth. Although the economic and business environments have not completely stabilized, yet your Directors are confident of the long term business prospects of the Company.

The Company regularly measures its progress and benchmarks itself against different competitors to change business strategies needed to create new revenue streams in order to keep growing, prioritize innovations and customer experience to be successful in the future. Continuous investment by the Company in contemporary management practices and manufacturing systems has resulted in significant enhancement in quality and productivity.

## **CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, the Management Discussion & Analysis, Report on Corporate Governance and a certification by the Managing Director (CEO) confirming compliance by all the Board members and senior management personnel with Company's Code of Conduct form a part of the Annual Report. A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance is given in Annexure, which is attached hereto and forms part of this Directors' Report.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors to the best of their knowledge and belief and according to the information and explanation obtained by them, state that:-

- In the preparation of the Annual Accounts for the year ended 31st March, 2011, the applicable accounting standards have been followed;
- The Company has selected such accounting policies, applied them consistently, made judgements 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 the end of the financial year 2010-11 and of the loss for the year ended 31st March, 2011;
- 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; and
- The attached annual Statement of Accounts for the year ended 31st March, 2011 has been prepared on a 'going concern' basis.

## **INDUSTRIAL RELATIONS**

Industrial relations remained cordial throughout the year. The Board wishes to place on record its sincere appreciation for the contribution made by the employees to the significant improvement in operational performance of the Company, their commitment and dedicated efforts in most difficult and challenging environment during the year.

The Company continues to accord a very high priority to both industrial safety and environmental protection and these are ongoing processes at the Company's plant and facilities.

## **RECOGNITION**

The Company's manufacturing facilities continue to remain certified by independent and reputed external agency as being compliant as well as aligned with the external standards for Quality System IS/ISO 9001:2008 and Environmental Management Standards IS/ISO 14001:2004. During the year, the audits for these Certifications established continuous improvement in performance against these standards.



## DIRECTORS

Mr. Mats O. Hansson holds office as a Director only till the date of the ensuing Annual General Meeting i.e. the date upto which Mr. Janne Sjoden in whose place he has been appointed would have held his office and being eligible offer himself for appointment. The resolution seeking his appointment as Director is included in the notice of the Annual General Meeting.

Mr. S.K.Daga and Mr. Dinesh Chanda acted as Alternate Directors to Mr. Mats O. Hansson and Mr. Magnus Kreuger respectively during the year except on vacation of office u/s 313(2) of the Companies Act, 1956 and until re-appointment thereafter.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. R.C.Tapuriah, a Director, is due to retire by rotation at the ensuing Annual General Meeting and being eligible has offered himself for re-appointment.

## AUDITORS

Messrs V. Sankar Aiyar & Co., Chartered Accountants, retire as Auditors of the Company and, being eligible, offer themselves for re-appointment.

Messrs D.Sabyasachi & Co., Cost Accountants, have been appointed as Cost Auditors for Cost Audit in respect of Cables.

## PARTICULARS OF EMPLOYEES

Particulars of employees in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are not given, as none of the employees qualify for such disclosure.

## ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

As required under Section 217(1)(e) of the Companies Act, 1956 and the Rules made therein, the concerned particulars relating to Energy Conservation, Technology Absorption, Foreign Exchange Earnings and Outgo are given in Annexure, which is attached hereto and forms part of the Directors' Report.

## ACKNOWLEDGEMENT

The Board desires to place on record its grateful appreciation for the excellent assistance and co-operation received from the State Government and continued support extended to the Company by the bankers, investors, suppliers and esteemed customers and other business associates. The Board of Directors also expresses its appreciation of the assistance and cooperation extended by the Indian co-promoter companies, viz. Universal Cables Limited and Vindhya Telelinks Limited and unstinted support, technical assistance and guidance received from Ericsson Group Companies.

Yours faithfully,

Harsh.V.Lodha

R.C.Tapuriah

Dr. Aravind Srinivasan

Arun Kishore

K.Raghuraman

Dinesh Chanda

[Alterante to Mr. Magnus Kreuger]

D.R. Bansal

Chairman

} Directors

Alternate Director

Managing Director

New Delhi, July 14, 2011

**ANNEXURE****PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 AND THE RULES MADE THEREIN AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2011.****(A) CONSERVATION OF ENERGY**

The Company's operations do not involve substantial consumption of energy in comparison to the cost of production. Nevertheless, the Company continuously reviews energy usage to track and replace energy inefficient equipments, invests in installing processes that reduces energy losses, modifies processes to reduce energy need and proactively carry out energy audits when considered appropriate. Some of the steps taken in this direction during the year are described below:

- Review of process equipment design and re-validation to reduce energy consumption.
- Installation of energy efficient submersible and water circulation pumps with variable frequency drive (VFD).
- Installed one Transformer for plant lighting in OFC Unit to step down voltage from 440 Volts to 380 Volts for plant lighting circuit.
- Installation of Thyristor based Temperature controllers on Sheathing Line Extruders
- Installation of 55 CFM Air Compressor to minimize usage of 310 CFM Air Compressor.
- Putting off one Transformer by load optimization.
- Consistent quality power supply to critical production machinery through UPS system resulting in improved power factor, reduced dependence on captive power and avoidance of uninformed power outages.

**(B) TECHNOLOGY ABSORPTION****I. Research and Development (R&D)**

1. Specific areas in which R&D carried out by the Company
  - (a) Innovate and improve process capability, attain global benchmarks with consistent focus on the operational excellence.
  - (b) Design and development of special products as per evolving technical standards in the industry as well as specific to the requirement of certain export market.
  - (c) Fine tuning of design parameters based on in-depth discussions and evaluation of customers feedback on product quality for enhanced variety of applications.
  - (d) Continue to adopt innovation and emerging technologies as future growth drivers and improvement of existing products.
  - (e) The company continues development of Structured Data Cables for premise networks and other value added applications.
2. Benefits derived as a result
  - (a) Enhanced flexibility and agile manufacturing keeping abreast of the changing needs of customers, launching of new products including line extensions of existing products which were developed by using in-house R & D capabilities, marked improvement in productivity and overall operating efficiencies besides consistency/stability in products.
  - (b) Successful launch of Category 6 cables, Hybrid Cables (Data cable + Fiber), Coaxial Cables with Physical Foam Insulation for Telecom Applications and Optical Fiber Cables for FTTx Applications.
  - (c) Leveraging the core technological expertise that the Company has acquired over the years in order to stimulate demand by developing and offering innovative quality new products and services.
  - (d) Alignment of products meeting enhanced applications by modifying technical specifications and manufacturing processes.
3. Future plan of action  
Continuation of the ongoing efforts to be globally competitive and excel in the core business activities by focusing on customer orientation, technological capability, innovation and renovation of products, design capabilities and quality.
4. Expenditure on R & D  
R & D Expenditure have not been accounted for separately.

**II. Technology absorption, adaptation and innovation**

1. Efforts, in brief, made towards technology absorption, adaptation and innovation
  - (a) Company has an ongoing access to the international technology from its technical collaborator and absorbs and adapts the technologies on a continuous basis to meet its specific needs from time to time.
  - (b) Analysing feedback from end users to improve quality of products.
2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.
  - (a) Embraced innovation and R&D based excellence for productivity and new market development, upgraded technologies and production processes, the efficiency of supply chain, creation of new products and also line extensions of some of the existing products.
  - (b) Integration of human and technical resources to enhance workforce performance and satisfaction. As a result, the engineering staff is very keenly harnessing the best of technology products.
  - (c) Unmatched understanding of customer needs and a detailed knowledge of available solutions. As a result, the Company has been able to expand its business reach apart from becoming more competitive.
  - (d) Initiatives on lean practices by implementing 5S, Kaizen, Process Layout improvement and reduction in changeover time.



3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished—

- (a) Technology imported : The Company has not imported any technology in the last five financial years. However, the Company has been receiving technical information and assistance from its Collaborator, Ericsson Cables AB, Sweden on an ongoing basis.
- (b) Year of Import : Not Applicable
- (c) Has technology been absorbed? If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action : The technical information are adapted and absorbed by the Company through continuous experimentation of its qualified and trained employees.

**(C) FOREIGN EXCHANGE EARNINGS AND OUTGO**

Earnings (Excluding exports to Nepal Rs. 414.86 lacs) : Rs. 2220.75 lacs  
 Outgo : Rs. 3012.38 lacs

Yours faithfully,

Harsh.V.Lodha	Chairman
R.C.Tapuriah	} Directors
Dr. Aravind Srinivasan	
Arun Kishore	
K.Raghuraman	
Dinesh Chanda [Alterante to Mr. Magnus Kreuger]	Alternate Director
D.R. Bansal	Managing Director

New Delhi, July 14, 2011

**CERTIFICATE OF COMPLIANCE WITH THE CODE OF CONDUCT**

As provided under Clause 49 of the Listing Agreement relating to Corporate Governance with the Stock Exchanges, all the Board Members and the Senior Management Personnel of the Company have affirmed compliance with the Company's Code of Conduct during the financial year 2010-11.

For Birla Ericsson Optical Ltd.

Place : New Delhi  
 Date : July 2, 2011

D.R. Bansal  
 Managing Director

**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

TO THE SHAREHOLDERS OF BIRLA ERICSSON OPTICAL LIMITED

- We have examined the compliance of conditions of Corporate Governance by Birla Ericsson Optical Limited ("the Company") for the year ended on 31st March 2011, as stipulated in Clause 49 of the listing agreement of the said Company with stock exchanges in India.
- The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to review of 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 opinion on the financial statements of the Company.
- 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 the conditions of Corporate Governance as stipulated in the above mentioned listing agreement.
- 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 V. Sankar Aiyar & Co.  
 Chartered Accountants  
 Firm Registration No.109208W

Place : New Delhi  
 Date : July 14, 2011

R. Raghuraman  
 Partner  
 Membership No. 081350



# Management Discussion and Analysis

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## INDUSTRY STRUCTURE AND DEVELOPMENTS

The Company's operations are predominantly classified into Wire and Cables comprising primarily Optical Fibre Cables (OFC), Polyethylene Insulated Jelly Filled Telephone Cables (JFTC) and other variants of telecom cables.

OFC is mainly used in long distance networks and generally forms the backbone of all telecom networks. Transmission in the telecommunications networks of today is becoming more and more digital and the need for broadband access has resulted in OFC increasingly becoming the transmission medium of choice. With traffic likely to grow in the future, significant investment is expected to flow towards installation of optic fibre enabled network which offers higher bandwidth besides ultra high speed than wireless by many orders of magnitude. The advent of 3G and LTE will make it more important for telecom operators to roll out optic fibre based transmission networks, which have the high bandwidth capabilities necessary to support 3G applications. India is envisaged to become fastest growing OFC market in the world.

The Indian market for copper telecom cable viz. Jelly Filled Telephone Cable (JFTC) has been passing through a very difficult time in the last few years. The number of fixed line telephone subscribers in India is witnessing stagnant or declining trend whereas wireless services continue to grow at a phenomenal pace. Presently, the market for JFTC is primarily driven by repair & maintenance activities of the existing telecommunication networks. However, marked acceleration in the take-off of broadband services in India is likely to mean some recovery in demand for copper telecom cables, as provision of broadband connection via DSL over copper pairs requires good quality access lines.

There is no material change in the industry structure as was reported last year.

## OVERALL REVIEW

### Business Review and Outlook

The Indian telecommunications industry, which has become second largest in terms of total number of subscribers in the world, boasts of impressive developments in the last decade. With more than 850 million telecom subscribers and a teledensity of over 70%, India is ready to launch Information and Communication Technologies (ICT) services for the masses on this platform.

The year gone by made the country and the whole world notice the enormity of the Indian telecommunication industry. 2010 also saw the 2G spectrum auction scandal hitting the industry, leading to huge loss in credibility leaving citizens yearning for more transparency and accountability. This has also negatively impacted the overall size of the telecom cable industry during the year as majority of telecom operators deferred their network expansion plans due to an unclear roadmap for future business and lack of clarity on regulatory and policy framework. Despite the Indian telecom cable market being currently depressed, the driving force for future growth will emanate from the proposed new National Broadband Policy, which envisages a massive rollout of nationwide OFC network down to the village level. The Company sees the broadband networks as a new frontier of growth in optical fibre cable business in which it is confident of taking leadership position by providing world-class products to be in the forefront. In line with aspirations of future growth, the Company is investing its resources in this core business.

The National Telecom Policy 2011 is likely to be announced shortly and is expected to bring about parity and transparency in the telecom industry.

### *Optical Fibre Cables (OFC)*

The drop in revenue from OFC business at Rs.3097.79 lacs as compared to Rs.5728.09 lacs in the previous year is mainly due to lower demand from certain key private sector customers. The Company has been constantly looking for export opportunities in order to cope with lower demand in domestic market which is evident from the Company achieving export sales of Rs.920.00 lacs. The momentum in export turnover is expected to continue, based on the encouraging response from the satisfied customers in the overseas markets.



