

CRYSTAL CABLES

REPORT AND ACCOUNTS 2006

CRYSTAL CABLE INDUSTRIES LTD.

BOARD OF DIRECTORS

SHRI V. K. GUPTA
Managing Director

SHRI J. GUPTA
Jt. Managing Director

SMT. SAMPA CHATTERJEE
Nominee of IDBI

SHRI A. K. ROY
Director

SHRI G. RAHA
Director

SHRI S. N. GOSWAMI
Director

MS. RUCHIKA GUPTA
Director

AUDITORS

GHOSH & BASU
Chartered Accountants

BANKERS

BANK OF BARODA
STATE BANK OF BIKANER & JAIPUR

SHARE TRANSFER AGENT

MCS LIMITED
77/2A, HAZRA ROAD, KOLKATA - 700 029
PHONE : (033) 2476 7350/54

WORKS

ANDUL ROAD, P.O. NEW KOLORAH, ALAMPUR, HOWRAH - 711 302
PHONE : (033) 2669 4998 / 4999, FAX : (033) 26690419

REGISTERED OFFICE

32, GANESH CHANDRA AVENUE
3rd. FLOOR, KOLKATA - 700 013
PHONE : (033) 2215 7712 / 13, FAX : (033) 22159841
E-mail : crystalcable@vsnl.com

CRYSTAL CABLES**NOTICE TO THE SHAREHOLDERS**

Notice is hereby given that ANNUAL GENERAL MEETING of the members of CRYSTAL CABLE INDUSTRIES LIMITED, will be held at its Registered-office at 32, Ganesh Chandra Avenue, 3rd Floor, Kolkata -700013 on Saturday, the 30th December 2006 at 3:00 p.m. to transact the following business :

ORDINARY BUSINESS :

1. To consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2006 and the Balance Sheet as at that date and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Gautam Raha, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. A. K. Roy, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. Ghosh & Basu, Chartered Accountants, as Auditors of the company and to fix their remuneration.

SPECIAL BUSINESS :

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

" RESOLVED THAT the Memorandum of Association of the Company be altered by deleting the existing clause 5 and substituting the following clause in place thereof :

The Authorised Share Capital of the Company is Rs. 20,00,00,000 divided into 1,10,00,000 Equity Shares of Rs. 10 each and 9,00,000 Cumulative Redeemable Preference Shares of Rs. 100 each with the power to the Board of Directors to increase or reduce the capital and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges and conditions as regards capital, dividends, voting or otherwise as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association for the Company".

6. To consider and if thought fit, to pass with or without modification, the following resolution as an **SPECIAL RESOLUTION**

"RESOLVED THAT pursuant to Section 192A of the Companies Act, 1956, the Articles of the Association of the company be and are hereby altered by adding a new Articles no. 88A as under

"Article 88A, Passing of resolution by postal ballot

Notwithstanding anything contained in the Articles of Association of the company, the company may, and in the case of resolutions relating to such business as the Central Government may, by notification, declare to be conducted only by postal ballot, shall, get any resolution passed by means of a postal ballot, instead of transacting the business in general meeting of the Company and the Company shall comply with the procedure and other conditions prescribed by the Act or the Central Government in this regard."

7. To consider and if thought fit, to pass with or without modification, the following resolution as an **SPECIAL RESOLUTION**.

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"RESOLVED THAT consent of the company be and is hereby accorded pursuant to Clause 23 of the Listing Agreement entered into by the Company with the Stock Exchange(s), to re-issue of 19,60,900 shares which have been forfeited to such persons at such price as the Board may determine including re-issue of such number of shares to the promoters of the company subject however to compliance of applicable rules and regulations"

8. **To consider and if thought fit, to pass with or without modification, the following resolution as an SPECIAL RESOLUTION**

