

## **Pioneer Cables Limited**

**Annual Report 1997**

### **Contents**

Company Profile  
Notice of Meeting  
Chairman's Review  
Directors' Report  
Pattern of Shareholdings  
10 Years at a Glance  
Auditors' Report  
Balance Sheet  
Profit and Loss Account  
Cash Flow Statement  
Notes to the Accounts

### **Company Profile**

#### **Board of Directors**

Mr. Said Ahmed (Chairman)  
Mr. Zakaria A. Bawany (Chief Executive)  
Mr. Rashid Zakaria Bawany  
Mrs. Mobina A. Dada  
Mr. Zahid Zaheer  
Mr. Abdul Haiy Khan  
Mr. Tariq N. Haq  
Mr. S.Q.A. Zaidi (Nominee of N.I.T.)

#### **Company Secretary/ Chief Accountant**

Mr. Hanif Ismail Lakhani

#### **Legal Adviser**

Mr. Muhammad Azizur Rahman  
Advocate

#### **Bankers**

Bank Al-Habib Ltd,  
Muslim Commercial Bank Ltd.  
Security Investment Bank Ltd,  
Habib Credit & Exchange Bank Ltd.  
Albaraka Islamic investment Bank Ltd.

#### **Auditors**

Rahim Iqbal Rafiq & Co.  
Chartered Accountants

#### **Registered Office**

18th Mile RCD Highway,  
27/3/1, Mouza Bairut, Tehsil Hub,  
Distt. Lasbela-Balochistan,  
Phones: 0202-32360, 0202-33679  
Fax: 0202-32369

#### **Head/Sales Office**

Uni Towers, 10th Floor, Room No. 1001,  
I.I., Chundrigar Road, P.O. Box No. 6643,  
Karachi- 74000, Pakistan.  
Phones: 2416511-14, 2410553, 2413528  
Fax: (92-21) 2415815, (92-21) 2411804

#### **Lahore Office**

Associated Chambers, 24/25 Patiala Ground,  
Link Mcleod Road, Lahore.  
Phones: (042) 7235741 - 43  
Fax: (042) 7235712

### **Notice of Meeting**

Notice is hereby given that the Seventeenth Annual General Meeting of the Shareholders of

Pioneer Cables Limited will be held on Tuesday the 16th December, 1997 at 3:00 p.m. at the liaison office of the Company at Uni Towers, 10th Floor, Room No. 1001, I.I. Chundrigar Road, Karachi to transact the following business;

#### **Ordinary Business**

1. To confirm the minutes of 16th Annual General Meeting held on Thursday the 19th December, 1996.
2. To receive, consider and adopt the Statement of Accounts for the year ended June 30, 1997 together with the Reports of the Directors and Auditors thereon.
3. To appoint Auditors for the ensuing year, and to fix their remuneration. Messrs. Rahim Iqbal Rafiq & Co. Chartered Accountants retire and being eligible have offered themselves for re-appointment.
4. To transact any other business which may legally be transacted at an Annual General Meeting with the permission of the Chair.

By Order of the Board

Karachi: November 13, 1997.

Hanif Ismail Lakhani  
Company Secretary

#### **Notes:**

1. The Share Transfer Books of the Company will be closed from 9th December, 1997 to 16th December, 1997 (both days inclusive), Transfers received in order at the Shares Department of the Company at Uni Towers, 10th Floor, Room No. 1001, I.I. Chundrigar Road, Karachi by close of business on 8th December, 1997 will be treated in time.
2. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as his/her proxy to attend and vote on his/her behalf.
3. The instrument appointing a proxy, together with the power of attorney under which it is signed or a notarially certified copy thereof, should be deposited at the Liaison Office / Shares Department of the Company not less than 48 hours before the time of holding of the meeting.
4. The members are requested to advise the change in address, if any.

#### **Chairman's Review**

##### **Dear Shareholders**

On behalf of the Board of Directors, it gives me pleasure to present the 17th Annual Report alongwith the audited accounts for the year ended 30th June, 1997 and comparative figures for the last 18 months ended 30th June, 1996.

##### **Business Overview**

The year under review witnessed turmoil and uncertainty resulting in political instability for most part of the year including dismissal of previous government followed by an installation of interim government. The general election for the next five years were held in February, 1997 and the present government came to power with a massive mandate and the remaining three months passed with an inspiring note with concerted efforts to improve the sagging national economy. As a whole the year passed with insurmountable difficulties with nearly 15% devaluation of Pak Rupee, high budgetary deficit, high lending rate by the banks because of shortage of funds caused by government borrowing. The financial position of WAPDA and KESC continues to be fragile and have put an extraneous burden on our Company's operations. It is against this backdrop that the results of your Company have to be measured.

The sales for the year under review of the Company dropped to an unsatisfactory level of Rs, 330 million due to recession in the Country's economy and severe resource problem of WAPDA and KESC.