On the backdrop of the government's initiative of finalising the National Broadband Plan which contemplates building a national, open access OFC network connecting all village panchayats in the country, the OFC segment is at the point of inflexion. Despite the increase in demand of OFC, there may not be any significant improvement in the domestic OFC prices as the bargaining power of buyers and the existence of overcapacity will constrain the ability of domestic players to resort to any considerable price hikes in the near future.

Keeping this in view, the Company has taken a strategic decision to participate in turnkey projects which eventually will lead to additional revenue opportunities by cross-marketing its business to the customers besides helping in retention of the customers under the changed business environment.

#### *Jelly Filled Telephone Cables (JFTC)*

The Company's domestic sales turnover on account of JFTC reduced from Rs.936.51 lacs in the previous year to Rs.435.07 lacs during the year under review, mainly due to sharp contraction in demand from BSNL leading to further erosion in margins and profits in the remaining small business from other customers. However, more off take from overseas customers has improved the export sales of JFTC/Specialty Cables from Rs.380.38 lacs to Rs.1446.71 lacs in the financial year under review. This has been possible since your Company over the last few years, has strengthened its presence in the export market to prominent customers in the South Asia and Middle East to offset the general fall in the volume of domestic market.

In future, the Company will be concentrating more on export markets, for which the necessary platform and credentials have already been established in the last few years. The JFTC business has been undergoing the shift to Specialty Cables for wireless and broadband applications that has been predicted for in last few years. In line with the market trends, the Company's overall revenue share from JFTC business has come down in the last 4 years with a significant shift in turnover to Specialty Copper Cables. The upgradation in the production facilities and the capability of producing different variant of copper cables as well as the ability to cater to the stepped-up demand for such products has enabled the Company to spread the customer base in order to offset impact of rapidly declining traditional JFTC business.

#### **Financial Review**

- (a) The gross sales decreased by 32.93% to Rs.7055.23 lacs as compared to Rs. 10518.79 lacs in previous year primarily due to substantial decline in sales of JFTC/OFC both in value and volume terms.
- (b) The other income has increased to Rs.371.17 lacs as against Rs.174.78 lacs in the previous year due to substantial increase in interest on inter corporate deposits and increased export benefits.
- (c) The raw material consumption and other charges were lower as compared to previous year due to lower production level.
- (d) The financial charges increased from Rs.70.54 lacs in previous year to Rs.79.03 lacs mainly due to higher utilization of working capital limits during the year under review. Also, the interest cost has increased to Rs.137.12 lacs (previous year Rs.74.33 lacs) due to extended credit to private sector customers as per evolving industry norms.
- (e) Due to reduction in the turnover from Rs.10518.79 lacs to Rs.7055.23 lacs in the financial year under review, the Company has suffered a gross loss (loss before depreciation) of Rs.73.20 lacs as against the gross profit (profit before depreciation) of Rs.586.59 lacs.
- (f) There was no change in the capital structure during the year. However, the decrease in Reserves & Surplus of Rs.437.60 lacs is because of the net loss in the current year.
- (g) The additions to the fixed assets of Rs.622.24 lacs during the year mainly comprise of Upgradation of Fibre Ribbon Strander, Group Twinner for structured cables, Tandem Skin-Foam-Skin Insulating Line, Upgradation of Test Equipments for structured cables, etc.
- (h) For detailed information on the financial performance with respect to operational performance, a reference may please be made to the financial statements.

#### **OPPORTUNITIES AND THREATS**

The year 2010-11 would have gone down as the watershed year for Indian telecommunication cable industry, with the expectation of two major contracts to be awarded from BSNL for Defence and Navy OFC Networks, but due to a multitude of reasons, the placement of orders have to be postponed as the concerned tenders have not yet been decided.



Broadband connectivity is increasingly being seen as an integral driver of improved socio-economic performances. The Government of India strongly believes that all citizens of India should have access to broadband and the transformative opportunities it offers. It has recently finalized the National Broadband Plan to develop a National Optic Fibre Network (NOFN) for providing connectivity to hinterland which will take high speed internet to rural areas. The capital expenditure for the project will be met from Universal Service Obligation Fund. Further an institutional mechanism for management and operation of the NOFN is proposed to be created for ensuring non-discriminatory access to all service providers. This will step up demand for Optical Fibre Cables. In addition to this, 3G Network services have been introduced by the telecom operators and are expected to cover new applications and services as more operators join the fray. This will require installation of optical fibre cables networks to support capacity requirements, which augurs well for the Company. FTTH deployment in the country will also provide a thrust to OFC market for last mile connectivity. Several prominent Pan-India service providers, open access infrastructure service providers and realty developers are evaluating the techno-commercial benefits of deploying FTTH technology.

The customer base in telecommunication cable industry is relatively concentrated. The Company has, however, been able to retain and expand its customer base in domestic and overseas market places with enlargement of products range and consistent quality. Your Company with the excellent brand image apart from the value addition from the Joint Venture Partner viz. Ericsson AB, Sweden, is set to capitalize the surging growth opportunities in exports to a great extent.

Telecom Sector is impacted substantially by government policies and investment. While no reversal in the planned investment is envisaged, prices and demand are definitely subject to changes in policies on tendering and indenting. However, as explained above the Government's ambitious targets for telecommunication expansion and broadband penetration seamlessly upto village levels should see favourable regulatory environment in India.

With the Indian Optical Fibre Cables and LAN Data Cable market now forecast to be set for a period of strong growth, a number of leading international cable manufacturers may enter the market which shall further intensify the cutthroat competition.

## **RISKS AND CONCERNS**

Despite the fact that the Indian economy has not been severely affected by the global recession due to its strong fundamentals and the inclusive growth, the major risks for 2011-12 towards conducting the business for any corporate are listed as credit crunch, regulation and compliance, recession, cost cutting, non traditional entrants, managing talent and controlling the attrition, developing a risk free business model, etc. and the Company is fully aware of all the above risks and has adopted suitable measures to work more efficiently and responsively with long term vision and business acumen.

### **Technological**

- (a) The consumption of JFTC is expected to remain low due to increasing telephone density and large scale deployment of wireless technology as compared to JFTC in access networks in India.
- (b) The Competition within the OFC business is becoming fierce due to emerging new technologies and frequent new product introductions in optical fibre arena by certain integrated overseas players that command competitive prices and preference in the market place.
- (c) In spite of the numerous advantages of laying optical fibre cables, the process meets resistance in the cities due to the very high Rights-of-Way (RoW) charges levied by local bodies besides inordinate delays and bureaucratic hurdles. Accordingly obtaining RoW clearances is an extremely time consuming and cumbersome process leading to deferment of network expansion plans by the telecom operators.

### **Financial**

Financial risks would include, inter alia, low capacity utilization, unremunerative prices, highly concentrated customers base, shorter delivery schedule and liquidated damages, foreign exchange exposure and related exchange rates variation, commodity price including adverse movements in prices of raw-materials, warranty and security, current or future litigations, working capital management and interest rate, contingent liabilities, etc. In addition, the credit risks could increase, if the financial condition of Company's customers decline. The Company regularly identifies and monitors the financial risks as well as potential business threats and develops appropriate risk mitigation plans. The Company's crisis management capability is also reasonably honed to protect its reputation with its stakeholders.



## **INTERNAL CONTROL SYSTEMS**

The Company's system of financial, operational and compliance control and risk management is embedded in the business process by which the Company pursues its objectives. The established system also provides a reasonable assurance on the efficiencies of operations, safety of assets besides orderly and legitimate conduct of Company's business in the circumstances which may reasonably be foreseen. The Company has a defined organization structure, authority levels delegated powers, internal procedures, rules and guidelines for conducting business transactions.

During the year under review, the Company has significantly implemented the new Enterprise Resource Planning (ERP) SAP-R3 in the areas of finance, purchase and logistics. Earnest efforts are being made to successfully implement the remaining modules of SAP-R3 despite peculiar sales business model of the Company requiring customization of software.

The Company has engaged a firm of Chartered Accountants for internal auditing, who besides conducting periodic audits, independently reviews and strengthens the control measures. The Internal Auditors regularly brief the Management and the Audit Committee on their findings and also on the steps to be taken with regard to deviations, if any.

## **ENVIRONMENT & SAFETY**

The Company successfully continued with the implementation of industrial safety, quality and environmental protection measures and these are ongoing processes at the Company's plant and facilities. As a recognition of these objectives, the entire range of activities of the Company continue to remain certified to the requirement of international standard IS/ISO 14001:2004 by the Bureau of Indian Standards.

The Company has taken initiative for RoHS (Restriction of Hazardous Substances Directive) compliance in its products and manufacturing processes in accordance with existing and anticipated environmental legislations and relevant market requirements.

## **INDUSTRIAL RELATIONS & HUMAN RESOURCE DEVELOPMENT**

The Company sees its relationship with its employees as critical to the future and believes that every employee needs to possess apart from competence, capacity and capabilities, sustainable values, current and contemporary which would make him useful, relevant and competitive in managing the change constructively for overall growth of the organisation. To this end, the Company's approach and efforts are directed towards creating a congenial work atmosphere for individual growth, creativity and greater dedicated participation in organisational development. In-house and external training and instructions are also provided to employees at all levels, which help in attaining professional and productive culture by a blend of technology and highly skilled manpower.

The Company is committed to maintain good industrial relations through active participation of workers, regular meetings and discussions on all legitimate and legally tenable issues. The Company employed 181 number of permanent employees on its Roll as on 31st March, 2011.

## **CAUTIONARY STATEMENT**

Statements in the Management's Discussion & Analysis Report which seek to describe the Company's objectives, projections, estimates, expectations and predictions may be considered to be "forward-looking statements" as of the date of this report and are stated as required by applicable laws and regulations. Actual performance and results could differ materially from those expressed or implied and the Company owes no obligation to publicly update these forward looking statements to reflect subsequent events or circumstances. Market data and product analysis contained in this Report has been obtained from internal Company reports and industry publications, but their accuracy and completeness are not guaranteed and their reliability cannot be assured.

# Report on Corporate Governance

The detailed Corporate Governance Report pursuant to Clause 49 of the Listing Agreement with the stock exchanges is set out below:

## 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE :

The Company's philosophy on Corporate Governance envisages the attainment of corporate excellence by providing greater customer satisfaction, high employee morale and commitment, enhanced shareholder value and sensitivity to societal concerns by maintaining equilibrium between the aspirations of owners, employees, customers and other stakeholders. The Company believes that the governance process should ensure economic prosperity and long term value creation for the enterprise and its shareholders by applying implicit principles of independence, transparency, accountability and responsibility, fairness, investor protection, better compliance with statutory laws & regulations and societal concerns. The Company also respects the inalienable rights of its investors and other stakeholders to information on the performance of the Company based on highest professional, ethical and financial reporting standards.

## 2. BOARD OF DIRECTORS :

The present strength of the Board of Directors is eight (8), out of which four (4) are Independent Non-Executive Directors. The remaining four (4) Directors comprises of one Non-Executive Chairman, one Managing Director being nominees of Indian Promoters and two Non-Executive Directors representing Foreign Promoter Company as its nominees in accordance with the rights enshrined in the Joint Venture Agreement and Articles of Association of the Company. The constitution of the Board reflects compliance in respect of appointing independent directors in terms of Clause 49 of the Listing Agreement.

During the financial year ended on 31st March, 2011, four Board Meetings were held as per Statutory requirements on 11th May, 2010, 27th July, 2010, 28th October, 2010 and 31st January, 2011. The maximum time gap between any two meetings was not more than four months.

The following table gives the composition and category of the Directors on the Board, their attendance at the Board Meetings during the year and at the last Annual General Meeting, as also the number of Directorships and Committee Memberships/ Chairmanships held by them in other companies:-

Name of the Director	Category	Attendance Particulars		No. of other Directorships and Committee Memberships/Chairmanships		
		Board Meetings	Last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
Mr. Harsh V. Lodha (Chairman)	Non-Executive Chairman	4	No	9	2	3
Mr. Magnus Kreuger	Non-Executive	1	No	None	None	None
Mr. Mats O. Hansson	Non-Executive	-	No	None	None	None
Mr. R.C. Tapuriah	Independent Non-Executive	4	Yes	9	3	2
Dr. Aravind Srinivasan	Independent Non-Executive	2	No	None	None	None
Mr. Arun Kishore	Independent Non-Executive	4	No	1	None	None
Mr. K. Raghuraman	Independent Non-Executive	4	No	7	2	1
Mr. D.R. Bansal	Managing Director	4	Yes	3	2	None
Mr. S.K. Daga (Alternate to Mr. Mats O. Hansson)	Non-Executive	2	No	9	1	4
Mr. Dinesh Chanda (Alternate to Mr. Magnus Kreuger)	Non-Executive	3	No	1	2	None

### Notes:

- (i) Number of other Directorships held by the Directors, as mentioned above, do not include alternate directorships and directorships held in foreign companies, Section 25 companies and Indian private limited companies besides trustee/membership of managing Committees of various trusts and other bodies, and are based on the latest declarations received from the Directors. The details of Committee Membership/Chairmanship is in accordance with revised clause 49 of the Listing Agreement(s) and reflects the Membership/Chairmanship of the Audit Committee and Shareholders/Investors' Grievance Committee alone of all other public limited companies.