"RESOLVED THAT pursuant to the provisions of Section 100 and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto and any re-enactment thereof), the enabling provisions of the Articles of Association of the Company, the Restructuring Package granted by the Lenders and subject to the Listing Agreement between the Company and the Stock Exchange(s) where the shares of the Company are listed and confirmation of the Hon'ble High Court at Calcutta, the consent of the Company be and is hereby accorded to the reduction of the existing Fully Paid-up Equity Share Capital of the Company from Rs. 5,44,62,000 consisting of 54,46,200 equity shares of Rs. 10/- each to Rs. 2,72,31,000 divided into 27,23,100 equity shares of Rs. 10/- each consequent upon cancellation of One Equity Shares out of every Two Equity Share of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to move a petition to the High Court at Calcutta for an order confirming the aforesaid resolution and Mr. V. K. Gupta, Managing Director and Mr. J. Gupta, Joint Managing Director be and are hereby authorized individually to sign and verify the petition, appoint advocates, consultants and to do all such acts, deeds and things as may be necessary for obtaining the order of High Court to the reduction of capital in terms of aforesaid resolution."

9. **To consider and if thought fit, to Pass with or without modification, the following resolution as an SPECIAL RESOLUTION**

RESOLVED THAT pursuant to the provisions of Sections 80 & 81 (IA) and all other applicable provisions, if any, of the Companies, Act, 1956 (including any statutory modifications(s) or re-enactments thereof for the time being in force), the Memorandum and Articles of Association of the Company, Listing Agreements entered into by the company with the Stock Exchange(s) where the shares of the Company are listed, Disclosure and Investor Protection Guidelines issued by the Securities and Exchange Board of India (SEBI) and other applicable Regulations/Guidelines and subject to such other approvals, permissions, consents and /or sanctions as may be necessary or expedient under the applicable laws, rules and regulations and subject to such terms, conditions, alterations and modifications as may be considered appropriate, and agreed to by the Board of Directors (hereinafter referred to as "the Board", which term shall include any Committee of Directors to which all or any of the powers conferred on the Board by this resolution, may have been delegated), consent of the Company be and is hereby accorded to the Board to offer, issue and allot in one or more tranche(s) through a preferential allotment and /or private placement basis and/or conversion of loans and/or dues, up to 80,00,000 equity shares of Rs. 10 each (including shares in lieu of forfeited shares) and up to 8,50,000 Cumulative Redeemable Preference Shares of Rs. 100 each (hereinafter referred to as "CRPS") to the promoters (individuals, bodies corporate and other entities), banks/ financial institutions or such persons/entities, whether or not shareholders of the company, on such terms, and/or conditions as the Board may at its discretion deem fit

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RESOLVED FURTHER THAT the equity shares so issued and allotted shall rank pari passu with the existing equity shares of the Company in all respects including payment of dividend from the date of allotment

RESOLVED FURTHER THAT the Board be and is hereby authorised to take necessary measures to seek the listing of such equity shares at the stock exchange(s) where the company's shares are presently listed.

RESOLVED FURTHER THAT the Board be and is hereby authorised on or before redemption of CRPS issued pursuant to this resolution, to issue fresh shares upto the nominal amount of the shares redeemed or about to be redeemed on such terms and conditions as the Board may deem fit.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorized to agree, make and accept all such term(s), condition(s), modification(s) as it may deem fit including those stipulated or required by any relevant authorities or by their bye-laws, rules, regulations or guidelines and the Board is also hereby authorized to resolve and settle all questions, difficulties or doubts that may arise in regard to such reduction, to finalise and execute all agreements, documents and writings and to do all acts, deeds and things in this connection and incidental as the Board may in its absolute discretion deem fit without being required to seek any further consent or approval of the company or otherwise to the end and intent that they shall be deemed to have been given approval thereto expressly by the authority of this Resolution.

