

26th

Annual Report

2004 - 2005



CUBEX TUBINGS LIMITED

**BOARD OF DIRECTORS**

Mr. P.R.Bhandari	Managing Director
Mr. U.M.Bhandari	Executive Director
Mrs. Veena Bhandari	Director
Mrs. Suman Bothra	Director
Mr. Mukun Chand Devada	Director

BANKERS/INSTITUTIONS

State Bank of Hyderabad
Union Bank of India
Industrial Financial Corporation of India Ltd
Industrial Investment Bank of India

AUDITORS

M/s. P. Murali & Associates
Chartered Accountants
6-3-655/2/3, Somajiguda,
Hyderabad - 500 082.

REGISTERED OFFICE

1-7-27 to 34, 1st Floor,
Shyam Towers,
United Building Complex,
S.D.Road, Secunderabad-500 003.

WORKS

Near 5th Phase, S.No.464,482
IDA, Patancherru
Medak District, A.P.

A-12-A, Industrial Estate,
Mettupalayam,
Pondicherry - 605 009.

SHARE TRANSFER AGENTS

Aarthi Consultants Pvt. Ltd.,
1-2-285, Domalguda,
Hyderabad - 500 029.



NOTICE

NOTICE is hereby given that the **26th Annual General Meeting** of the Members of the Company will be held on Saturday, the 12th November, 2005, at 10.00 A.M. at Surana Udyog Auditorium at the Federation of A.P. Chamber of Commerce and Industry, Federation House, 11-6-841, Red Hills, Hyderabad-500 004 to consider the following Business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 30th June, 2005 the 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 Smt.Veena Bhandari who retires by rotation and being eligible offers herself for reappointment.
3. To appoint a Director in place of Smt.Suman Bothra who retires by rotation and being eligible offers herself for reappointment.
4. To appoint Auditor and fix their remuneration.

SPECIAL BUSINESS

5. **To consider and if thought fit, to pass with or without modification (s), the following Resolution as a Special Resolution:**

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and is hereby altered as follows:

After Article 5 of the Articles of Association the following new Article 5A shall be inserted, namely : -

Issue/grant of shares/options to employees under Employees Stock Option Schemes:

" 5A Subject to the provisions of these Articles and in accordance with the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 for the time being in force and any modifications thereof from time to time and Section 79A or other applicable provisions, if any, of the Companies Act, 1956 and of various other laws governing the issue, the company may issue equity shares, warrants and/or equity linked instruments and/or any other instrument or securities or grant options convertible into equity shares under a Scheme or Plan as may be framed in this regard or through a trust set up for this purpose or otherwise to the employees of the company or such other persons entitled thereto".

6. **To consider and if thought fit, to pass with or without modification (s), the following Resolution as a Special Resolution:**

"RESOLVED THAT in accordance with the provisions contained in the Articles of Association of the Company and the provisions of Section 81 (1A) and such other provisions of the Companies Act, 1956 ("the Act") as may be applicable, in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("the Guidelines"), for the time being in force and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee including ESOS Compensation Committee which the Board may constitute to exercise its powers, including the powers conferred by this resolution), consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot at any time to or for the benefit of such person (s) who are in permanent employment of the Company, including Directors of the Company, whether whole time or not, whether working in India or out of India under a Scheme titled "Cubex Employees Stock Option Scheme" (hereinafter referred to as the "CESOS") or such other name as may deem proper, such number of warrants (including Options) of the company, convertible, at the option of the warrant holder (s) within an aggregate time period of 18 months from the date of allotment of warrants, not exceeding 10% of the paid-up capital of the company of the face value of Rs. 10/- each, at such price, in one or more tranches and on such terms and conditions as may be fixed or determined by the Board in accordance with the applicable provisions of the law or guidelines as may be prevailing at that time.

RESOLVED FURTHER THAT the said warrants may be allotted directly to such employees/directors or in accordance with a Scheme framed in that behalf or through a trust which may be set up in any permissible manner and that the scheme may also envisage for providing any financial assistance to the employees or to the trust to enable the employee/trust to acquire, purchase or subscribe to the warrants of the Company.

**CUBEX TUBINGS LIMITED**

RESOLVED FURTHER THAT the warrants to be issued and allotted by the Company in the manner aforesaid after conversion into equity shares shall rank pari passu in all respects with the then existing Equity Shares of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to any offer, issue or allotment of warrants, the Board be and is hereby authorised on behalf of the Company to evolve, decide upon and bring into effect the Scheme and make any modifications, changes, variations, alterations or revisions in the said Scheme from time to time or to suspend, withdraw or revive the Scheme from time to time as may be specified by any statutory authority and to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit or necessary or desirable for such purpose and with power on behalf of the Company to settle any issues, questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the members of the Company."