- (ii) The requirement that a Director shall not be a member of more than 10 Committees and Chairman of more than 5 Committees across all Companies in which he is a Director, has been complied with while constituting the Committee of Directors.
- (iii) Disclosure of the number of equity shares of the Company held by non-executive directors as on 31st March, 2011 -  
Mr. S.K. Daga (Alternate director) - 2000
- (iv) None of the Directors on the Board of our Company enjoys any relationship with other Directors of the Company.

All material information are circulated to the directors before the meeting or placed at the meeting including minimum information as required under Annexure-IA of Clause 49 of the Listing Agreement(s). The Board has complete and unrestricted access to any information required by them to understand the transactions and take decisions. This enables the Board to discharge its responsibilities effectively and take informed decisions. The compliance report of all laws applicable to the Company as prepared and compiled by the Compliance Officer is circulated to all the Directors along with the Agenda and placed/reviewed in each Board Meeting.

The Board has laid down a Code of Conduct for all Board Members and senior Management Personnel of the Company and the same has been posted on the website of the Company. For the year under review, all Directors and senior Management Personnel of the Company have confirmed their adherence to the provisions of the said Code.

A brief resume and the profile of Directors retiring by rotation and eligible for appointment/re-appointment at the ensuing Annual General Meeting (AGM) are given in the Notice of AGM of the Company, annexed to this Annual Report.

### 3. AUDIT COMMITTEE :

The Audit Committee was formed during the financial year 2000-01 and has been re-constituted over the years as per applicable legal and regulatory requirements from time to time. The existing Audit Committee consists of four Independent Non-Executive Directors as specified below:-

- (i) Mr. R.C.Tapuriah : Chairman (Independent Non-Executive Director)
- (ii) Dr. Aravind Srinivasan : Member (Independent Non-Executive Director)
- (iii) Mr. Arun Kishore : Member (Independent Non-Executive Director)
- (iv) Mr. K. Raghuraman : Member (Independent Non-Executive Director)

The constitution and composition of the Audit Committee also meets with the requirements of Section 292A of the Companies Act, 1956.

All the members of the Audit Committee are financially literate and having insight to interpret and understand financial statements.

The Secretary of the Company as appointed within the meaning of Section 383A of the Companies Act, 1956 acts as the Secretary of the Audit Committee.

The functioning and terms of reference of the Audit Committee including the role, powers and duties, quorum for meeting and frequency of meetings are in accordance with Clause 49(II) of the Listing Agreement with Stock Exchanges besides complying with the requirements of Section 292A of the Companies Act, 1956. The terms of reference of the Audit Committee include, inter alia, -

- (i) Oversight of the Company's financial reporting process and the disclosure of its financial information.
- (ii) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees and also approval of payment for any other services rendered by the statutory auditors.
- (iii) Reviewing, with the management, the annual and quarterly financial statements before submission to the board for approval.
- (iv) Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- (v) Discussion with internal auditors any significant findings and follow up thereon.
- (vi) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- (vii) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.
- (viii) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors
- (ix) To review mandatorily the following informations -
  - (a) Management discussion and analysis of financial condition and results of operations;
  - (b) Statement of significant related party transactions (as defined by the audit committee), submitted by management;



- (c) Management letters/letters of internal control weaknesses issued by the statutory auditors;  
 (d) Internal audit reports relating to internal control weaknesses; and  
 (e) The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

During the financial year ended 31st March, 2011, four Audit Committee Meetings were held and attendance thereof are given below:-

Name of Members	Meetings held and attendance particulars			
	May 10, 2010	July 26, 2010	October 27, 2010	January 30, 2011
Mr. R.C. Tapuriah	Yes	Yes	–	Yes
Dr. Aravind Srinivasan	Yes	–	–	Yes
Mr. Arun Kishore	Yes	Yes	Yes	Yes
Mr. K. Raghuraman	Yes	Yes	Yes	Yes

The necessary quorum was present at all these meetings. While the Statutory Auditors attended all meetings, the Internal Auditors attended three meetings, the Cost Auditors of the Company attended one meeting. President and other invited executives also attended the meetings to answer and clarify the issues raised at the meetings

#### 4. REMUNERATION COMMITTEE :

The Remuneration Committee constituted in pursuance of the provisions of the Listing Agreement and Schedule XIII to the Companies Act, 1956 comprises of all three Independent Non-Executive Directors viz. Dr. Aravind Srinivasan as Chairman with Mr. Arun Kishore and Mr. K. Raghuraman, as its members.

The Remuneration Committee formulates and recommends to the Board from time to time a compensation structure for whole-time directors of the Board. During the financial year ended on 31st March, 2011, the Remuneration Committee met only once on 10th May, 2010 which was attended by all the members. As per terms of reference, the Remuneration Committee recommended the Annual Increment of Mr. D.R. Bansal, Managing Director in the basic salary together with consequential increase in all other perquisites, allowances and benefits payable with effect from 1st April, 2010. The Committee also approved the remuneration package of Mr. D.R. Bansal on his re-appointment as Managing Director for a period of (3) three years from 8th August, 2010 to 7th August, 2013.

At present, the Company does not have any policy for payment of remuneration to Non-Executive Directors including Non-Executive Independent Directors except by way of sitting fees at the rate of Rs.15000/-, Rs.5000/-, Rs.5000/- and Rs.2000/- for each meeting of the Board, Audit, Remuneration and Share Transfer-Cum-Investors' Grievance Committee(s) respectively attended by any such Director. The details of remuneration paid to Directors/Managing Director for the financial year ended March 31, 2011, are set out below:-

(a) Non-Executive Directors:

Name of the Director	Sitting Fees (Rs. in lacs)
Mr. Harsh V. Lodha	0.60
Mr. Magnus Kreuger	0.15
Mr. Mats O. Hansson	–
Mr. R.C. Tapuriah	0.79
Dr. Aravind Srinivasan	0.47
Mr. Arun Kishore	0.85
Mr. K. Raghuraman	0.85
Mr. S.K. Daga	0.30
Mr. Dinesh Chanda	0.45

(b) Managing Director:

(Rs. in lacs)

Name	Salary	Perquisites, etc.	Sitting Fees	Total
Mr. D.R. Bansal	12.00	3.50	0.64	16.14

- Notes:**
- Sitting fees include fees paid for attending Committee Meetings.
  - All appointments are non-contractual except that of the Managing Director, which is for three years with effect from 8th August, 2010. The re-appointment of the Managing Director is conditional upon and subject to termination by three calendar months notice in writing on either side but no severance fees of any other kind is payable.
  - The Managing Director's remuneration as disclosed above is exclusive of contribution to gratuity fund and provisions for pension and leave encashment benefits which are based on actuarial valuation done on an overall company basis and hence not precisely ascertained.



- (iv) As per the terms of agreement, for the purpose of Gratuity, Pension and other benefits, the services of the Managing Director will be considered continuous service with the Company from the date he joined the service of sister concern(s) or this Company in any capacity from time to time. However, in case of gratuity, any benefit already obtained from such sister concern(s) of the Company is deducted from the final amount payable.
- (v) Presently, the Company does not have any scheme for grant of Stock Options to its Directors, Managing Director or other employees.
- (vi) None of the employees is related to any of the Directors of the Company.

#### 5. SHARE TRANSFER-CUM-INVESTORS' GRIEVANCE COMMITTEE :

The Share Transfer-cum-Investors' Grievance Committee constituted by the Board acts in accordance with the terms of reference specified by the Board from time to time which, inter alia, include overseeing and reviewing all matters connected with investors' complaints and redressal mechanism besides approval or authorizations for issue of duplicate share certificate, share transfer/transmission/refusal of transfer/ consolidation/sub-division/dematerialisation or rematerialisation, etc. as per applicable statutory and regulatory provisions.

The compensation of the Share Transfer-cum-Investors' Grievance Committee and details of meetings attended by the members thereof are as follows

Name of the Members	Category	No. of Meetings attended
Dr. Aravind Srinivasan	Non-Executive Independent	1
Mr. R.C. Tapuriah	Non-Executive Independent	2
Mr. D.R. Bansal	Executive-Managing Director	2

Dr. Aravind Srinivasan was elected as the Chairman of the Committee. Mr. Somesh Laddha, Sr. Manager (Finance) & Secretary of the Company has been designated as the Compliance Officer.

During the year ended 31st March, 2011 two meetings of the Committee were held on 10th May, 2010 and 28th October, 2010.

During the year under review, 18 complaints (excluding those correspondences which are not in the nature of complaints) were received from shareholders and investors, directly or through regulatory authorities. All the complaints have been attended/resolved to the satisfaction of complainants during the year except in cases which are constrained by disputes or legal impediments or other sub-judice matters, if any. No request for share transfer was pending for approval as on 31st March, 2011.

#### 6. GENERAL BODY MEETINGS :

Location and time where General Body Meetings were held in last three years are given below:

Financial Year	Type of Meeting	Date	Time	Venue of the Meeting
2007-08	AGM	14 <sup>th</sup> August, 2008	11.30 A.M.	Registered Office of the Company at : Udyog Vihar, P.O.Chorhata, Rewa (M.P.) - 486 006
2008-09	AGM	6 <sup>th</sup> August, 2009	11.30 A.M.	
2009-10	AGM	25 <sup>th</sup> June, 2010	12.30 P.M.	

All the resolutions set out in the respective notices of the above mentioned meetings were passed by the members as ordinary resolutions except two special resolution(s) concerning re-appointment of Mr. D.R. Bansal as Managing Director and alteration of Articles of Association of the Company, which were passed on show of hands. None of the Businesses proposed to be transacted in the ensuing Annual General Meeting requires passing a special resolution through Postal Ballot.

#### Resolution through Postal Ballot:

During the year 2010-11, the Company have taken shareholders approval by way of Special Resolution through postal ballot to make loans, give guarantees, provide securities and make investments beyond the limits specified under Section 372A of the Companies Act, 1956. The result of the postal ballot was announced at the registered office of the Company on April 11, 2011. The voting pattern was as follows:-

Description	No. of Valid Votes Cast	Percentage of Votes Cast
Votes cast in favour	20145432	99.54%
Votes cast against	92952	0.46%
Total	20238384	100.00%



The above resolution passed with the requisite and overwhelming majority. The procedure prescribed under Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 has been followed for the postal ballot conducted for the special resolution mentioned above and Mr. Rajesh Kumar Mishra, B.Sc., LLB., FCS, Practising Company Secretary was appointed as Scrutinizer for conducting the postal ballot exercise for the aforesaid matter.

#### 7. DISCLOSURES :

- (a) There are no materially significant related party transactions entered into by the Company with its Promoters, Directors or Management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large. A statement in summary form of transactions with the related parties during the year in the ordinary course of business is disclosed in Note B.8 of Schedule-21 to the accounts in the Annual Report.
- (b) The Company has complied with the requirements of Stock Exchanges, Securities and Exchange Board of India and other statutory authorities on matter relating to capital markets during the last three years and consequently no penalties or strictures have been imposed on the Company by these authorities.
- (c) The Company has generally complied with all the mandatory requirements as stipulated under revised Clause 49 of the Listing Agreement with the Stock Exchanges, to the extent these apply and extend to the Company.
- (d) While preparation of the financial statements during the year under review, no accounting treatment which was different from that prescribed in the Accounting Standards was followed. The significant accounting policies applied in preparation and presentation of financial statements have been set out in Schedule-21 forming part of the accounts in the Annual Report.
- (e) The Company has laid down procedures to inform the Board Members about the risk assessment and minimization procedures covering the entire gamut of business operations of the Company. These procedures are periodically reviewed to ensure that executive management controls risks by means of a properly defined framework.
- (f) The designated senior Management Personnel of the Company have disclosed to the Board that no material, financial and commercial transactions have been entered into during the year under review in which they have personal interest, which may have a potential conflict with the interest of the Company at large.
- (g) The CEO (Managing Director) and the CFO (President) have furnished a duly signed Certificate to the Board for the year ended 31st March, 2011 in accordance with the provisions of revised Clause 49.V of the Listing Agreement(s) and the same has been placed in the Board Meeting held on 14th July, 2011.
- (h) In accordance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended, Mr.Y.S.Lodha, President has been designated as the Compliance Officer of the Company under the Company's Code of Conduct for Prevention of Insider Trading. He is responsible for adherence to the Code by the Company and its designated employees. The Company also adheres to the disclosure practices for Prevention of Insider Trading as specified in the aforesaid SEBI Regulations.
- (i) The Company has presently not adopted the non-mandatory requirements in regard to maintenance of Non-Executive Chairman's office, tenure of independent directors, sending half-yearly declaration of financial performance to each household of shareholders, training of Board Members, Mechanism for evaluating non-executive Board Members and establishment of whistle Blower policy, etc. The Company has, however, constituted a Remuneration Committee, which has been dealt elaborately in point No.4 of this Report.