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Registered office :

32, Ganesh Chandra Avenue

3rd floor, Kolkata - 700 013

Dated : 6th December, 2006

By Order of the Board

V. K. GUPTA*Managing Director*

CRYSTAL CABLES**NOTES :**

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business is annexed.
2. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his behalf and the proxy need not be a member of the Company.
3. The instrument appointing a proxy must be received by the company at its registered office not less than 48 hours before the time fixed for holding the meeting.
4. **MEMBERS ARE REQUESTED TO:**
 - a) Bring their copies of the Annual Report at the time of attending the Annual General Meeting.
 - b) Send their queries relating to the accounts 10 days in advance before the Annual General Meeting.
5. Members/Proxies attending the meeting are requested to complete the enclosed attendance slip and deliver the same at the entrance of the meeting hall.
6. All documents referred to in the Notice and the Explanatory Statement are available for inspection at the Registered Office of the Company during the Business Hours on all working days of the Company up to the date of the Annual General Meeting.
7. Members are requested to immediately notify change of address if any, to the shares transfer agent of the company, M/s. MCS Ltd., 77/2A, Hazra Road, Kolkata - 700 029.
8. The Register of Member and the Share Transfer Books of the Company will remain closed from 24th December, 2006 to 30th December, 2006 (both days inclusive).

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**ITEMS OF SPECIAL BUSINESS****ITEM NO. 2 & 3****DETAILS OF DIRECTORS SEEKING APPOINTMENT/ RE-APPOINTMENT IN THE FORTHCOMING ANNUAL GENERAL MEETING**

Name of Director	Mr. Gautam Raha	Mr. A. K. Roy
Date of Birth	5.8.1956	2.12.1936
Date of Appointment	24.3.2004	22.10.2003
Qualifications	B.A., M.B.A.	M. Com., LLB.
Expertise in specific functional areas	Marketing	Tax & Company matter
Shareholding of Non-executive Director	Not applicable	Nil
Other Companies in which Directorship held	Nil	Nil
Chairman/Member of the Committees of the Board of the other Companies on which he is a Director	Nil	Nil

Except Shri Gautam Raha and Shri. A. K. Roy respectively, none of the Directors of the company is concerned or interested in the Resolutions. The Board recommends the Resolutions for your approval.

CRYSTAL CABLES**ITEM NO. 5, 7, 8 & 9**

In terms of the Restructuring Package sanctioned to the Company by the lenders under the CDR mechanism, part of the principal and part of the interest dues to lenders namely IDBI are required to be converted into Equity Shares. Further a part of interest dues of lenders and parts of loss of drawing power against Cash Credit Limits from Banks are required to be converted into 6% Cumulative Redeemable Preference Shares. The package also requires unsecured loans from Directors and their relatives to be converted into Equity Shares and promoters to bring in their contribution by way of equity capital.

The package further stipulates write down by 50% of existing share capital of the Company. In order to give effect to the restructuring package sanctioned by the lenders the Company is obligated to reduce its paid-up share capital as stated. Since the Company has some shares liable for forfeiture due to non-payment of calls-in-arrears, the Company intends to forfeit the relevant shares before writing down the capital and issue of new shares which will also include shares in lieu of forfeited shares.

Section 100 of the Companies Act, 1956 stipulates that any reduction in paid up capital of the Company requires prior approval of shareholders by Special Resolution and sanction of the Hon'ble High Court of appropriate jurisdiction. Since the Restructuring Package envisages cancellation of 1 Equity Share of the Company of every 2 Equity Shares held by the shareholders of the Company and has the effect of reducing the Paid-up Capital of the Company, it is proposed to obtain the approval of the Shareholders in terms of Section 100 of the Act. The reduction of Paid-up Capital of the Company shall become effective only upon the sanction of the Reduction by the Hon'ble High Court of appropriate jurisdiction.

Accordingly, the Board recommends the Resolution at Item No. 8 for your approval.

None of the Directors of the Company are in any way concerned or interested in the Resolution.

In order to facilitate re-issue of forfeiture shares, item no. 7 is proposed and for write-down of capital which will be subject to the Court's approval, item no. 8 is proposed. In order to facilitate issue and allotment of Equity shares and CRPS to the lenders and promoters, the Authorised Share Capital of the Company is proposed to be increased from the existing 8 crores to 20 crores. Accordingly, Clause V of the Memorandum of Association is proposed to be altered by item no.5.