The increase in cost of sales has been registered due to massive devaluation of Pak Rupee and inflationary increases during 1996-97. The gross margin is 9.55% of the sales as against 10% of corresponding period. Administrative and selling expenses have been contained to Rs, 20,4

million as against Rs. 22,8 million compared to previous 18 months on annualized basis. The operating profit is 3.37% of the sales as against 5.57% in the last year. Financial charges of Rs. 22 million for the year are higher because of higher trade debts which strained the financial liquidity of the Company and necessitated borrowings from banks. The increase in the financial charges has wiped out the profitability of your Company resulting in loss before tax at Rs. 10.6 million. Over and above these losses, the Company has been burdened by enactment of minimum tax under section 80-D of the Income Tax Ordinance, 1979 amounting to Rs. 1.6 million making the loss after tax to Rs. 12.3 million, Trade debts continued to remain high compared to sales during the year owing to high receivables from WAPDA and KESC, both organisations facing financial crisis.

#### Future Prospects:

The prospects of the forthcoming year should be viewed in the backdrop of Government efforts for the revival of industrial sector of the Country, The incidence of taxes on the end price continue to remain high. Cable industry is the only capital goods industry which is subjected to suffer dual consumption taxes in the form of Excise duty and Sales tax inhibiting the growth of the industry on one hand and luring the unscrupulous manufacturers in unorganised sectors to make substandard products on the other hand which invariably result in tax evasion and colossal losses in the transmission of electricity. However, the government is making concerted efforts for the revival of industrial sectors though it remains a challenge for the cable industry. The reduction in corporate tax rate, the slight fall in rate of interest, efforts towards privatisation of financial institutions and also restructuring of WAPDA and KESC are some of the steps which are likely to pave the way for renewed activity in the sector and provide increased business opportunities to the Company.

The future prospects can only be described presently as uncertain until the economic scenario improves due to governmental efforts to check the recessionary trend of the economy. We, however believe that the economic downslide has been arrested and hope for a better economic future.

#### Employees and Valued Customers'

I wish to thank all employees for their respective contribution and also our valued customers for their confidence and support extended to our Company.

#### Directors' Report

Your Directors are pleased to submit 17th Annual Report and 14th since the Company was listed on the Stock Exchange of Pakistan, alongwith audited accounts for the year ended June 30, 1997 and the Auditors Report thereon.

The operating results of your Company are summarised below:

	12 months ended June 30, 1997	18 months ended June 30, 1996
	Rupees	Rupees
Profit / (loss) before taxation		(10,681,531) 23,787,150
Taxation		(1,650,831) (8,518,184)
Balance of profit brought forward from last year		661,369 374,278
Available for appropriation	(11,670,993)	15,643,244
APPROPRIATIONS		
Interim dividend @ Nil (1996:@ 7.50%)	--	2,660,625
Proposed dividend @ Nil (1996: @ 15%)	--	5,321,250
Transferred to general reserve	--	7,000,000
Unappropriated balance carried forward	(11,670,993)	661,369

The present Auditors M/s. Rahim Iqbal Rafiq & Co., Chartered Accountants retire and offer themselves for re-appointment.

The pattern of shareholdings is annexed.

#### Pattern of Shareholdings

**As At June 30, 1997**

No of shareholders	Shareholding	Total Shares held	
207	1 to	100	5,357
300	101 to	500	54,786
72	501 to	1,000	46,352
125	1,001 to	5,000	232,674
12	5,001 to	10,000	76,479
4	10,001 to	15,000	47,085
3	15,001 to	20,000	51,857
1	20,001 to	25,000	23,650
2	25,001 to	30,000	53,362
1	35,001 to	40,000	35,561
2	55,001 to	60,000	117,942
2	60,001 to	65,000	125,345
2	90,001 to	95,000	184,243
1	105,001 to	110,000	106,048
1	110,001 to	115,000	112,821
2	130,001 to	135,000	264,804
1	145,001 to	150,000	147,124
1	155,001 to	160,000	156,197
1	235,001 to	240,000	237,988
1	375,001 to	380,000	379,646
1	1,085,001 to	1,090,000	1,088,179
-----		-----	
<b>742</b>		<b>3,547,500</b>	

**CATEGORIES OF SHAREHOLDERS**

S. No.	Categories	Number	Shares held	Percentage	
1	Individual	724	1,434,525	40.43	
2	Investment Companies	3	59,053	1.67	
3	Insurance Companies	2	15,750	0.44	
4	Joint Stock Companies	5	27,157	0.77	
5	Financial Institutions	4	1,128,577	31.81	
6	Associated Companies	3	752,009	21.20	
7	Charitable institutions	1	130,429	3.68	
-----		-----		-----	
		<b>742</b>	<b>3,547,500</b>	<b>100.00</b>	