#### 8. MEANS OF COMMUNICATION :

##### (a) Quarterly Results:

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

##### (b) Newspapers wherein results are normally published:

English Newspaper – Financial Express (all editions)  
Vernacular Newspaper – Dainik Jagran (Rewa edition)

##### (c) Any website, where displayed :

www.birlaericsson.com

##### (d) Whether it also displays official news releases : No

##### (e) The presentations made to institutional investors or to the analysis : NIL

**9. GENERAL SHAREHOLDER INFORMATION :****9.1 Annual General Meeting:**

- Date and Time : 7th September, 2011 at 11.30 A.M.
- Venue : Registered Office of the Company at  
Udyog Vihar,  
P.O. Chorhata,  
Rewa (M.P.) – 486 006

**9.2 Financial Calendar (2011-12) :**

(tentative)

- Quarter ending June 30, 2011 : Last week of July, 2011
- Quarter ending September 30, 2011 : Last week of October, 2011
- Quarter ending December 31, 2011 : Last week of January, 2012
- Quarter ending March 31, 2012 : Second week of May, 2012

**9.3 Book Closure date(s)**

- : Thursday, 1<sup>st</sup> September, 2011 to Wednesday,  
7<sup>th</sup> September, 2011 (both days inclusive)

**9.4 Dividend Payment date**

- : Not Applicable

**9.5 Listing on Stock Exchanges**

- (a) Bombay Stock Exchange Ltd. (BSE)  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Fort,  
Mumbai – 400 001
- (b) National Stock Exchange of India Ltd. (NSE)  
Exchange Plaza, Plot No. C-1, G. Block,  
Bandra-Kurla Complex,  
Bandra (East),  
Mumbai – 400 051

The Company has timely paid the Annual listing fees for the financial year 2010-11 to BSE & NSE.

**9.6 Stock Code – Physical**

- : BSE, Mumbai – 500060
- : NSE, Mumbai – BIRLAERIC EQ

**Demat ISIN Number for NSDL & CDSL**

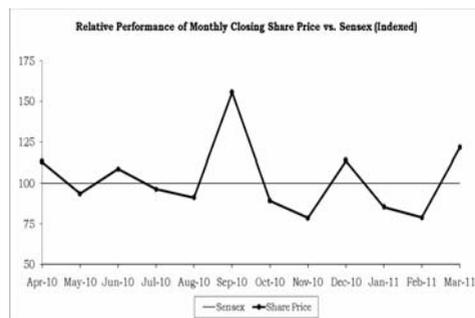
- : INE800A01015

**9.7 Market Price Data :**

Monthly high and low quotations of shares and Volume of Equity Shares traded on Bombay Stock Exchange Ltd., Mumbai (BSE) and National Stock Exchange of India Ltd, Mumbai (NSE) are as follows :

Month	BSE			NSE		
	High (in Rs.)	Low (in Rs.)	Monthly Volume (in Nos.)	High (in Rs.)	Low (in Rs.)	Monthly Volume (in Nos.)
April, 2010	19.50	15.05	333345	19.80	15.10	322746
May, 2010	19.50	15.00	337973	19.35	14.70	345740
June, 2010	19.35	15.10	418019	19.35	15.05	517180
July, 2010	21.80	17.05	747203	21.80	17.05	945286
August, 2010	19.10	16.00	273966	20.70	16.00	271761
September, 2010	35.05	17.70	4166817	35.50	16.90	5581281
October, 2010	28.60	22.80	534047	28.75	23.00	359452
November, 2010	25.45	18.05	263423	25.40	18.00	231548
December, 2010	21.75	17.45	208689	22.25	17.30	249313
January, 2011	20.65	16.35	82273	20.75	16.60	109580
February, 2011	17.00	13.25	227729	17.15	13.10	135691
March, 2011	22.27	14.40	640081	22.10	14.50	410223

## 9.8 Share price performance in comparison to broad based indices - BSE Sensex:



### 9.9 Registrar and Share Transfer Agents :

Messrs Link Intime India Pvt. Ltd.  
 C-13, Pannalal Silk Mills Compound  
 L.B.S. Marg, Bhandup (West) Mumbai – 400 078  
 Phone : +91-22-25946970  
 Fax : +91-22-25946969  
 Email : [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)

### 9.10 Share Transfer System:

The trading in Company's Equity Shares on the stock exchanges is permitted only in dematerialised form for all classes of investors as per notification issued by the Securities and Exchange Board of India (SEBI).

All transactions in connection with transfer, transmission, etc. are processed by the Registrar and Share Transfer Agents of the Company on fortnightly basis and the same are placed before the Committee of Directors/Committee of Officers, as the case may be, for approval at regular interval. With a view to expediting the process of share transfer in physical segment, the Board of Directors has delegated the authority to a Committee of Officers for approving transfer upto 1000 equity shares in each request. A summary of transfer/transmission of equity shares so approved by the Committee of Officers is placed at every Board Meeting. The average time taken for processing Share Transfer requests in physical form including despatch of Share Certificates is generally three weeks on receipt of duly completed documents in all respects. The request for dematerialisation of equity shares is generally confirmed/rejected within an average period of 15 days. The Company obtains from a Company Secretary in practice half-yearly certificate of compliance with the share transfer formalities as required under Clause 47(c) of the Listing Agreement with stock exchanges and files a copy of the certificate with the stock exchanges.

The Company's representatives visit the office of the Registrar and Share Transfer Agents from time to time to monitor, supervise and ensure that there are no delays or lapses in the system.

### 9.11 (a) Distribution of Shareholding as on 31st March, 2011 :

No.of Equity Shares held	Number of Shareholders	% of Shareholders	Number of Shares held	% of Shareholding
1 – 500	28930	92.58	4049775	13.50
501 – 1000	1249	4.00	1059369	3.53
1001 – 2000	518	1.66	793490	2.64
2001 – 3000	205	0.65	531100	1.77
3001 – 4000	72	0.23	262636	0.88
4001 – 5000	97	0.31	470417	1.57
5001 – 10000	89	0.28	672610	2.24
10001 and above	90	0.29	22160603	73.87
<b>GRAND TOTAL</b>	<b>31250</b>	<b>100.00</b>	<b>30000000</b>	<b>100.00</b>
<b>Physical Mode</b>	<b>12374</b>	<b>39.60</b>	<b>20142983</b>	<b>67.14</b>
<b>Electronic Mode</b>	<b>18876</b>	<b>60.40</b>	<b>9857017</b>	<b>32.86</b>

**(b) Category of Shareholders as on 31st March, 2011:**

Category	Number of Shareholders	% of Shareholders	Number of Shares held	% of Shareholding
Indian Promoter & Promoter Group *	34	0.11	11655943	38.85
Foreign Promoter*	1	–	8250000	27.50
Resident Individuals & Corporates	31007	99.22	9853087	32.84
Financial Institutions/Banks/Mutual Funds	8	0.03	3120	0.01
NRI's	131	0.42	78703	0.26
Society/Trust	7	0.02	91740	0.31
Clearing Member	62	0.20	67407	0.23
<b>GRAND TOTAL</b>	<b>31250</b>	<b>100.00</b>	<b>30000000</b>	<b>100.00</b>

\* For definitions of "Promoter Shareholding" and "Promoter Group" refer to Clause 40A of Listing Agreement(s) with the stock exchanges.

- 9.12 **Dematerialisation of Shares and liquidity:** : 9857017 equity shares representing 32.86% of the total Equity Capital of the Company are held in a dematerialised form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as on 31st March, 2011.

Company's shares are reasonably liquid and are quite actively traded on the Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE). Relevant data for the approximate average daily turnover in terms of volume for the financial year 2010-11 is given below :

BSE	NSE	BSE+NSE
32415	37322	69737

(Source: This information is compiled from the data available from the websites of BSE and NSE)

- 9.13 **Outstanding GDRs/ADRs/ Warrants or any Convertible instruments, Conversion date and likely Impact on equity:** The Company has not issued any of these instruments so far.

- 9.14 **Plant Location:** Udyog Vihar Industrial Area, P.O. Chorhata, Rewa (M.P.) – 486 006

- 9.15 **Address for Correspondence:**

Messrs Link Intime India Pvt. Ltd.  
C-13, Pannalal Silk Mills Compound  
L.B.S. Marg, Bhandup (West)  
Mumbai – 400 078  
Phone : +91-22-25946970  
Fax : +91-22-25946969  
Email : rnt.helpdesk@linkintime.co.in

OR Share Department  
Birla Ericsson Optical Ltd.,  
Udyog Vihar, P.O. Chorhata,  
Rewa (M.P.) – 486 006  
Phone : +91-7662-400580  
Fax : +91-7662-400680  
Email : headoffice@birlaericsson.com or  
investorservices@birlacables.com



# Auditors' Report

TO THE SHAREHOLDERS OF BIRLA ERICSSON OPTICAL LIMITED

1. We have audited the attached Balance Sheet of Birla Ericsson Optical Limited ('the Company') as at March 31, 2011 and also the Profit and Loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - (v) On the basis of the written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - (a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2011;
    - (b) in the case of the profit and loss account, of the Loss for the year ended on that date; and
    - (c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For V. Sankar Aiyar & Co.  
Chartered Accountants  
Firm Registration No. 109208W

Place : New Delhi  
Dated : July 14, 2011

R.Raghuraman  
Partner  
Membership no. 081350

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## Annexure referred to in paragraph 3 of the Auditors' report to the shareholders of Birla Ericsson Optical Limited for the year ended 31st March, 2011

- (i)
  - (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) The management has physically verified the fixed assets at the year end, the frequency of which, in our opinion is adequate. No material discrepancies were noticed on such verification.
  - (c) Since there is no substantial disposal of fixed assets during the year, the preparation of financial statements on a going concern basis is not affected on this account.
- (ii)
  - (a) As explained to us, the inventories comprising of raw material, store & spares, packing materials, traded goods, work in progress, finished goods and scrap except stock in transit, have been physically verified by the management at reasonable intervals.
  - (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion, the Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.



- (iii) (a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register required to be maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4 (iii) (b), (c), and (d) of the Order are not applicable to Company.
- (b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register required to be maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4 (iii) (f) and (g) of the Order are not applicable to Company.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system of the Company.
- (v) According to the information given to us, there are no contracts or arrangements during the year that need to be entered into a register in pursuance of section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4 (v) of the Order are not applicable to the Company.
- (vi) The Company has not accepted any deposits from the public in terms of sections 58A and 58AA or any other relevant provisions of the Act and the rules made there under.
- (vii) A firm of Chartered Accountants has carried out internal audit during the year. In our opinion, the internal audit system of the Company is commensurate with its size and nature of its business.
- (viii) We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 and are of opinion that prima facie, the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate and complete.
- (ix) (a) The Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, income-tax, sales-tax, wealth-tax, service-tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities though there has been a slight delay in few cases. We are informed that there is no liability towards Employee State Insurance for the year under audit. No undisputed amounts payable in respect thereof were outstanding at the year end for a period of more than six months from the date they became payable.
- (b) There are no amounts in respect of sales-tax, income-tax, customs duty, wealth-tax, service-tax, excise duty and cess that have not been deposited with the appropriate authorities on account of any dispute.
- (x) The accumulated losses of the Company are not more than fifty percent of its net worth. Further, the Company has incurred cash losses during the financial year covered under audit. However, it has not incurred cash losses in the year immediately preceding the current financial year.
- (xi) On the basis of the verification of records and information and explanations given to us, the Company has not defaulted in repayment of dues to banks. The Company did not have any outstanding debentures and loans from financial institutions during the year.
- (xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable to the Company.
- (xiii) The Company does not carry on the business of a chit fund/Nidhi/Mutual Benefit Fund. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) The Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- (xv) According to information and explanations given to us, the Company has not given guarantees for loans taken by others from banks or financial institutions.
- (xvi) The Company did not have any term loan outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that funds raised on short-term basis have not been used for long term investment.
- (xviii) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
- (xix) The Company has neither issued nor had any outstanding debentures during the year.
- (xx) Since there were no public issue of securities during the year, verification of the end use of money does not arise.
- (xxi) Based on the audit procedure performed and the representation obtained from the management, we report that no case of fraud on or by the Company has been noticed or reported during the year under audit.

For V. Sankar Aiyar & Co.  
Chartered Accountants  
Firm Registration No. 109208W

Place : New Delhi  
Dated : July 14, 2011

R. Raghuraman  
Partner  
Membership No. 081350

**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedule	As at March 31, 2011 Rs. in lacs	As at March 31, 2010 Rs. in lacs
<b>SOURCES OF FUNDS</b>			
<b>SHARE HOLDERS' FUNDS</b>			
Share capital	1	<b>3000.00</b>	3000.00
Reserves and surplus	2	<b>3138.01</b>	3575.61
		<b>6138.01</b>	6575.61
<b>LOAN FUNDS</b>			
Secured loans	3	<b>982.15</b>	555.63
Unsecured loans	4	<b>1240.90</b>	1852.92
		<b>2223.05</b>	2408.55
	<b>Total</b>	<b>8361.06</b>	8984.16
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross block	5	<b>11707.43</b>	11182.93
Less: Accumulated depreciation/ amortisation		<b>8182.29</b>	7972.30
Net block		<b>3525.14</b>	3210.63
Capital work-in-progress		<b>6.28</b>	76.43
		<b>3531.42</b>	3287.06
<b>INVESTMENTS</b>			
	6	<b>1406.19</b>	1406.19
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	7	<b>1477.47</b>	1593.37
Sundry debtors	8	<b>1622.45</b>	2344.35
Cash and bank balances	9	<b>555.67</b>	912.36
Other current assets	10	<b>18.47</b>	27.03
Loans and advances	11	<b>683.07</b>	645.94
		<b>4357.13</b>	5523.05
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>			
Current liabilities	12	<b>756.57</b>	1078.34
Provisions	13	<b>177.11</b>	153.80
		<b>933.68</b>	1232.14
<b>NET CURRENT ASSETS</b>		<b>3423.45</b>	4290.91
	<b>Total</b>	<b>8361.06</b>	8984.16
<b>ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>			
	21		

The Schedules referred to above form an integral part of the Balance Sheet.