BY ORDER OF THE BOARD OF DIRECTORS
for **CUBEX TUBINGS LIMITED**

PLACE : HYDERABAD
DATE : 15-09-2005

P.R. BHANDARI
MANAGING DIRECTOR

NOTES

- a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- b) PROXIES TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LATER THAN 48 HOURS BEFORE COMMENCEMENT OF THE MEETING.
- c) THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED FROM FRIDAY THE 21ST OCTOBER, 2005 TO TUESDAY THE 25TH OCTOBER, 2005 (BOTH DAYS INCLUSIVE)
- d) THE RELEVANT EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS SET OUT ABOVE, AS REQUIRED BY SEC.173 (2) OF THE COMPANIES ACT, 1956 IS ANNEXED HERETO.



ANNEXURE TO THE NOTICE EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

Item No. 5

Your company is proposing to issue, allot warrants to the employees of the company under the employees stock option scheme or any other scheme to enable them to share in the growth of the company.

The existing Articles of Association of the company does not contain an enabling article in this regard. Therefore, it is proposed to alter the Articles of Association of the company to insert an article providing for issue of equity shares to employees of the company.

The Board recommends passing of the special resolution for alteration of Articles of Association of the company.

None of the Directors is interested or concerned in the resolution except to the extent of any options, which may be granted to them pursuant to the proposed ESOPS Scheme.

Item No. 6

It is proposed to offer, issue and allot warrants to employees by framing a scheme in this regard which has to be approved by the members in the general meeting by passing a special resolution. This resolution at Item # 6 empowers the Board of Directors of the company to offer, issue and allot warrants, including options to or for the benefit of the employees of the company.

The salient features of the Employees Stock Option Scheme are set out below:

1. Total Options to be allocated:

5,00,000 warrants, convertible, at the option of the warrant holder (s) within an aggregate time period of 18 months from the date of allotment of warrants, into 5,00,000 equity shares of Rs. 10/- each, at a premium as determined in accordance with the relevant SEBI Guidelines to or for the benefit of such person (s) who are in permanent employment of the Company, including Directors of the Company, whether whole time or not, whether working in India or out of India.

2. Identification of classes of employees entitled to participate in ESOS:

Persons who are "employees" of the Company, including Directors, as defined in the ESOS Guidelines (including any statutory modification(s) or enactment of the Act or the Guidelines for the time being in force), and as may be decided by the ESOS Compensation Committee, from time to time.

3. Requirements of vesting and period of vesting:

Vesting of options will commence after a period of 1 year from the date of grant, and may extend up to 5 years from the date of grant. The vesting may occur in tranches, subject to the terms and conditions of vesting, as may be stipulated by the ESOS Compensation Committee, in its discretion, and which will include performance appraisal of the employee and achievement of other performance milestones.

4. Exercise Price of Options:

The exercise price for the purpose of the grant of options shall be at a price of Rs. 20/- each. An amount equal to 10% of the price fixed in relation to each of the warrant shall be paid upfront by the person to whom the allotment is being made, at the time of allotment of the warrant and the same shall be adjusted against the price payable for the subsequent allotment of equity shares against the warrants. Further, in the event the option of conversion of warrant into equity share is not exercised by the warrant holder, in terms of this resolution the upfront payment of 10% shall stand forfeited.

5. Exercise Period and the Process of Exercise:

The exercise period commences from the date of vesting, and will expire not later than 7 years from the date of grant of options, or such other period as may be decided by the ESOS Compensation Committee, from time to time.

The Options will be exercisable by the Employees by a written application to the Company to exercise the options, in such manner, on execution of such documents, as may be prescribed by the ESOS Compensation Committee from time to time.

The Options will lapse if not exercised within the specified exercise period.

6. Appraisal Process for determining the eligibility of employees to ESOS:

The appraisal process for determining the eligibility of the employees will be specified by the ESOS Compensation Committee, and will be based on criteria such as the seniority of the employee, length of service, performance record, merit of the employee, and/or any such other criteria that may be determined by the ESOS Compensation Committee at its sole discretion.

7. Maximum number of Options to be issued per employee in aggregate:

The maximum number of Options granted per employee will not exceed 1% of the paid-up shares of the Company. The aggregate of all such Options granted shall not exceed 10% of paid-up shares of the Company.