**10 Years at a Glance**

	1996-97	*1995-96	1994	1993	1992	1991	1990	1989	1988	** 1987	
Sales	330,166	772,297	358,729	300,157	247,878	312,480	316,850	292,046	204,818	195,015	
Profit / (loss) after tax	(12,332)	15,269	10,709	6,026	2,737	11,027	12,089	10,226	9,844	12,942	
-----		-----		-----		-----		-----		-----	
Tangible fixed assets	81,917	65,962	63,891	65,750	69,861	73,898	60,058	61,577	65,221	67,335	
Long term investment/ deposits	11,324	11,314	11,304	11,233	11,219	11,251	2,553	2,513	320	--	
Working capital	17,199	47,132	42,824	35,886	35,791	32,606	50,596	47,818	45,968	37,588	
-----		-----		-----		-----		-----		-----	
Net assets employed	110,440	124,408	118,019	112,869	116,871	117,755	113,207	111,908	111,509	104,923	
Issued capital	35,475	35,475	33,000	33,000	33,000	33,000	33,000	33,000	30,000	30,000	
Reserve and retained earnings	64,329	76,661	71,849	64,440	64,189	61,452	53,483	46,832	44,572	34,603	
Shareholders' equity	99,804	112,136	104,849	97,440	97,189	94,452	86,483	79,832	74,572	64,603	
Long term loans	1,768	3,310	8,174	10,910	15,102	18,679	23,576	29,106	34,054	38,480	

Deferred liabilities	8,868	8,962	4,996	4,519	4,580	4,624	3,148	2,970	2,883	1,840
Capital employed	110,440	124,408	118,019	112,869	116,871	117,755	113,207	111,908	111,509	104,923

**Financial ratios**

## Current assets:

Current liabilities	1.07:1	1.19:1	1.37:1	1.37:1	1.49:1	1.43:1	1.66:1	1.78:1	2.08:1	1.72:1
Turnover: Total assets	0.96:1	2.08:1	1.53:1	1.42:1	1.31:1	1.61:1	1.67:1	1.68:1	1.33:1	1.25:1
Long term loans: Equity	0.02:1	0.03:1	0.08:1	0.11:1	0.16:1	0.20:1	0.27:1	0.36:1	0.46:1	0.60:1
Earning/share after tax Rs	N.A.	4.30	325	1.83	0.83	334	366	3.10	328	4.31
Net earning/Rupee of sales	Rs. N.A,	2	0.03	2	0.01	0.04	0.04	0.04	0.05	0.07
Break up value/share Rs.	28.13	31.61	31.77	2,953	2,945	28.62	26.21	24.19	24.86	21.53
Net return on equity %	N.A.	13.62	10.21	6.18	2.82	11.67	13.98	12.81	13.20	20.03
Net return on capital employed %	N.A.	12.27	9.07	5.34	2.34	9.36	10.68	9.14	8.83	12.33
Net return on total assets %	N.A.	4.11	456	2.86	1.44	5.68	6.38	5.90	6.38	8.30
Cash dividend/share %	--	22.50	10.00	17.50	--	17.50	17.50	15.00	--	--
Bonus issue/share %	--	--	7.50	--	--	--	--	--	10.00	--

\* Figures are for eighteen months ended June 30, 1996.

\*\* Figures include the results of first eight months of tax holiday period.

**Auditors' Report To The Members**

We have audited the annexed Balance Sheet of PIONEER CABLES LIMITED as at June 30, 1997 and the related Profit and Loss Account and Statement of Changes in Financial Position together with the notes forming part, thereof, for the year then ended and we state that 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 and, after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

(iii) the business conducted, investment made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account and the Statement of Changes in Financial Position, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 1997; and of the loss and the changes in Financial Position for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that ordinance.

Karachi:  
Date: November 13, 1997

**RAHIM IQBAL RAFIQ & CO,**  
Chartered Accountants

**Balance Sheet  
As At June 30, 1997**

	NOTE	1997 Rupees	1996 Rupees
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized Capital 4,000,000 ordinary shares of Rs, 10/- each		40,000,000	40,000,000
		=====	=====
Issued, subscribed and paid up capital	3	35,475,000	35,475,000
General reserve	4	76,000,000	76,000,000
Unappropriated (loss) / profit		(11,670,993)	661,369
		-----	-----
		99,804,007	112,136,369
LONG TERM LOANS	5	1,767,632	3,309,632
<b>DEFERRED LIABILITIES</b>			
Taxation		8,500,000	8,500,000
Staff gratuity		368,411	462,026
		-----	-----
		8,868,411	8,962,026
<b>CURRENT LIABILITIES</b>			
Current maturity of long term loans		1,542,000	3,351,424
Short term finances	6	101,468,131	88,835,622
Creditors, accrued and other liabilities	7	127,698,094	143,247,142
Taxation		1,045,052	6,612,582
Proposed dividend		-	5,321,250
		-----	-----
		231,753,277	247,368,020
<b>CONTINGENCIES AND COMMITMENTS</b>			
	8	-----	-----
		342,193,327	371,776,047
		=====	=====
The annexed notes form an integral part of these financial statements.			
<b>FIXED CAPITAL EXPENDITURE</b>			
Operating fixed assets	9	60,359,074	65,962,316
Capital work-in-progress	10	21,558,078	--
		-----	-----
		81,917,152	65,962,316
LONG TERM INVESTMENT	11	10,900,000	10,900,000
LONG TERM SECURITY DEPOSITS		424,355	413,855
<b>CURRENT ASSETS</b>			
Stores and spares	12	323,460	346,482
Stock-in-trade	13	73,777,627	52,205,807
Trade debts	14	147,902,873	213,867,091
Loans, advances, deposits, prepayments and other receivables	15	19,424,047	12,693,021
Cash and bank balances	16	7,523,813	15,387,475
		-----	-----
		248,951,820	294,499,876
		-----	-----
		342,193,327	371,776,047
		=====	=====