As per our attached report of even date.

For V. Sankar Aiyar & Co.  
Chartered Accountants  
Firm Registration No. 109208W

R. Raghuraman  
Partner  
Membership No. 081350

Harsh V. Lodha  
R.C. Tapuriah  
Dr. Aravind Srinivasan  
Arun Kishore  
K. Raghuraman  
Dinesh Chanda  
[Alternate to Mr. Magnus Kreuger]  
D.R. Bansal  
Somesh Laddha

Chairman  
Directors  
Alternate Director  
Managing Director  
Sr. Manager (Finance) & Secretary

New Delhi, July 14, 2011

New Delhi, July 14, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	Schedule	For the year ended March 31, 2011 Rs. in lacs	For the year ended March 31, 2010 Rs. in lacs
<b>INCOME</b>			
Turnover (Gross)	14	7055.23	10518.79
Less: Excise duty		414.38	652.24
Turnover (Net)		6640.85	9866.55
Other income	15	371.17	174.78
	<b>Total</b>	<b>7012.02</b>	<b>10041.33</b>
<b>EXPENDITURE</b>			
Raw materials consumed	16	5046.56	6910.51
(Increase)/Decrease in inventories	17	3.63	100.25
Cost of traded goods sold		238.61	606.37
Personnel expenses	18	692.13	628.44
Operating and other expenses	19	888.14	1064.30
Financial expenses	20	216.15	144.87
	<b>Total</b>	<b>7085.22</b>	<b>9454.74</b>
<b>PROFIT/(LOSS) BEFORE DEPRECIATION/AMORTISATION AND TAX</b>		<b>(73.20)</b>	586.59
Depreciation/amortisation		364.72	358.76
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>(437.92)</b>	227.83
(Excess)/short provision for tax of earlier years		(0.32)	(0.37)
<b>NET PROFIT/(LOSS) FOR THE YEAR</b>		<b>(437.60)</b>	228.20
(Debit) Balance brought forward		(24.84)	(253.04)
(Deficit) carried to Balance Sheet		(462.44)	(24.84)

Earnings per share (EPS)

Weighted average number of equity shares in calculating basic and diluted EPS **30000000** 30000000Basic and diluted EPS (Nominal value of shares Rs.10/- each) **(1.46)** 0.76

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 21

The Schedules referred to above form an integral part of the Profit and Loss Account.

As per our attached report of even date.

For V. Sankar Aiyar & Co.  
Chartered Accountants  
Firm Registration No. 109208W

Harsh V. Lodha  
R.C. Tapuriah  
Dr. Aravind Srinivasan  
Arun Kishore  
K. Raghuraman  
Dinesh Chanda  
[Alternate to Mr. Magnus Kreuger]  
D.R. Bansal  
Somesh Laddha

Chairman  
Directors  
Alternate Director  
Managing Director  
Sr. Manager (Finance) & Secretary

New Delhi, July 14, 2011

New Delhi, July 14, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

		<b>For the Year ended March 31, 2011</b>		<b>For the Year ended March 31, 2010</b>
	Rs. in lacs	<b>Rs. in lacs</b>	Rs. in lacs	Rs. in lacs
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net Profit/(Loss) before tax		<b>(437.92)</b>		227.83
Adjustments for :				
Depreciation/amortisation	364.72		358.76	
(Profit)/loss on disposal of fixed assets (Net)	0.50		2.05	
(Gain)/loss on Unrealised foreign exchange	(21.47)		6.95	
Interest income	(129.46)		(92.74)	
Dividend income	(27.70)		(11.09)	
Interest expense	<u>137.12</u>	<b>323.71</b>	<u>74.33</u>	<u>338.26</u>
Operating Profit/(Loss) before working capital changes		<b>(114.21)</b>		566.09
Movement in working capital:				
Decrease/(increase) in sundry debtors	720.60		(148.08)	
Decrease/(increase) in inventories	115.90		495.05	
Decrease/(increase) in loans and advances	(12.63)		(13.80)	
(Decrease)/increase in current liabilities and provisions	<u>(297.69)</u>	<b>526.18</b>	<u>(493.87)</u>	<u>(160.70)</u>
Cash generated from operations :		<b>411.97</b>		405.39
Direct taxes (paid)/refund received		<b>(14.78)</b>		<u>(12.24)</u>
<b>Net cash generated from/(used in) operating activities</b>		<b>397.19</b>		393.15
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of fixed assets	(622.24)		(371.78)	
Proceeds from sale of fixed assets	12.66		10.92	
Interest received	128.62		99.70	
Dividend received	<u>27.70</u>		<u>11.09</u>	
<b>Net cash generated from/(used in) investing activities</b>		<b>(453.26)</b>		(250.07)



	For the Year ended March 31, 2011		For the Year ended March 31, 2010	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011 (Contd.)****C. CASH FLOW FROM FINANCING ACTIVITIES**

Proceeds/(repayment) of short term borrowings	(163.50)		552.97	
Proceeds/(repayment) of long term borrowings	–		(818.61)	
Interest paid	(137.12)		(74.33)	
Dividend paid	–		(6.88)	
<b>Net cash generated from/ (used in) financing activities</b>		<b>(300.62)</b>		<b>(346.85)</b>
Net Increase/(decrease) in cash and cash equivalents		<b>(356.69)</b>		<b>(203.77)</b>
Cash and cash equivalents at the beginning of the year		<b>432.24</b>		<b>636.01</b>
Cash and cash equivalents at the end of the year		<b>75.55</b>		<b>432.24</b>
Components of cash and cash equivalents as at 31st March				
Cash and cheques on hand		<b>64.45</b>		323.21
With scheduled banks- in current accounts		<b>11.10</b>		107.42
- Fixed deposit		–		1.61
		<b>75.55</b>		<b>432.24</b>

- (a) Difference of Rs.480.12 lacs (Rs.480.12 lacs) from Schedule 9 represents short term investments with an original maturity of three months or more and deposits pledged with banks and others.
- (b) The Cash Flow Statement has been prepared under the 'Indirect method' as set out in Accounting Standard (AS-3) on Cash Flow Statements notified by the Companies (Accounting Standards) Rules, 2006.
- (c) Negative figures have been shown in brackets.

As per our attached report of even date.

For V. Sankar Aiyar & Co.  
Chartered Accountants  
Firm Registration No. 109208W

R. Raghuraman  
Partner  
Membership No. 081350

Harsh V. Lodha  
R.C. Tapuriah  
Dr. Aravind Srinivasan  
Arun Kishore  
K. Raghuraman  
Dinesh Chanda  
[Alternate to Mr. Magnus Kreuger]  
D.R. Bansal  
Somesh Laddha

Chairman  
} Directors  
Alternate Director  
Managing Director  
Sr. Manager (Finance) & Secretary

New Delhi, July 14, 2011

New Delhi, July 14, 2011



**SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2011 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

	As at March 31, 2011 Rs. in lacs	As at March 31, 2010 Rs. in lacs
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorized</b>		
4,25,00,000 equity shares of Rs.10/- each	4250.00	4250.00
75,00,000 preference shares of Rs.10/- each	750.00	750.00
	<u>5000.00</u>	<u>5000.00</u>
<b>Issued &amp; Subscribed</b>		
30,000,000 equity shares of Rs.10/- each, fully paid up	3000.00	3000.00
	<u>3000.00</u>	<u>3000.00</u>

**SCHEDULE 2 : RESERVES AND SURPLUS**

**Capital Reserve**

Balance as per last account	15.00	15.00
Less : Transferred to general reserve	15.00	-
	<u>-</u>	<u>15.00</u>

**Securities Premium Account**

Balance as per last account	2000.00	2000.00
-----------------------------	---------	---------

**General Reserve**

Balance as per last account	1585.45	1585.45
Add : Transferred from capital reserve	15.00	-
	<u>1600.45</u>	<u>1585.45</u>

**Debit Balance in Profit and Loss Account**

	<u>(462.44)</u>	<u>(24.84)</u>
	<u>3138.01</u>	<u>3575.61</u>

**SCHEDULE 3 : SECURED LOANS**

**Working Capital Loans/Trade Credits from Banks**

Cash credit	136.68	107.53
Buyer's credit (for operational use)	695.92	159.54
Export packing credit	149.55	288.56
	<u>982.15</u>	<u>555.63</u>

**Note:** Working Capital Loans/Credit facilities including Buyers credit (fund and non-fund based) are secured by way of hypothecation of stock of Inventories, cash and other current assets, book debts, outstanding moneys, receivables, claims, bills, invoices, documents, contracts, etc., both present and future, and are further secured by way of hypothecation of all moveable fixed assets, both present and future, and first charge created by way of joint mortgage by deposit of title deeds of all immovable properties of the Company.

**SCHEDULE 4 : UNSECURED LOANS**

**Sales tax loans**

	1240.90	1852.92
	<u>1240.90</u>	<u>1852.92</u>

- Notes :** (a) Repayment of dues within next twelve months Rs.1228.25 lacs (Rs.612.02 lacs).  
 (b) Sales Tax Loans are as per scheme of State Government and for administration of these Loans, Madhya Pradesh State Industrial Development Corporation Limited (MPSIDC Ltd.) has been specified by the State Government as the Implementing Agency. As per the governing scheme for conversion of deferred sales tax into loan, the final Sales Tax loan liability subsists upto a period of ten years, commencing from the expiry of each financial year covered by the period of eligibility and is payable thereafter within 30 days in one instalment subject to compliance with the terms and conditions as specified in the scheme.



**SCHEDULE 5 : FIXED ASSETS**

Rs. in lacs

Nature of fixed assets	Gross Block				Depreciation/Amortisation				Net Block	
	As at 01.04.2010	Additions during the Year	Deductions/ Adjustments	As at 31.03.2011	As at 01.04.2011	Provided during the Year	Deductions/ Adjustments	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
<b>Leasehold Land</b>	24.35	–	–	<b>24.35</b>	6.70	0.41	–	<b>7.11</b>	<b>17.24</b>	17.65
<b>Buildings</b>	1030.77	–	–	<b>1030.77</b>	413.48	28.73	–	<b>442.21</b>	<b>588.56</b>	617.29
<b>Plant &amp; Machinery</b>	9975.39	680.82	165.53	<b>10490.68</b>	7478.43	321.74	152.67	<b>7647.50</b>	<b>2843.18</b>	2496.96
<b>Furniture &amp; Office Equipment</b>	83.74	7.29	2.36	<b>88.67</b>	47.18	5.47	2.06	<b>50.59</b>	<b>38.08</b>	36.56
<b>Vehicles</b>	45.62	4.28	–	<b>49.90</b>	16.12	3.76	–	<b>19.88</b>	<b>30.02</b>	29.50
<b>Intangibles (Software)</b>	23.06	–	–	<b>23.06</b>	10.39	4.61	–	<b>15.00</b>	<b>8.06</b>	12.67
	<u>11182.93</u>	<u>692.39</u>	<u>167.89</u>	<u><b>11707.43</b></u>	<u>7972.30</u>	<u>364.72</u>	<u>154.73</u>	<u><b>8182.29</b></u>	<u><b>3525.14</b></u>	<u>3210.63</u>
<b>Capital Work-in-progress (at cost)</b>									<b>6.28</b>	76.43
									<u><b>3531.42</b></u>	<u>3287.06</u>
Previous Year	10437.30	945.92	200.29	11182.93	7800.86	358.76	187.32	7972.30	3210.63	

**Note:** Buildings include premises of Rs.63.98 lacs (Rs.63.98 lacs) given on operating lease. Written down value of the same at the end of the year was Rs.54.52 lacs (Rs.55.56 lacs) and depreciation charged during the year is Rs.1.04 lacs (Rs.1.04 lacs).