Section 81 of the Companies Act, 1956 provides, inter alia, that when it is proposed to increase the subscribed share capital of a company by issue and allotment of further shares, these shares shall be offered to the existing shareholders of the company, unless the Members in general meeting decide otherwise by special resolution. Since equity shares and CRPS as aforesaid are proposed to be issued by the Company to persons other than the existing members, item no. 9 is proposed.

Except to the extent of shares which may be allotted to the Directors viz. Mr. V. K. Gupta, Mr. Jyoti Gupta and Ms. Ruchika Gupta who are from the Promoters side, none of the Directors of the company is concerned or interested in the Resolutions. The Board recommends the Resolutions for your approval.

ITEM NO. 6

The Companies (Amendment) Act, 2000, introduced Section 192A in the Companies Act, 1956 regarding passing of resolutions by postal ballot, including passing of certain resolutions mandatorily through postal ballot by listed public company. Accordingly, Articles of the Association of the company is proposed to be altered by insertion of a new Article.

None of the Directors of the company is concerned or interested in the Resolutions.

The Board recommends the Resolution for your approval.

Registered office :

32, Ganesh Chandra Avenue
3rd floor, Kolkata - 700 013
Dated : 6th December, 2006

By Order of the Board

V. K. GUPTA
Managing Director

CRYSTAL CABLES**DIRECTORS' REPORT AND MANAGEMENT DISCUSSION ANALYSIS**

To
The Members
CRYSTAL CABLE INDUSTRIES LIMITED
Kolkata.

Your Directors present herewith their Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2006.

FINANCIAL HIGHLIGHTS

The Financial Results are stated hereunder : (Figures in Rs.)

	<u>31.03.2006</u>	<u>31.03.2005</u>
Profit / (Loss) before interest, depreciation & Provision Extra-ordinary Item	39742411	9294237
Less : Financial Charges	(54120754)	(58219746)
	<u>(14378343)</u>	<u>(48925509)</u>
Less : Depreciation	(16344109)	(16624684)
	<u>(30722452)</u>	<u>(65550193)</u>
Less : Provision for Fringe Benefit Tax	(288993)	--
Add : Extra-ordinary Items	--	(530718)
Net Loss	<u>(31011445)</u>	<u>(65019475)</u>
Less : Transfer to Capital Reserve	--	(530718)
	<u>(31011445)</u>	<u>(65550193)</u>
Add : Deficit brought forward	<u>(446093478)</u>	<u>(380543285)</u>
Deficit carried to Balance-Sheet	<u>(477104923)</u>	<u>(446093478)</u>

DIVIDENDS

In the absence of profits no dividend is being recommended.

REVIEW OF PERFORMANCE

During the year 2005-06, the Company has incurred a loss of Rs. 310.11 lacs as compared to Rs. 650.19 lacs in the previous year. The sales for the year showed an increase of 40.3% over last year owing to huge demand of cables.

Your Directors expect that strong market trend will continue in the Cable Industry, both in India and abroad for next few years. The Indian Economy is doing well and efforts for infrastructure building are in full stream. Special emphasis by the concerned authorities on power generation projects is a big boost for power cables. The growth in real estate has further led to improved market for power cables. In view of unutilized plant capacity, your Directors are of the view that the aforesaid trend will help the company grow faster and to wipe out its accumulated losses in coming years barring unforeseen circumstances.

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The country's economic growth presents several attractive opportunities. The Company's brand equity, product quality and latest technical know-how coupled with the growing demand from all corners of the country are expected to contribute handsomely to the Company's growth. Although in eastern India, the company enjoys more favourable market, the company is also increasing its pan India focus for long term growth.

Rise in material cost due to buoyancy in the economy, reduction of import duties making India increasingly a target market for many MNCs and working capital constraints are perceived to be threats but the company's focus on quality and service as well as shortening of product cycle and improvement in productivity will help tide over such threats. In view of non-sanction of additional funding by the bankers in the package approved by CDR, the Company is constrained to resort to short-term bill discounting at rates higher than bank finance.

ENERGY CONSERVATION ETC.