**Profit And Loss Account  
For The Year Ended June 30, 1997**

NOTE		12 months ended	18 months ended
		June 30, 1997	June 30, 1996
		Rupees	Rupees
Sales-Net	17	330,166,214	772,296,624
Cost of sales	18	298,624,700	695,097,715
Gross profit		31,541,514	77,198,909
Administration expenses	19	13,399,586	22,986,960
Selling expenses	20	7,011,690	11,206,373
		20,411,276	34,193,333
Operating profit		11,130,238	43,005,576
Other income	21	238,075	222,768
		11,368,313	43,228,344
Financial charges	22	22,049,844	17,685,990
Workers' profit participation fund		--	1,277,118
Workers' welfare fund		--	478,086
		22,049,844	19,441,194
Profit / (loss) before taxation		(10,681,531)	23,787,150
Taxation	23	(1,650,831)	8,518,184
Profit / (loss) after taxation		(12,332,362)	15,268,966
Unappropriated profit brought forward		661,369	374,278
Profit / (loss) available for appropriation		(11,670,993)	15,643,244
Appropriated as under:			
Interim dividend @ Nil % (1996: @ 7.5%)		--	2,660,625
Proposed dividend @ Nil % (1996: @ 15%)		--	5,321,250
Transferred to general reserve		--	7,000,000
		--	14,981,875
Unappropriated profit / (loss) carried forward		(11,670,993)	661,369

The annexed notes form an integral part of these financial statements.

#### Cash Flow Statement

For The Year Ended June 30, 1997

NOTE	12 months ended	18 months ended
	June 30, 1997	June 30, 1996
	Rupees	Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before taxation	(10,681,531)	23,787
Adjustments for:		
Depreciation	6,888,063	10,823,899
Gain on disposal of operating fixed assets	(118,718)	(101,424)
Financial charges	22,049,844	17,685,990
Provision for doubtful debts / claims	-	3,000,000
	28,819,189	31,408,465
Operating profit before working capital changes	18,137,658	55,195,615
<b>Changes in working capital:</b>		
<b>Decrease / (Increase) in current assets</b>		
Stores and spares	23,022	(16,732)
Stock-in-trade	(21,571,820)	(8,283,320)
Trade debts	65,964,218	(117,807,069)

Loans, advances, deposits, prepayments and other receivables	(6,731,026)	(5,766,839)
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**(Decrease)/Increase in current liabilities**

Creditors, accrued and other liabilities (excluding unclaimed dividend)	(15,562,230)	72,218,238
--	--------------	------------

	22,122,164	(59,655,722)
--	------------	--------------

Cash generated from operations	40,259,822	(4,460,107)
Payment of tax	(7,218,361)	(4,483,330)
Payment of gratuity	(93,615)	(33,948)
Financial charges paid	(22,049,844)	(17,685,990)

	(29,361,820)	(22,203,268)
--	--------------	--------------

<b>Net cash (used in) / from operating activities</b>	10,898,002	(26,663,375)
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from disposal of fixed assets	233,000	229,000
Fixed capital expenditure	(22,957,181)	(13,022,152)
Long term deposits	(10,500)	(9,500)

Net cash from / (used in) investing activities	(22,734,681)	(12,802,652)
--	--------------	--------------

	(11,836,679)	(39,466,027)
--	--------------	--------------

**CASH FLOWS FROM FINANCING ACTIVITIES**

Repayment of long term loans	(3,351,424)	(4,249,000)
Dividends paid	(5,308,068)	(5,937,714)

Net cash used in financing activities	(8,659,492)	(10,186,714)
Net (decrease) /increase in cash and cash equivalents	(20,496,171)	(49,652,741)

Cash and cash equivalents at the beginning of the period	(73,448,147)	(23,795,406)
--	--------------	--------------

Cash and cash equivalents at the end of the period 24	(93,944,318)	(73,448,147)
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	=====	=====
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**Notes To The Accounts****For The Year Ended June 30, 1997****1. THE COMPANY AND ITS OPERATION**

The Company is limited by shares incorporated in Pakistan on November 19, 1979 and quoted on Karachi Stock Exchange. The principal activity of the Company is manufacturing and sale of cables, conductors and other allied items.