	<b>As at March 31, 2011</b>	<b>As at March 31, 2010</b>
	<b>Rs. in lacs</b>	<b>Rs. in lacs</b>

**SCHEDULE 6 : INVESTMENTS**

**Long Term - Trade (At cost)**

**Quoted - Fully paid up equity shares of Rs. 10/- each**

1,107,407	(1,107,407)	Universal Cables Limited	<b>1404.04</b>	1404.04
280	(280)	Birla Corporation Limited	<b>0.13</b>	0.13
100	(100)	Vindhya Telelinks Limited	<b>0.06</b>	0.06

**Unquoted - Fully paid up equity shares of Rs. 10/- each**

9,800	(9,800)	Universal Telelinks Private Limited	<b>0.98</b>	0.98
9,800	(9,800)	Universal Electricals Private Limited	<b>0.98</b>	0.98
			<u><b>1406.19</b></u>	<u>1406.19</u>

Aggregate book value of quoted investments	<b>1404.23</b>	1404.23
Aggregate market value of quoted investments	<b>820.64</b>	928.20
Aggregate book value of unquoted investments	<b>1.96</b>	1.96

**Note:** No investment was purchased/sold during the current year.



	As at March 31, 2011 Rs. in lacs	As at March 31, 2010 Rs. in lacs
<b>SCHEDULE 7 : INVENTORIES (At lower of cost and net realisable value)</b>		
Raw materials [including in transit Rs.95.80 lacs (Rs.101.78 lacs)]	689.66	813.23
Stores, spares and packing material	272.98	261.86
Traded goods	1.59	1.41
Material under process	421.94	412.41
Finished goods	63.17	85.93
Scrap	28.13	18.53
	<u>1477.47</u>	<u>1593.37</u>
<b>SCHEDULE 8 : SUNDRY DEBTORS</b>		
Unsecured, considered good		
Over six months	179.14	200.01
Other debts	1443.31	2144.34
	<u>1622.45</u>	<u>2344.35</u>
<b>SCHEDULE 9 : CASH AND BANK BALANCES</b>		
Cash on hand [including cheques/drafts & stamps in hand Rs.62.37 lacs (Rs.320.04 lacs)]	64.45	323.21
Balance with scheduled banks in		
Current/collection accounts	11.10	107.42
Term deposit accounts (Pledged with banks and others)	480.12	481.73
	<u>555.67</u>	<u>912.36</u>
<b>SCHEDULE 10 : OTHER CURRENT ASSETS</b>		
Unsecured, considered good		
Interest accrued on deposits and others	18.47	17.63
Assets held for disposal (At lower of net book value or net realisable value)	-	9.40
	<u>18.47</u>	<u>27.03</u>
<b>SCHEDULE 11 : LOANS AND ADVANCES</b>		
Unsecured, considered good		
Loans to employees	32.33	31.38
Advances recoverable in cash or kind or for value to be received	74.78	117.69
Deposits (others)	40.74	62.70
Balances with customs & central excise, etc.	282.92	313.27
Advance Income Tax (net of provision Rs. 20.48 lacs)	38.75	23.65
Claims, refunds, etc. receivable	213.55	97.25
	<u>683.07</u>	<u>645.94</u>



	As at March 31, 2011 Rs. in lacs	As at March 31, 2010 Rs. in lacs
<b>SCHEDULE 12 : CURRENT LIABILITIES</b>		
Acceptances	65.91	212.85
Sundry creditors		
Due to Micro and Small Enterprises (Refer Note No. 12 of schedule 21)	12.78	—
Others	585.44	850.39
Advance from customers	90.12	14.11
Interest accrued but not due on loans	2.32	0.99
	<u>756.57</u>	<u>1078.34</u>

**SCHEDULE 13 : PROVISIONS**

For Compensated absences	97.66	84.51
For Pension	79.45	69.29
	<u>177.11</u>	<u>153.80</u>

	For the year ended March 31, 2011 Rs. in lacs	For the year ended March 31, 2010 Rs. in lacs
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**SCHEDULE 14 : TURNOVER**

Finished goods	6446.51	9426.48
Others	608.72	1092.31
	<u>7055.23</u>	<u>10518.79</u>

**SCHEDULE 15 : OTHER INCOME**

Interest:		
- on bank deposits [Tax deducted at source Rs.2.89 lacs (Rs.6.64 lacs)]	32.61	44.13
- on inter corporate loans, etc. [Tax deducted at source Rs.9.72 lacs (Rs.10.51 lacs)]	96.85	48.61
Dividend on long term trade investments	27.70	11.09
Unspent liabilities/sundry balances written back (Net)	13.05	4.46
Rent	4.80	4.80
Processing charges	6.70	4.84
Exchange rate fluctuation (Net)	47.27	5.79
Miscellaneous income	142.19	51.06
	<u>371.17</u>	<u>174.78</u>

**SCHEDULE 16 : RAW MATERIALS CONSUMED**

Opening stock	813.23	1200.41
Add: Purchases [Less : Sales and claims Rs.135.18 lacs (Rs.424.70 lacs)]	4922.99	6523.33
	5736.22	7723.74
Less: Closing stock	689.66	813.23
	<u>5046.56</u>	<u>6910.51</u>



	For the year ended March 31, 2011 Rs. in lacs	For the year ended March 31, 2010 Rs. in lacs
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**SCHEDULE 17 : (INCREASE)/DECREASE IN INVENTORIES**

Closing Inventories		
Material under process	421.94	412.41
Finished goods	63.17	85.93
Scrap	28.13	18.53
	<u>513.24</u>	<u>516.87</u>
Opening Inventories		
Material under process	412.41	516.81
Finished goods	85.93	75.85
Scrap	18.53	24.46
	<u>516.87</u>	<u>617.12</u>
	3.63	100.25

**SCHEDULE 18 : PERSONNEL EXPENSES**

Salaries, wages, bonus and benefits, etc.	579.11	524.52
Contribution/provision for provident and other funds, etc.	59.38	57.20
Welfare expenses	53.64	46.72
	<u>692.13</u>	<u>628.44</u>

**SCHEDULE 19 : OPERATING AND OTHER EXPENSES**

Consumption of stores and spares	44.05	46.27
Packing materials	140.57	178.07
Power and fuel	210.67	238.41
Sales commission (other than sole selling agent)	53.51	51.38
Freight and transportation (Net)	63.48	73.46
Processing/job work and testing charges	42.58	86.86
Excise duty on decrease in stocks	(2.10)	(0.12)
Rent	7.22	5.02
Rates & taxes	12.76	11.85
Insurance	8.26	9.28
Repairs & maintenance		
- Plant & machinery	68.71	90.13
- Buildings	5.72	18.94
- Others	4.54	0.78
Travelling and conveyance	76.10	82.11
Directors' sitting fees	5.10	3.96
Auditors' remuneration		
Statutory auditors		
as auditors		
- Audit fees	4.00	4.00



	For the year ended March 31, 2011 Rs. in lacs	For the year ended March 31, 2010 Rs. in lacs
<b>SCHEDULE 19 : OPERATING AND OTHER EXPENSES (Contd.)</b>		
- Tax audit fee	0.50	0.50
- Quarterly reviews as others	1.50	1.50
- Certification etc.	0.75	0.80
- Reimbursement of expenses	0.45	0.58
Cost auditors		
- Audit fees	0.35	0.30
- Reimbursement of expenses	0.04	-
Legal and professional	50.86	50.09
Loss on disposal/discard of fixed assets (Net)	0.50	2.05
Charity & donation	0.08	1.07
Miscellaneous expenses	87.94	107.01
	<u>888.14</u>	<u>1064.30</u>

**SCHEDULE 20 : FINANCIAL EXPENSES**

Interest		
- to bank and others	137.12	74.33
Bank charges	79.03	70.54
	<u>216.15</u>	<u>144.87</u>

**SCHEDULE 21: ACCOUNTING POLICIES AND NOTES ON ACCOUNTS****A. SIGNIFICANT ACCOUNTING POLICIES:****(1) Basis of Accounting:**

The financial statements of the Company are prepared and presented under the historical cost convention and comply in all material respects with the applicable accounting standards as notified by the Central Government vide the Companies (Accounting Standard) Rules, 2006 and the relevant provisions of the Companies Act, 1956. All income & expenditure are accounted for on accrual basis except certain Insurance Claims, which are recognised on acceptance basis, as and when the amount whereof can be ascertained with reasonable certainty.

**(2) Use of Estimates:**

The preparation and presentation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known/materialised.

**(3) Revenue Recognition:**

Revenue from the sale of goods is recognised on transfer of all significant risks and rewards of ownership to the buyer which coincides with despatch of goods to customers. Revenue to the extent of Price Variation disputes, if any, which are subjected to resolution through arbitration is recognized based on interim relief granted by a Court and/or after receipt of revenue in execution of the final award in favour of the Company, as the case may be.

Interest income is recognised on time proportion basis. Dividend income is recognised when the right to receive payment is established.

Duty drawback and Duty Scrips, etc. are accounted in the year of export.

**(4) Fixed Assets:**

Fixed Assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements, renewals and insurance spares (determined on the basis of irregular use) are capitalised and expenditure for repairs and maintenance are charged to the Profit and Loss Account. When assets are sold or discarded their cost and accumulated depreciation are removed from the accounts and any gain or loss resulting from their disposal is included in the Profit and Loss Account.

**(5) Depreciation:**

Depreciation on Fixed Assets is provided on Straight Line Method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 on pro-rata basis from the month the assets are put to use except in case of new project where it is provided for the period of use. Depreciation on sale of assets is provided upto the month prior to the month in which the assets are sold or disposed off. Depreciation on incremental cost arising on account of capitalised insurance spares is amortised over the residual life of the respective assets. Premium on leasehold land is amortized over the period of the lease.

An intangible asset is measured at cost and amortised so as to reflect the pattern in which the assets economic benefits are consumed. The useful life has been estimated as five years.

**(6) Impairment:**

The carrying amount of the fixed assets is reviewed at each Balance Sheet date for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognised in the financial statement when the carrying amount of fixed assets exceeds the assessed estimated recoverable amount. The recoverable amount is the greater of assets' net selling price or its value in use. An impairment loss is reversed if there has been change in recoverable amount and such loss either no longer exists or has decreased. Impairment loss/reversal thereof is adjusted to the carrying value of the respective assets.

**(7) Investments:**

- (a) Long Term Investments are stated at cost. The diminution, if any, in the value of investments, is recognised when such diminution is considered other than temporary.
- (b) Current Investments are stated at lower of cost and fair value.

**(8) Leases:**

Where the Company is the Lessor:

Assets subject to operating leases are included in fixed assets. Lease income is recognized in the Profit and Loss Account on a straight line basis over the lease term. Costs, including depreciation are recognized as an expense in the Profit and Loss Account. Initial direct costs such as legal costs, brokerage costs, etc are recognized immediately in the Profit and Loss Account.

Where the Company is the Lessee:

Leases where the lessor effectively retains substantially all the risks and benefits of ownership are classified as operating leases. Operating lease payments are recognised as an expense in the Profit & Loss Account on a straight-line basis over the lease term.

**(9) Inventories:**

Inventories except scrap materials are valued at lower of cost or net realisable value. Scrap materials are valued at net realisable value. Cost is computed on the transaction moving weighted average basis and is net of cenvat/vat. Cost of finished goods and material under process is determined by taking direct materials, labour cost and related manufacturing overheads including depreciation based on normal operating capacity. Finished goods and scrap materials also include excise duty. Provision is made for cost of obsolescence and other anticipated losses, whenever considered necessary.

**(10) Foreign Currency Transactions:**

- (a) Transactions in foreign currencies are accounted for at the exchange rate prevailing on the date of the transaction. Foreign currency monetary assets and liabilities at the year end are translated using closing exchange rates except those covered by forward exchange contracts which are translated at contracted rates, where the difference between the contracted rate and spot rate on the date of the transaction is dealt with in the Profit and Loss Account over the life of the contract.



- (b) The exchange difference arising on settlement of monetary items or on reporting, these items at rates different from rates at which these were initially recorded/reported by previous financial statement are recognised as income/expenses in the period in which they arise.
- (c) In case of forward exchange contracts, the premium or discount arising at the inception of such contracts is amortised as income or expense over the life of contract as well as exchange difference on such contract, i.e. difference between the exchange rate at the reporting/settlement date and the exchange rate on the date of inception/the last reporting date, is accounted for as income/expense for the period

**(11) Employee Benefits:**

The Company makes regular contributions to recognised Provident Fund/Family Pension Fund and also to duly constituted and approved Superannuation Fund, which are charged to revenue. Gratuity, Pension and Leave Encashment benefits payable as per Company's schemes are charged to Profit and Loss Account on the basis of actuarial valuation made at the end of each financial year by independent actuaries. Ex-gratia or other amount disbursed on account of selective employees separation scheme are charged to Profit and Loss Account. Actuarial gains and losses comprise experience adjustments and effects of changes in actuarial assumptions are recognized in the Profit and Loss Account in the year in which they arise.

**(12) Interest on Borrowings:**

Borrowings cost is charged to the Profit and Loss Account for the year in which it is incurred except for capital assets which is capitalised till the date of commercial use of the asset.

**(13) Government Grants:**

Government Grant of the nature of project subsidy is credited to Capital Reserve. Other Government Grants are credited to the Profit and Loss Account as deduction from the related expenses.