Particulars of conservation of energy, technology absorption, foreign exchange earnings & outgo as required under Section 217(1)(e) of the Companies Act, 1956 are mentioned in the Annexure A to this report.

DIRECTORS

Mr. Gautam Raha and Mr. A. K. Roy retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The Board recommends their reappointment.

AUDITORS

M/s. Ghosh & Basu, Chartered Accountants and Statutory Auditors of the Company will retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS' REPORT

The information and /or explanation on reservations / qualifications / adverse remarks in the Audit Report is as below.

- i) The company is regular in maintaining inventory records including reconciliation of sale quantity with dispatches. However, maintenance of records for stage wise evaluation of work-in-progress does pose practical difficulties which are in the process of resolution.
- ii) Since the cut-off date i.e. 31.12.2005 in the rehabilitation package approved by CDR is falling within the financial year under audit, concessions in interest rate has been accounted for based on written communications from lenders about the concessions and the auditors have been provided with copies of all such communications and status of related issues.
- iii) During the year no fresh funds including WCTL have been raised from WBIDC and / or BOB and as such the question of utilization of these funds does not arise at all.

RISK MANAGEMENT

On a periodic basis, risks due to external and internal factors are assessed by responsible persons across the organization to facilitate proactive risk management within respective areas of operations. Risks are also assessed while evaluating any new plan or policy to facilitate remedial measures in time.

INTERNAL CONTROL SYSTEMS

The Company has adequate system of internal control in various areas. However, realising the significance of the contribution that sound internal control systems can make to any organisation, the Company is taking steps to further strengthen the internal control system. Internal control systems are also monitored by the Internal Auditors.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of section 217 (2AA) of the Companies Act, 1956, the Directors state

- i) that in the preparation of the accounts, the applicable accounting standards, have been followed along with proper explanation relating to material departures, if any.
- ii) that such accounting policies have been selected and applied consistently and judgements made and estimates done that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the year under view.
- iii) that proper and sufficient care have been taken and further improvements are in the process of being made for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) that the accounts have been prepared on a going concern basis.

BIFR

The Company became a Sick Company within the meaning of section 3(1)(0) of Sick Industrial Companies (Special Provision) Act 1985 vide BIFR Order No 309/2001 dt. 30.06.2003. The BIFR has appointed IDBI as Operating Agency (OA), and has fixed 30.09.2003 as the cut-off date.

The Company has submitted a rehabilitation scheme to the OA. The OA in terms of BIFR order, has appointed a firm of consultants for techno-economic viability study report. Subsequent to the Consultant's report, the scheme submitted by the Company has also been modified in certain respects. Based on the draft rehabilitation scheme submitted by the Company, IDBI, Bankers and WBIDC have agreed for certain concessions.

Meanwhile, the Company's account has been transferred by IDBI to Stressed Assets Stabilization Fund (SASF). For early finalisation of the rehabilitation plan, SASF has made a reference for the Company to Corporate Debt Restructuring (CDR) Mechanism. The final proposal envisaging restructuring of the debts of the company with 31.12.2005 as the cut-off date was approved at the CDR Empowered Group meeting held on 4th January, 2006 based on which the net worth of the company is expected to turn positive within four years of implementation of the restructuring proposal as approved. The approved proposal is under the process of implementation. In view of the above, the financial statements have been prepared considering the company as a going concern.

HUMAN RESOURCES / INDUSTRIAL RELATIONS

One of the greatest assets of the company is the experience and skills of its employees. The Company has laid major emphasis on acquiring, maintaining and developing its human assets base. The employees at all levels have actively participated in the effort to sustain and improve the performance of the company in its on going difficult times. The Company had 157 nos. of employees at the end of March, 2006.

Due to unforeseen industrial relations issues, the plant was closed from 27.04.2006 to 28.05.2006 due to suspension of work. However, cordial industrial relations prevailed for the rest of the period.

EMPLOYEES

There are no employees falling under provisions of Section 217(2A) of the Companies Act, 1956.

Your Directors express their thanks to employees at all levels, who have extended their continued co-operation to the management during the year under review.