**2. SIGNIFICANT ACCOUNTING POLICIES****2.1 Accounting Convention**

These financial statements have been prepared under the historical cost convention,

**2.2 Employees' Retirement Benefit****a. Gratuity Scheme**

The Company was operating an unfunded gratuity scheme covering its employees who have completed prescribed qualifying period of service, Such employees have opted for employees provident fund scheme,

**b. Provident Fund Scheme**

The Company operates provident Fund Scheme registered under the Income Tax Ordinance 1979, for all its employees who are eligible for the benefit. Monthly contributions are made to cover obligations under the scheme.



### 2.3 Taxation

#### Current

Provision for current taxation is based on taxable income at the current tax rates, after considering admissible tax credits, if any, or 0.5 per cent of turnover, whichever is higher.

#### Deferred

The Company accounts for deferred taxations on all significant timing differences using the liability method. However, deferred tax is not provided if it can be established with reasonable probability that these timing differences will not reverse in the foreseeable future.

### 2.4 Fixed Capital Expenditure

#### a. Operating assets and depreciation

Operating fixed assets are stated at cost less accumulated depreciation except lease hold land which is stated at cost.

Depreciation is charged to profit and loss account by applying reducing balance method at the rates specified in operating assets note.

Full year's depreciation is charged on additions, while no depreciation is charged on assets deleted during the year.

Minor renewals, replacements, maintenance, repairs and gain and loss on disposal of fixed assets are included in current year's profit & loss account. Major renewals and replacements are capitalized.

#### b. Capital work-in-progress

Capital work-in-progress is stated at cost and represents expenditure on fixed assets in the course of construction and installation. Transfers are made to relevant fixed assets category as and when assets become operative.

### 2.5 Long Term Investments

These are stated at cost.

### 2.6. Stores and Spares

These are valued as follows:

In hand : on moving average cost.  
in transit : on cost comprising invoice value and other charges paid thereon upto the balance sheet date.

### 2.7 Stock-in-Trade

These are valued at lower of cost and net realizable value, The cost is computed by using the following methods:

Raw and packing materials:	on moving average basis
Work-in-progress:	at average manufacturing cost
Finished goods:	at average manufacturing cost
Scrap stocks:	at estimated realizable value
Stock-in-transit:	at cost comprising invoice value plus expenses incurred thereon upto the balance sheet date

Cost of work-in-process and finished goods consists of direct materials, labour and appropriate production overheads.

### 2.8 Trade Debts

Debts considered irrecoverable are written off and provision is made for debts considered doubtful,

### 2.9 Revenue Recognition

- Sales of products and services are recorded on delivery of products or performance of services.
- Claims for cost escalation are recognized on actual receipt.
- Income from investment is credited to profit and loss account in the year in which it is received.

**2.10 Foreign Currency Translation**

Assets and liabilities in foreign currencies are translated into Pak. Rupees at the rate of exchange prevailing at the date of balance sheet except those covered with the State Bank of Pakistan under forward exchange contract. Liabilities for import against L/C's are translated into pak, Rupees at the rate of exchange prevailing at the date of preparation of balance sheet. Exchange gains or losses are included in current year's profit and loss account,

		1997	1996
		Rupees	Rupees
<b>3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
1996	1997		
3,000,000	3,000,000	30,000,000	30,000,000
	Ordinary Shares of Rs. 10/- each fully paid in cash		
300,000	300,000	3,000,000	3,000,000
	Ordinary Shares of Rs. 10/- each issued as fully paid bonus shares		
247,500	247,500	2,475,000	2,475,000
	Ordinary Shares of Rs. 10/- each issued as fully paid bonus shares		
----- 3,547,500	----- 3,547,500	----- 35,475,000	----- 35,475,000
=====	=====	=====	=====

**4. GENERAL RESERVE**

At the beginning of the year	76,000,000	69,000,000
Transferred from profit and loss account	-	7,000,000
	----- 76,000,000	----- 76,000,000
	=====	=====

**5. LONG TERM LOANS- SECURED FOREIGN CURRENCY FROM PLICL**

Opening balance	6,661,056	10,910,056
Repaid during the period	(3,351,424)	(4,249,000)
	----- 3,309,632	----- 6,661,056
Current maturity shown under current liabilities	(1,542,000)	(3,351,424)
	----- 1,767,632	----- 3,309,632
	=====	=====

5.1 The significant terms and conditions of the agreement are:-

Credit line	Principal amount	Effective Mark-up rate P.A.	Exchange risk fee	Repayable in equal installments		To	payment of outstanding dues 5% per annum above bank rate
				No. / Mode	From		
ADB- B/879/18	4th Loan US \$ 0.426 Rs. 09,327	14%	Included in 14%	16 (semi-annual)	01.01.92		Rate of mark-up on default in 01.07.99 or effective rate of interest whichever is higher

**Security**

The above loans rank pari-passu with other loans and are secured by:-

- a) First equitable mortgage on all the immovable properties both present and future including building, plant, machinery and fixtures;
- b) First charge by way of hypothecation in respect of the machinery both present and future; :
- c) First floating charge on all other assets of the Company both present and future subject to the hypothecation or charge in favour of the Company's banker;
- d) A demand promissory note for the amount of the loan executed by the Company renewable after every three years; and
- e) Assignment by the Company by way of mortgage, of the benefits of its contracts with the suppliers of the goods to be imported under this agreement.