**(14) Taxes on Income:**

Tax expense for the relevant period comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Minimum Alternate Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Profit and Loss Account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

Deferred Tax is measured based on the tax rates and tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax is recognised, subject to consideration of prudence, on all timing differences between taxable income and accounting income that originate in one period and are capable of being reversed in one or more subsequent periods. However, Deferred tax assets arising on account of brought forward losses and unabsorbed depreciation are recognised only when there is virtual certainty of realisation of such assets backed by convincing evidence. Deferred tax assets are reviewed and assessed at the Balance Sheet date to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

**(15) Provisions, Contingent Liabilities and Contingent Assets:**

A disclosure for a contingent liability is made after careful evaluation of the facts and legal aspects of the matter involved, when there is a possible or present obligation that may, but probably will not require an outflow of resources. When there is possible or present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Provisions are recognised when the Company has a legal/constructive obligation and on management discretion as a result of a past event, for which it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. Contingent Assets neither recognised nor disclosed in the financial statements.

**(16) Cash and Cash equivalents:**

Cash and Cash equivalent in the cash flow statement comprises cash at bank and in hand and short-term investments with an original maturity of three months or less.

**B. NOTES ON ACCOUNTS :**

- (1) Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advance) Rs.8.02 lacs (Rs.335.58 lacs).

- (2) Contingent liabilities not provided for:
- (a) Claims against the Company, not acknowledged as debts Rs.5.16 lacs (Rs.2.23 lacs).
- (b) Appeal preferred by the Income Tax Department against appellate decisions in favour of the Company, wherein should the ultimate decision be unfavourable to the Company, the liability/demand is estimated to be Rs.11.67 lacs (Rs.11.67 lacs).

The future cash flow on these accounts [(a) & (b) above] is determinable only on receipt of the decision/ judgements pending before the authorities.

- (3) The Company has filed a law suit against an overseas supplier and its agent relating to the validity and existence of an alleged agreement before a competent court which is already seized of the said suit. An interim application was moved by the said supplier under the said law suit which was disposed off by the competent court as well as the first appellate court. Aggrieved by the order of the first appellate court, the said supplier as well as the Company preferred writ petitions before the High Court of Madhya Pradesh at Jabalpur which disposed off the writ petitions but the order of the High Court does not in any way reflect upon merits or otherwise of the claim of the overseas supplier for any recovery. The supplier in order to overreach the said law suit had initiated an arbitration inter alia claiming recovery of value of the unsupplied goods for the period from October, 2002 to September, 2006 aggregating to Rs.6171.55 lacs (value as on March 31, 2011). Based on appraisal of the matter, the Company has been legally advised that the said claim against the Company is unsustainable and there is no likelihood of any liability arising against the Company.
- (4) In the opinion of the management, the decline in the market value of a quoted long term investment (trade) (carrying cost Rs.1404.04 lacs) by Rs.584.56 lacs at the year end is temporary, in view of the strategic long term nature of the investment and asset base of the investee company and hence, does not call for any provision thereagainst.
- (5) (a) Particulars of Forward Contracts outstanding as at the Balance Sheet Date:

Particulars	Currency	March 31, 2011	March 31, 2010
Secured Loan	USD	191025	347840
Acceptances	USD	–	464641
Sundry Creditors	USD	–	117101
Interest accrued but not due	USD	1223	2178

- (b) Particulars of Unhedged Foreign Currency Exposure as at the Balance Sheet Date:

Particulars	Currency	March 31, 2011	March 31, 2010
Secured Loan	USD	1350673	–
Acceptances	USD	146021	1987
Sundry Creditors	USD EURO	3025 –	29533 8249
Advance given	USD EURO	65392 1161	– –
Sundry Debtors	USD EURO	426169 –	325224 105473
Balance with Bank	USD	9161	4187
Interest accrued but not due	USD	9047	–

- (c) A sum of Rs.0.61 lac (Rs.1.11 lacs) on account of unamortized foreign exchange premium on outstanding forward contracts is being carried forward to be charged to Profit and Loss Account of the subsequent period

- (6) Employee Benefits:

- (a) The company's defined benefit plans include the approved funded Gratuity scheme which is administered through Group Gratuity scheme with Life Insurance Corporation of India and non-funded schemes viz. Pension (applicable only to certain categories of employees). Such defined benefits are provided for in the Profit and Loss Account based on valuations, as at the Balance Sheet date, made by independent actuaries.

Disclosures for defined benefit plans based on actuarial reports as on March 31, 2011 are summarised below:

(i) Net employee benefit expense (recognized in Personal Expenses for the year):

	Gratuity (Funded)		Pension (Unfunded)	
	2010-11 Rs. in lacs	2009-10 Rs. in lacs	2010-11 Rs. in lacs	2009-10 Rs. in lacs
Current service cost	10.21	9.09	–	–
Interest cost on benefit obligation	10.94	9.68	5.37	6.11
Expected return on plan assets	(12.17)	(10.65)	–	–
Net Actuarial (Gain)/Loss recognized in the year	2.20	(3.66)	7.58	(14.63)
Impact of variation in actual and expected return on plan assets	–	0.41	–	–
Variation in return from plan assets opening balance	–	0.09	–	–
Benefits paid by the company	–	0.22	–	–
Amount payable on full & final settlement	(0.65)	–	–	–
Insurance cost borne by the company	1.05	0.91	–	–
Net benefit expenses	11.58	6.09	12.95	(8.52)
Actual return on plan assets	(12.17)	(10.24)	–	–

(ii) Amount recognized in the Balance Sheet:

	Gratuity (Funded)		Pension (Unfunded)	
	2010-11 Rs. in lacs	2009-10 Rs. in lacs	2010-11 Rs. in lacs	2009-10 Rs. in lacs
Defined benefit obligation	154.57	134.05	79.45	69.29
Fair value of the plan assets	159.68	148.75	–	–
Net Asset/(Liability)	5.11	14.70	(79.45)	(69.29)

(iii) Changes in present value of the Defined benefit obligation are as follows:

	Gratuity (Funded)		Pension (Unfunded)	
	2010-11 Rs. in lacs	2009-10 Rs. in lacs	2010-11 Rs. in lacs	2009-10 Rs. in lacs
Opening Defined Benefit Obligation	134.05	123.15	69.29	80.59
Interest Cost	10.94	9.68	5.37	6.11
Current Service Cost	10.21	9.09	–	–
Benefit paid	(2.83)	(4.21)	(2.79)	(2.79)
Actuarial (Gain)/Loss on obligations	2.20	(3.66)	7.58	(14.62)
Closing Defined Benefit Obligation	154.57	134.05	79.45	69.29

(iv) Changes in the fair value of plan assets are as follows:

	Gratuity (Funded)		Pension (Unfunded)	
	2010-11 Rs. in lacs	2009-10 Rs. in lacs	2010-11 Rs. in lacs	2009-10 Rs. in lacs
Opening Fair value of Plan Assets	148.75	124.71	–	–
Variation in return from plan assets opening balance	–	(0.09)	–	–
Expected Return	12.17	10.65	–	–
Contribution by employer	0.94	18.32	–	–
Benefits paid	(2.83)	(4.21)	(2.79)	(2.79)
Actuarial Gain/(Loss)	–	(0.41)	–	–
Benefits paid by the company	–	(0.22)	–	–
Amount payable on full & final settlement	0.65	–	–	–
Closing Fair Value of Plan Assets	159.68	148.75	–	–

- (v) The major categories of plan assets in case of gratuity as a percentage of the fair value of total plan assets are as follows:

	Gratuity (%)	
	2010-11	2009-10
Investments with insurer	100	100

The overall expected rate of return on assets is determined based on the actual rate of return during the current year. The Company expects to contribute Rs.5.00 lacs to Gratuity Fund during the year 2011-12.

- (vi) The principal assumptions used in determining gratuity and pension obligations for the Company's plans are shown below:

	Gratuity (Funded)		Pension (Unfunded)	
	2010-11	2009-10	2010-11	2009-10
Mortality Table	<b>LIC 1994-96 Ultimate</b>	LIC 1994-96 Ultimate	<b>LIC 1994-96 Ultimate</b>	LIC 1994-96 Ultimate
Attrition Rate	<b>5.00% p.a.</b>	5.00% p.a.	<b>N.A.</b>	N.A.
Imputed rate of Interest	<b>8.25% p.a.</b>	8.00% p.a.	<b>8.25% p.a.</b>	7.50% p.a.
Salary rise	<b>7.50% p.a.</b>	7.50% p.a.	<b>N.A.</b>	N.A.
Return on plan assets	<b>9.25% p.a.</b>	9.25% p.a.	<b>N.A.</b>	N.A.
Remaining working life	<b>16.47 Years</b>	17.43 Years	<b>N.A.</b>	N.A.

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

**Note:**

Information relating to experience adjustments to plan assets and liabilities as required by Para 120(n)(ii) of the Accounting Standard (AS-15) (revised) on employee Benefits is not available with the Company. The impact of the same is not material.

- (b) Company's contribution to defined contribution schemes such as Government administered Provident/Family Pension Fund and approved Superannuation Fund are charged to the Profit and Loss Account as incurred, the Company has no further obligations beyond its contributions. The Company has recognised the following contributions to Provident/Family Pension and Superannuation Funds as an expense and included in Personnel expenses (refer Schedule 18) in the Profit and Loss Account.

Defined Contribution Plan	2010-11	2009-10
	Rs. In lacs	Rs. in lacs
Contribution to Provident and Family Pension Fund	<b>39.59</b>	36.85
Contribution to Superannuation Fund	<b>8.21</b>	14.25

- (7) (a) As the entire operations of the Company relate to a single business segment of "Wire & Cables", the disclosure requirement of Accounting Standard (AS-17) on "Segment Reporting" is not applicable.
- (b) The following table shows the distribution of Company's sales (net of excise duty) by geographical market, regardless of where the goods were produced:

	Geographical Segment	2010-11 Rs. in lacs	2009-10 Rs. in lacs
(i)	Domestic Market (Sales within India)	<b>4000.15</b>	7539.94
(ii)	Overseas Markets (Sales to other countries)	<b>2640.70</b>	2326.61

All the assets of the Company, except the carrying amount of debtors aggregating to Rs.267.61 lacs (Rs.363.95 lacs), are within India.

- (8) Disclosures in respect of related parties as defined in Accounting Standard (AS-18), with whom transactions were carried out in the ordinary course of business during the year are given below:

Associate Bodies Corporate (Associates)	:	Universal Cables Ltd. ( <b>UCL</b> ) Vindhya Telelinks Ltd. ( <b>VTL</b> ) Ericsson Cables AB, Sweden and its holding Companies ( <b>ECA</b> )
Key Management Personnel	:	Mr. D.R. Bansal, Managing Director



	2010-11 Rs. in lacs	2009-10 Rs. in lacs
<b>(a) Nature of Transaction with Associates:</b>		
<b>Transaction during the year</b>		
• Purchase of Fixed Asset [ECA Rs.11.37 lacs]	11.37	–
• Sale of Fixed Asset [UCL Rs.0.07 lac]	0.07	–
• Purchase of Raw Materials/Consumables & Traded Goods [UCL Rs.463.06 lacs,VTL Rs.275.57 lacs]	738.62	2625.74
• Sale of Finished /Traded Goods [VTL Rs.50.30 lacs]	50.30	170.96
• Sale of Raw Materials/Consumables [UCL Rs.1.05 lacs, VTL Rs.157.56 lacs]	158.61	505.67
• Processing & Other Charges [VTL Rs.27.70 lacs, ECA Rs.2.59 lacs]	30.29	63.80
• Processing & Other Income [VTL Rs.6.70 lacs]	6.70	4.84
• Rent Paid [VTL Rs.1.00 lac]	1.00	1.00
• Rent Received [UCL Rs.4.80 lacs]	4.80	4.80
• Interest received on Inter Corporate deposit [VTL Rs.94.88 lacs]	94.88	46.15
• Dividend received [UCL Rs.27.69 lacs]	27.69	11.07
• Inter Corporate deposits granted/refunded [VTL Rs.3915.00 lacs]	3915.00	3250.00
<b>Balance Outstanding at the year end</b>		
• Outstanding Payable	–	372.64
• Outstanding Receivable	–	24.08
• Equity Investment	1404.10	1404.10
<b>(b) Key Management Personnel</b>		
Salary and Benefits	16.14	15.41

- Notes:** (i) Significant Related Party Transactions with associates during the year 2010-11 have been disclosed in brackets under the appropriate Nature of Transaction head.
- (ii) Under the renewed Technical Collaboration Agreement with Ericsson Cables AB, Sweden, no royalty or lumpsum fee is payable.
- (iii) No amount has been provided as doubtful debt or advance/written off or written back in the year in respect of debts due from/to above related parties.
- (iv) Transactions relating to reimbursement of expenses to/from related parties have not been considered in the above disclosures.
- (v) Transactions with related parties are done at arm's length basis.