The Company shall conform to the accounting policies specified in Clause 13.1 of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 and /or such other guidelines as may be Applicable, from time to time.

Subject to the approval of the Stock Exchange, the relevant Equity Shares on exercise of the Options shall be listed on the Stock Exchanges.

The Board of Directors commends this resolution for the approval of the members.

None of the Directors of the Company is interested or concerned in the passing of the Resolutions except to the extent of any options, which may be granted to them pursuant to this Scheme or plan.

BY ORDER OF THE BOARD OF DIRECTORS
for **CUBEX TUBINGS LIMITED**

P.R. BHANDARI
MANAGING DIRECTOR

U.M. BHANDARI
EXECUTIVE DIRECTOR

PLACE : HYDERABAD

DATE : 15.09.2005

ADDITIONAL INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT:

As required under the Listing Agreement, the particulars of Directors who is proposed to be appointed/re-appointed are given below:

1. Name : Smt. Veena Bhandari
Age : 30 Years
Qualifications : B.Com.,
Expertise : Experience in Administration
Other Directorships : NIL
2. Name : Smt. Suman Bothra
Age : 32 Years
Qualifications : B.Com.,
Expertise : Rich Experience in Trading & Management
Other Directorships : NIL

DIRECTORS' REPORT

To
The Members of
M/s. CUBEX TUBINGS LIMITED

The Directors have pleasure in presenting the 26th Annual Report of the company together with the Audited Accounts for the year ended 30th June, 2005.

FINANCIAL RESULTS

	Year Ended 30.06.2005 (Rs.in Lakhs)	Year Ended 30.06.2004 (Rs.in Lakhs)
Total Income	4379.84	3318.48
Profit /(Loss)	481.93	(222.06)
Balance Brought Forward	(4703.41)	(4481.35)
Balance Carried Forward	(4221.48)	(4703.41)

OPERATIONS

- The Company has maintained an impressive growth during the year. The turnover of the Company increased to Rs. 4379.84 lakhs compared to the last year turnover of Rs. 3318.48 lakhs.
- The Company has made one time settlement with all the institutions/ Banks as on 15.09.2005. The Company shall be benefitted by Rs. 3489.07 lakhs on account of OTS. The Company has already paid Rs. 360.71 lakhs against the OTS amount of Rs. 716.91 lakhs. The amount is paid by the company from its internal accruals.
- The Company has planned to raise the Capital by issue of Preference shares/GDR and ESOS for the expansion and modernisation of the Company. The Company has planned to increase its production capacity from 2800 MT to 5000 MT.

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT:

Pursuant to Clause 49 of the Listing Agreement, a Management Analysis Report is given below:

A. INDUSTRY BACKGROUND

The Copper and Copper Alloy products have shown impressive growth in the last decade.

Copper because of its high electrical conductivity and heat transfer characteristics finds wide application in the form of rods, tubes, strips, flats and wires. The user industries are generally Switchgear, Power Generation Companies, Motors, Refrigeration, Heat Exchanger, Automobile and Electrical Equipment industries.

B. INDUSTRY OUTLOOK

- Since there is lot of emphasis of power generation the consumption of Copper Alloy tubes, Rods and Semis would increase.
- The Manufacturing capacity of condenser/refrigeration tubes are in short supply compare to its requirements in India.
- There is huge export potential for Copper and Copper Alloy Extrusions.

C. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Internal control systems are aimed at promoting operational efficiencies while stressing adherences to policies. The systems are designed with adequate internal controls commensurate size and nature of operations. Transactions are executed in accordance with the company's policies. Assets are safeguarded and deployed in accordance with the Company's Policies.

During the year under review, an Audit Committee consisting of Three Independent and Non-Executive Directors was constituted. The committee is empowered by the Board with the authority to investigate any matters relating to the internal control system. The committee also reviews the quarterly, half yearly and annual financial statements before they are submitted to the Board and ensure compliance of internal control systems.

D. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS:

The Company is able to retain the experienced staff, in spite of the Copper consuming Industries are under recession, the Company feels confident of keeping its manpower costs to below industry norms. The atmosphere that is created in the organization is conducive for self development and career growth, this is the success in retaining our manpower.

ADDITIONAL INFORMATION AS REQUIRED U/S 217(1)(e) OF THE COMPANIES ACT, 1956

- (a) Conservation of Energy : The company is monitoring the consumption of energy and is identifying measures for conservation of energy.