**Other Information Pertaining to Loans**

**Dividend Declaration**

Without prior written consent of PICIC, the Company shall not declare any dividend during the period in which the Company is in arrears of PICIC dues,

		1997 Rupees	1996 Rupees
<b>6. SHORT TERM FINANCES</b>			
<b>Secured</b>			
From Banks and DFIs			
Morabaha Finance	(6.1)	10,000,000	10,000,000
Demand Finance	(6.2)	37,386,968	30,649,968
Running finance	(6.3)	7,234,063	23,582,401
Refinance	(6.4)	2,463,000	--
Documents against acceptance		40,732,599	--
		-----	-----
		97,816,630	64,232,369
<b>Unsecured</b>			
From associated undertakings	(6.5)	3,651,501	24,603,253
		-----	-----
		101,468,131	88,835,622
		=====	=====

**6.1 Morabaha finance**

The aggregate fund based limit is Rs. 10 million. Markup is charged at the rate of 15.5% per annum.

**6.2 Demand finance**

The aggregate fund based limit is Rs. 37.4 million. Markup is charged @ 14% per annum.

**6.3 Running finance**

The aggregate fund based limit is Rs. 39.10 million (1996: Rs. 30 million). Markup on running finance is charged at the rate of 43 to 48 paisas per thousand rupees on daily product basis.

**Securities**

The above finances are secured by joint pari-passu charge against hypothecation of current assets and lien over title of imported goods.

**6.4 Refinance**

The limit of the finance is Rs. 5 million (1996: Nil). The finance carries mark-up @ 13% per annum. The credit facility is against International Contract.

**6.5 Loan from associated undertakings**

Loan from associated undertakings carry interest @ 16% to 16,70% (1996: 16% to 16,70%) per annum payable semi-annually on daily product basis.

	1997 Rupees	1996 Rupees
--	----------------	----------------

**7. CREDITORS, ACCRUED AND OTHER LIABILITIES**

Creditors		
Associated undertaking	81,835,353	115,966,522
Others	3,715,755	565,796
	-----	-----
	85,551,108	116,532,318
Accrued liabilities		
Mark-up on		
- Short term finance - secured	3,224,178	1,178,241
- Loan from associated undertakings- unsecured	131,350	203,075
Accrued charges	3,022,970	7,872,203
Excise levy on loans	8,333	17,925
	-----	-----
	6,386,831	9,271,444
Other liabilities		
Advances from customers	35,289,294	15,044,570
Workers' profit participation fund (7.1)	--	968,924
Workers' welfare fund	--	360,972
Unclaimed dividend	197,738	184,556
Withholding taxes	209,463	808,968
Others	63,660	75,390
	-----	-----
	35,760,155	17,443,380
	-----	-----
	127,698,094	143,247,142
	=====	=====
<b>7.1 Workers' profit participation fund</b>		
At the beginning of the period	968,924	922,083
Allocation for the period	--	1,277,118
	-----	-----
	968,924	2,199,201
Amount paid to the fund	(968,924)	(1,230,277)
	-----	-----
Balance at the end of the year / period	--	968,924
	=====	=====

**8. CONTINGENCIES AND COMMITMENTS**

## Contingencies

a) Guarantees amounting to Rs, 16,528,075/- (1996: Rs, 21,880,297/-) have been given to Collector of Customs against partial exemption in import levies.

b) Bank and insurance guarantees amounting to Rs, 55,439,883/- (1996: Rs, 99,766,457/-) have been given to various parties for contract performance, tender bids etc,

## Commitments in respect of

- Construction of building	--	3,552,000
- Import of plant and machinery	--	25,000,000

**9. OPERATING FIXED ASSETS**

## Written

Particulars	C o s t			D e p r e c i a t i o n			Written Down Value As at 30-06-97	Rate %
	As at 01.07-96	Additions/ (Deletions)	As at 30-06-97	As at 01-07-96	For the period	As at 30-06-97		
Lease Hold Land	1,481,886	--	1,481,886	--	--	--	1,481,886	--
Factory Building								
on Lease Hold Land	18,437,200	--	18,437,200	11,829,894	660,731	12,490,625	5,946,575	10
Plant & Machinery	115,059,314	547,265	115,606,579	66,529,379	4,907,720	71,437,099	44,169,480	
Office Premises	1,144,570	--	1,144,570	322,074	41,125	363,199	781,371	5
Furniture & Fixture	1,457,616	44,560	1,502,176	651,335	85,084	736,419	765,757	10
Electric Fittings	1,375,000	--	1,375,000	1,034,624	34,038	1,068,662	306,338	10
Office Equipments	3,683,684	323,883	4,007,567	1,511,110	249,646	1,760,756	2,246,811	10
Lab & Other Equipments	264,605	--	264,605	183,692	8,091	191,783	72,822	10
Fire Fighting Equipments	48,019	--	48,019	23,556	2,446	26,002	22,017	10
Sign Board	1,048,740	--	1,048,740	372,080	67,666	439,746	608,994	10
Fork Lifter	2,076,581	--	2,076,581	814,669	126,191	940,860	1,135,721	10



year ended June 30, 1997 Rs, 12,885,817/- (1996: Rs, 20,568,300/-)