- (9) (a) Pursuant to Accounting Standard (AS-22) "Accounting for Taxes on Income", the Component and classification of deferred tax liability and deferred tax assets on account of timing differences are given below:

Particulars	As at March 31, 2011 Rs. in lacs	As at March 31, 2010 Rs. in lacs
	(i) Deferred Tax Liability	
– Depreciation on Fixed Assets	384.33	385.32
<b>Total (i)</b>	<b>384.33</b>	<b>385.22</b>
(ii) Deferred Tax Assets		
– Unabsorbed Depreciation	335.30	366.30
– Expenses allowable for tax purpose when paid	49.03	19.20
<b>Total (ii)</b>	<b>384.33</b>	<b>385.22</b>
<b>Net Deferred Tax Liability (i-ii)</b>	<b>Nil</b>	<b>Nil</b>

- (b) The Deferred Tax Assets amounting to Rs.335.30 lacs (Rs.366.30 lacs) in respect of carry forward unabsorbed depreciation has been recognised considering the possible reversal of deferred tax liabilities in future years.

- (10) The Company has taken certain office premises under operating lease agreements. The lease agreements generally have an escalation clause and are not non-cancellable and are renewable by mutual consent on mutually agreed terms. There are no restrictions imposed by lease agreements. The aggregate lease rental of Rs.4.20 lacs (Rs.1.85 lacs) are charged to the Profit and Loss Account.

- (11) There is no impairment of Assets during the year.  
 (12) Disclosure as per Section 22 of "The Micro, Small and Medium Enterprises Development Act, 2006":

Particulars	As at	As at
	March 31, 2011 Rs. in lacs	March 31, 2010 Rs. in lacs
(a) the principal amount and interest due thereon remaining unpaid to any supplier		
- Principal amount	12.78	Nil
- Interest thereon	0.74	Nil
(b) the amount of interest paid by the buyer in terms of Section 16, along with the amounts of the payment made to the supplier beyond the appointed day.	-	Nil
(c) the amount of interest due and for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act.	-	Nil
(d) the amount of interest accrued and remaining unpaid.	0.74	Nil
(e) the amount of further interest remaining due and payable in the succeeding year, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro Small and Medium Enterprise Development Act, 2006.	-	Nil

- (13) Managerial Remuneration:

	2010-11 Rs. in lacs	2009-10 Rs. in lacs
(a) Salary	12.00	10.80
(b) Contribution to Provident Fund	1.44	1.30
(c) Sitting Fees	0.64	0.56
(d) Perquisites (Actual and/or evaluated as per Income Tax Rules, 1962)	2.06	2.75
	<u>16.14*</u>	<u>15.14*</u>

In view of loss computed in accordance with Section 349 of the Companies Act, 1956 no commission is payable to Managing Director.

\* Excluding provision for gratuity and compensated absences, being the figures those are actuarially determined for the Company as a whole and therefore, are not separately available.

- (14) Additional information as required under Part-II of Schedule VI to the Companies Act, 1956 to the extent relevant.

- (a) (i) Capacity and Production :

Product	Unit	Licensed/ Registered Capacity*		Installed Capacity (as certified by the management)		Actual Production	
		31 <sup>st</sup> March		31 <sup>st</sup> March		31 <sup>st</sup> March	
		2011	2010	2011	2010	2010-11	2009-10
(a) Optical Fibre Cables	KMs	48000	48000	39984	39984	7899	12436
(b) Jelly Filled Telephone Cables	CKMs	4325000	4325000	4027000	4027000	139102	77971
(c) Insulated Cables, Cords & Flexes	MTRs	50000000	50000000	50000000	50000000	9649151	8322502
(d) Automotive Wires & Cables	KMs	200000	200000	30000	30000	4928	10875
(e) Co-axial Cables	KMs	10000	10000	10000	10000	631	41

\* Capacity for which Memorandum filed pursuant to Scheme of delicensing vide Notification No.477(E) dated 25<sup>th</sup> July, 1991, as amended.



(ii) Stock of Finished Goods :

Product	2010-11					2009-10			
	Opening Stock		Closing Stock			Opening Stock		Closing Stock	
	Unit	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
			Rs. in lacs		Rs. in lacs		Rs. in lacs		Rs. in lacs
(a) Optical Fibre Cables	KMs	0.40	0.13	85	13.77	40	10.61	0.40	0.13
(b) Jelly Filled Telephone Cables	CKMs	-	-	-	-	95	0.88	-	-
(c) Insulated Cables, Cords & Flexes	MTRs	129695	21.74	160781	32.98	172386	22.08	129695	21.74
(d) Automotive Wires & Cables	KMs	1094	55.77	117	16.42	1390	42.28	1094	55.77
(e) Co-axial Cables	KMs	41	8.29	-	-	-	-	41	8.29
<b>Total</b>			<u>85.93</u>		<u>63.17</u>		<u>75.85</u>		<u>85.93</u>

(iii) Gross Sales (net of claims, deductions, etc.) :

Product	Unit	2010-11		2009-10	
		Qty.	Value	Qty.	Value
			Rs. in lacs		Rs. in lacs
(a) Optical Fibre Cables	KMs	7803	3097.79	12462	5728.09
(b) Jelly Filled Telephone Cables	CKMs	139101	1831.01	78065	1243.04
(c) Insulated Cables, Cords & Flexes	MTRs	9614426	1054.17	8362580	2073.87
(d) Automotive Wires & Cables	KMs	5900	265.04	11168	381.48
(e) Co-axial Cables	KMs	671	198.50	-	-
(f) Other Sales			608.72		1092.31
<b>Total</b>			<u>7055.23</u>		<u>10518.79</u>

- Notes : (i) Other sales include sale of traded goods Rs.287.95 lacs (Rs.818.61 lacs).  
(ii) Differences in quantitative tally, if any, represent samples and claims.

(b) Raw Materials Consumed:

Product	Unit	2010-11		2009-10	
		Qty.	Value	Qty.	Value
			Rs. in lacs		Rs. in lacs
(i) Optical Fibre	KMs	278814	1128.83	432115	2157.10
(ii) Copper	MTs	544	2076.36	597	1816.35
(iii) Polyethylene	MTs	994	687.08	1312	959.24
(iv) Others*			1154.29		1977.82
<b>Total</b>			<u>5046.56</u>		<u>6910.51</u>

\* None of these individually account for more than 10% of total consumption.



- (c) Value of imported and indigenous Raw Materials and Spare Parts consumed and percentage thereof (as certified by the Management) :

Product	2010-11		2009-10	
	Value	% to	Value	% to
	Rs. in lacs	Total	Rs. in lacs	Total
(i) Raw Materials :				
Imported	2490.28	49.35	2505.85	36.26
Indigenous	2556.28	50.65	4404.66	63.74
<b>Total</b>	<b>5046.56</b>	<b>100.00</b>	<b>6910.51</b>	<b>100.00</b>
(ii) Spare Parts*				
Imported	14.04	14.08	27.50	23.56
Indigenous	85.71	85.92	89.20	76.44
<b>Total</b>	<b>99.75</b>	<b>100.00</b>	<b>116.70</b>	<b>100.00</b>

\* Included under Stores Consumption and Repairs & Maintenance of Machinery.

	2010-11	2009-10
	Rs. in lacs	Rs. in lacs

(d) Value of imports on CIF basis (as certified by the Management) :		
Raw Materials	2395.91	1759.95
Spare Parts (including components)	9.46	28.98
Capital Goods	542.64	151.88
(e) Expenditure in Foreign Currency (on payment basis) :		
Interest	9.04	2.32
Travelling	18.48	16.56
Others	36.85	24.79
(f) Earnings in Foreign Currency :		
Export of Goods in		
– Foreign Currency on F.O.B. basis	2220.75	1305.77
[based on exchange rate(s) prevailing on Bill of Lading date]		
– Rupees (sales to Nepal)	414.86	991.74

(15) Figures of previous year have been shown in brackets and regrouped/reclassified wherever necessary.

Signatures to Schedules 1 to 21

As per our attached report of even date.

For V. Sankar Aiyar & Co.  
Chartered Accountants  
Firm Registration No. 109208W

R. Raghuraman  
Partner  
Membership No. 081350

Harsh V. Lodha  
R.C. Tapuriah  
Dr. Aravind Srinivasan  
Arun Kishore  
K. Raghuraman  
Dinesh Chanda  
[Alternate to Mr. Magnus Kreuger]  
D.R. Bansal  
Somesh Laddha

Chairman  
} Directors  
Alternate Director  
Managing Director  
Sr. Manager (Finance) & Secretary

New Delhi, July 14, 2011

New Delhi, July 14, 2011

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I. Registration details**Registration No.   -     State Code  Balance Sheet date          
Date Month Year**II. Capital raised during the year (Amount in Rs.Thousands)**Public Issue  
           Rights Issue  
         Bonus Issue  
         Private Placement  
         **III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**Total Liabilities  
           Total Assets  
           Sources of Funds Paid-up Capital  
           Reserves & Surplus  
           Secured Loans  
           Unsecured Loans  
           Net Deferred Tax Liability  
         Application of Funds Net Fixed Assets  
           Investments  
           Net Current Assets  
           Miscellaneous Expenditure  
         Accumulated Losses  
         **IV. Performance of Company (Amount in Rs. Thousands)**Net Sales  
           Other Income  
           Total Expenditure  
           + - Profit(+)/Loss(-) before Tax  
           + - Profit(+)/Loss(-) after Tax  
           Earning per Share in Rupees  
 (        )Dividend rate %  
    **V. Generic names of Three Principal Products/Services of Company (as per monetary terms)**Item Code No. (ITC Code)         and         Product Description                  Item Code No. (ITC Code)        Product Description                          Item Code No. (ITC Code)        Product Description



**FORM OF PROXY**  
**BIRLA ERICSSON OPTICAL LIMITED**  
 Regd. Office: Udyog Vihar, P.O.Chorhata, Rewa – 486 006 (M.P.)

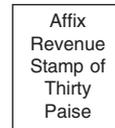
DP ID*	
Client ID*	

Registered Folio No.	
----------------------	--

I/We \_\_\_\_\_  
 of \_\_\_\_\_ in the district of \_\_\_\_\_  
 being a member/members of the above named Company, hereby appoint  
 Mr./Mrs. \_\_\_\_\_ of \_\_\_\_\_ in the  
 district of \_\_\_\_\_ or failing him/her Mr./Mrs. \_\_\_\_\_ of  
 \_\_\_\_\_ in the district of \_\_\_\_\_  
 my/our proxy to vote for me/us and on my/our behalf at the Nineteenth Annual General Meeting of the Company to be held  
 on Wednesday, the 7<sup>th</sup> September, 2011, and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

Signature \_\_\_\_\_



\* Applicable for members holding shares in dematerialised form.

1. This proxy form must be deposited at the Registered Office of the Company, not less than 48 hours before the time for holding the Meeting. Unless otherwise instructed, the proxy will vote as he/she thinks fit.
2. Members who hold shares in the dematerialised form are requested to quote their DPID and Client ID for identification.

-----  
 Tear here -----

**BIRLA ERICSSON OPTICAL LIMITED**  
 Regd. Office: Udyog Vihar, P.O.Chorhata, Rewa – 486 006 (M.P.)

**ATTENDANCE SLIP**

To be handed over at the entrance of the Meeting Hall

Full name of the Member attending : \_\_\_\_\_  
 Full name of the First joint-holder : \_\_\_\_\_  
 (To be filled in if first named joint-holder does not attend the Meeting)  
 Name of Proxy : \_\_\_\_\_  
 (To be filled in if Proxy Form has been duly deposited with the Company)

I hereby record my presence at the NINETEENTH ANNUAL GENERAL MEETING being held at the Registered Office of the Company on Wednesday, the 7<sup>th</sup> September, 2011.

Registered Folio No.	
DP ID*	
Client ID*	
No. of Share held	

\_\_\_\_\_  
 Member's/Proxy's Signature  
 (To be signed at the time of handing over this slip)

\* Applicable for members holding shares in dematerialised form.

Note: Persons attending the Annual General Meeting are requested to bring their copies of Annual Report.





"BHAGWAN TIRUPATI BALAJI " IN THE STAFF'S TOWNSHIP AT REWA, MADHYA PRADESH



Exhibited in AfricaCom in November 2010 at Cape Town International Conference Centre. Picture of one of our esteemed customer who visited the booth.



Participated in the Gitex Dubai Exhibition in October 2010 at Dubai International Convention and Exhibition Centre. Picture of one of our esteemed customer who visited the booth.

# **BOOK - POST PRINTED MATTER**

## **Birla Ericsson Optical Ltd.**

### **REGISTERED OFFICE & WORKS**

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Rewa - 486 006  
Madhya Pradesh, India  
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Fax: +91-7662-400680

### **MARKETING OFFICES**

#### **MUMBAI**

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Navi Mumbai - 400 614  
Maharashtra, India  
Tel: +91-22-41268855  
Fax: +91-22-41268899

#### **NEW DELHI**

605 & 608, DDA Building No.2  
District Centre, Janakpuri,  
New Delhi - 110 058, India  
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Fax: +91-11-25616571

#### **GOA**

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Goa, India  
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Fax: +91-832-2782614

#### **BENGALURU**

287, 15th Main, RMV Extension,  
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[www.birlaericsson.com](http://www.birlaericsson.com)

If undelivered please return to :

**BIRLA ERICSSON OPTICAL LIMITED**

Regd. Office: Udyog Vihar,P.O. Chorhata,Rewa-486 006 (M.P.)