**12. STORES AND SPARES**

Stores	260,563	259,733
Spares	62,897	86,749
	-----	-----
	323,460	346,482
	=====	=====

**13. STOCK-IN-TRADE**

Raw materials		
-- In hand	46,214,435	15,887,750
-- in transit	--	470,466
Packing materials	669,596	387,650
Work-in-process	20,162,307	32,528,582
Finished goods	4,605,080	1,033,944
Others	2,126,209	1,897,415
	-----	-----
	73,777,627	52,205,807
	=====	=====

**14. TRADE DEBTS- UNSECURED**

Considered good	150,902,873	216,867,091
Less: Provision for doubtful debts/claims	3,000,000	3,000,000
	-----	-----
	147,902,873	213,867,091
	=====	=====

14.1 The management considers that all debts are good and fully recoverable. However, a lump sum provision has been made as a matter of prudence.

14.2 The maximum amount due at the end of any month during the period from an associated undertaking was Rs. 592/- (1996: Rs. 55,518/-).

**15. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

Loans and advances - unsecured  
Considered good

- Employees	222,250	360,014
- Suppliers	72,395	1,688,110
- Associated undertakings (15.1)	211,826	96,000
- Income tax	5,416,347	2,762,503
- Others	7,345,507	14,477
	-----	-----
	13,268,325	4,921,104
Deposits		
- Security deposit/earnest money for tender, imports etc.	--	285,000
- Octroi, sales tax and excise duty	4,046,239	495,188
	-----	-----
	4,046,239	780,188
Prepayments	564,779	630,196
Other receivables		
- Income tax refundable	1,544,704	6,361,533
	-----	-----
	19,424,047	12,693,021
	=====	=====

15.1 The maximum aggregate amount due from associated undertakings at the end of any month during the period was Rs. 211,826/- (1996: Rs. 96,000/-).

**16. CASH AND BANK BALANCES**

In hand	302,109	109,458
With banks in:		

- current accounts	7,183,362	15,262,421
- dividend account	38,342	15,596
	-----	-----
	7,221,704	15,278,017
	-----	-----
	7,523,813	15,387,475
	=====	=====

	12 months ended	18 months ended
	June 30, 1997	June 30, 1996
	Rupees	Rupees

**17. SALES- NET**

Gross sales	419,647,464	955,523,252
Excise duty	28,128,544	73,752,105
Sales tax	59,841,922	105,074,209
Commission	1,510,784	4,400,314
	-----	-----
	89,481,250	183,226,628
	-----	-----
	330,166,214	772,296,624
	=====	=====

**18. COST OF SALES**

Raw and packing materials	(18.1)	260,009,497	652,281,073
Stores and spares		2,507,684	7,362,213
Salaries, wages and other benefits		13,899,138	21,264,841
Fuel, power and light		4,443,125	7,996,465
Rent, rates and taxes		171,484	318,256
Insurance		102,235	193,187
Repairs and maintenance		928,302	1,776,222
Vehicles running expenses		646,844	1,228,797
Depreciation		5,739,217	9,132,071
Others		1,382,035	2,422,113
		-----	-----
		289,829,561	703,975,238
Work in process			
- Opening		32,528,582	12,775,079
- Closing		(20,162,307)	(32,528,582)
		-----	-----
		12,366,275	(19,753,503)
		-----	-----
Cost of goods manufactured		302,195,836	684,221,735
<b>Finished goods</b>			
- Opening		1,033,944	7,388,895
- Purchases		--	4,521,029
- Closing		(4,605,080)	(1,033,944)
		-----	-----
		(3,571,136)	10,875,980
		-----	-----
		298,624,700	695,097,715
		=====	=====

	12 months ended	18 months ended
	June 30, 1997	June 30, 1996
	Rupees	Rupees

**18.1. Raw And Packing Materials Consumed**

Opening stock			
-- Raw materials		15,887,750	21,367,473
--Packing materials		387,650	181,530
--Scrap		1,897,415	500,857
		-----	-----
		18,172,82	22,049,860
		292,596,932	652,526,277
		-----	-----
		310,769,747	674,576,137

Closing stock		
-- Raw materials	46,214,435	15,887,750
-- Packing materials	669,596	387,650
-- Scrap	2,126,209	1,897,415
	-----	-----
	49,010,240	18,172,815
	-----	-----
	261,759,507	656,403,322
Refund of custom duty	--	(500,000)
Scrap sales	(1,750,010)	(3,622,249)
	-----	-----
	260,009,497	652,281,073
	=====	=====
<b>19. ADMINISTRATION EXPENSES</b>		
Salaries and other benefits	6,033,290	8,970,090
Directors' remuneration and fees	822,534	935,000
Rent, rates and taxes	73,063	111,259
Insurance	277,765	212,233
Repairs and maintenance	321,660	694,972
Vehicles running	856,573	1,010,425
Entertainment	217,292	382,646
Training	--	20,350
Travelling	1,067,832	1,576,593
Electricity and gas	468,519	585,776
Communications	899.62	1,314,212
Printing and stationery	493,489	634,150
Legal and professional	418,075	436,410
Fees and subscription	114,360	119,711
Donations (19.1 )	138,500	1,112,320
Newspapers and periodicals	21,155	44,735
Audit fee	25,000	80,000
Provision for doubtful debts / claims	--	3,000,000
Depreciation	1,148,846	1,691,828
Others	2,016	54,250
	-----	-----
	13,399,586	22,986,960
	=====	=====

19.1 Donations do not include payments to any institutions or fund in which any Director or his spouse had any interest.

	12 months ended	18 months ended
	June 30, 1997	June 30, 1996
	Rupees	Rupees

**20. SELLING EXPENSES**

Advertising and sales promotion	1,457,849	2,056,116
Performance bonds, cables jointing kits & other related expenses	2,656,222	4,210,460
Handling and cartage	1,965,903	2,999,364
Octroi on sales	931,716	1,940,433
	-----	-----
	7,011,690	11,206,373
	=====	=====

**21. OTHER INCOME**

Interest on loan to associated undertakings	19,826	14,384
Exchange rate fluctuations	--	(43,164)
Gain on disposal of operating fixed assets	118,718	96,924
Others	99,531	154,624
	-----	-----
	238,075	222,768
	=====	=====

**22. FINANCIAL CHARGES**

Interest on long term loans	819,148	2,007,052
Mark-up on short term finances	7,174,715	6,084,748



Interest on loan from associated undertaking	<b>636,276</b>	1,277,791
Mark-up against purchase credit from associated undertaking	12,207,488	7,284,717
Excise levy on bank finances	712,049	579,323
Bank guarantee commission	5,705	65,468
Bank charges	228,527	386,891
Mark-up on refinance	265,936	--
	-----	-----
	<b>22,049,844</b>	<b>17,685,990</b>
	=====	=====

**23. TAXATION**

Current	1,650,831	8,563,884
Prior years'	--	(4,045,700)
Deferred (23.2)	--	4,000,000
	-----	-----
	<b>1,650,831</b>	<b>8,518,184</b>
	=====	=====

23.1 Income tax assessment of the Company has been finalized upto the assessment year 1996 - 97 (accounting year June 30, 1996), While assessing the income for the assessment year 1995 - 96 and 1996-97 the Income Tax Authority has disallowed certain expenses. The Company has filed an appeal before the CIT appeals regarding disallowance of certain expenses,

23.2 The deferred tax liability as at June 30, 1997 was Rs. 9,963,036/- (1996: Rs. 11,076,426/-) against which the Company has made provision of Rs. 8,500,000/- (1996: Rs. 8,500,000/-). The Directors are of the opinion that these timing differences are not likely to reverse in view of future capital expenditure programs.

1997	1996
Rupees	Rupees

**24. CASH AND CASH EQUIVALENTS**

Cash and bank balances	7,523,813	15,387,475
Short term finances	(101,468,131)	(88,835,622)
	-----	-----
	(93,944,318)	(73,448,147)
	=====	=====

**25. REMUNERATION OF DIRECTORS AND EXECUTIVES**

	12 months ended June 30, 1997		18 months ended June 30, 1996	
	Rupees		Rupees	
	DIRECTORS	EXECUTIVES	DIRECTORS	EXECUTIVES
Managerial remuneration	566,540	990,870	709,770	1,290,621
Other perquisites and benefits	253,494	534,796	220,230	655,499
	-----	-----	-----	-----
Total	822,534	1,525,666	935,000	1,946,120
	=====	=====	=====	=====
No. of Persons				
Meeting fees	3	--	4	--
Managerial remuneration	5	3	4	3

The Company for the purpose of its business has provided to its Directors with free use of Company owned and maintained cars and residential telephones etc.

	12 months ended	18 months ended
	June 30, 1997	June 30, 1996
	Rupees	Rupees
Sales	592	121,040
Purchases	200,062,144	363,442,398

Interest received on inter-company balances	19,826	14,384
interest paid on inter-company balances	12,843,764	8,563,996
Rent paid	60,000	90,000
Rent received	96,000	96,000
Net payments	269,304,554	276,216,201

**27. CAPACITY AND PRODUCTION**

The capacity and production of the Company's plant is not determinable due to production of various types and sizes of cables, wires and conductors etc,

**28. FIGURES**

- Of previous year's have been reclassified and rearranged wherever necessary to facilitate comparison,
- Have been rounded off to the nearest rupee.