

# **Thirteenth Annual Report 2005-2006**



**Q-FLEX CABLES LTD.**

**G-FLEX, CABLES LTD.**

**BOARD OF DIRECTORS**

**Mr. P.A. JOYKUTTY**  
*Chairman & Managing Director*

**Mr. THOMAS P. JOY**  
*Executive Director*

**Mr. GEORGE P. JOY**  
*Director - Operations*

**Mr. N. KARUPPIAH**  
*Director - Finance*

**Mrs. SUJI THOMAS**  
*Director*

**Mrs. JIS C JOY**  
*Director*

**Mrs. MELANIE SANTHOSH**  
*Director*

**Mr. GEORGE BABY GEORGE**  
*Director*

**Mr. THOMAS ALEXANDER**  
*Director*

**MANAGEMENT TEAM**

**Mr. P.A. JOYKUTTY**  
*Chairman & Managing Director*

**Mr. THOMAS P. JOY**  
*Executive Director*

**Mr. GEORGE P. JOY**  
*Director - Operations*

**Mr. N. KARUPPIAH**  
*Director - Finance*

**AUDITORS**

**M/s. KARPAGAM & CO.,**  
*Chartered Accountants*  
4, Balaji Avenue 1<sup>st</sup> Steet,  
T. Nagar, Chennai - 600 017.

**BANKERS**

**THE CATHOLIC SYRIAN BANK LTD.,**  
Industrial Finance Branch,  
Mount Road, Chennai - 600 002.

**REGISTERED OFFICE & FACTORY**

No. 3, Vengadamangalam Road, Kandigai,  
Melakottaiyur, Chennai - 600 048.

**Q-FLEX CABLES LTD.****NOTICE FOR THE THIRTEENTH ANNUAL GENERAL MEETING**

NOTICE is hereby given that the **Thirteenth Annual General Meeting** of the Company will be held at the Company's Registered Office at No.3, VENGADAMANGALAM ROAD, KANDIGAI, MELAKOTTAIYUR, CHENNAI - 600 048 on Friday, the 15th September, 2006 at 10.30 A.M. to transact the following business :

**ORDINARY BUSINESS :**

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2006 and the Balance Sheet as on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. George P. Joy, who retires by rotation and being eligible offers himself for re-election.
3. To appoint a Director in place of Mrs. Sujji Thomas, who retires by rotation and being eligible, offers herself for re-election.
4. To appoint a Director in place of Mrs. Jis C Joy, who retires by rotation and being eligible offers herself for re-election.
5. To appoint Auditors and to fix their remuneration :  
M/s. Karpagam & Company, Chartered Accountants, Chennai, retire and are eligible for re-appointment.

**SPECIAL BUSINESS :**

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

"RESOLVED that pursuant to the provisions of Sections 269, 309, 314 and Schedule XIII and other applicable provisions, if any, of the

Companies Act, 1956, Mr. N. KARUPPIAH, be re-appointed as Wholetime Director designated as Director - Finance for a period of one year with effect from 1st June, 2006 on the terms and conditions including remuneration as set out hereunder :

(a) **Salary** : Rs.20,000 /- per month including Dearness and all other allowances.

**(b) Perquisites :**

- I Medical Reimbursement : Reimbursement of expenses incurred for self and family subject to ceiling of Rs.2,000/-per annum..
- II Provident Fund : Company's contribution towards provident fund as per the rules of the Company but subject to statutory limits
- III Leave Travel Concession : Entitled for Leave Travel Concession for self and family subject to the ceiling of Rs.2,000/-per annum.
- IV Provision for Car and Telephone : Entitled for Car and Telephone at residence and the same will not be considered as perquisites. The personal long distance calls on telephone and use of Car for private purpose will be billed by the Company.
- V In the event of the loss or inadequacy of profits in any financial year, he shall be paid remuneration by way of Salary and Perquisites as specified above.

(By Order of the Board)  
for **Q-FLEX CABLES LTD.,**

Place : Chennai  
Date : 29.07.2006

**P.A. JOYKUTTY**  
Chairman & Managing Director

**Q-FLEX CABLES LTD.****NOTES:**

1. ANY MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT TO BE A MEMBER. THE PROXIES SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 12th September, 2006 to 15th September 2006 (both days inclusive)
3. Members / Proxies should bring the attendance slip duly filled in for attending the Meeting.
4. All documents referred to in the accompanying Notice are open for inspection at the Company's Registered Office during Office hours on all working days up to the date of the Annual General Meeting.
5. Members holding shares in physical form are requested to dematerialize the shares in electronic form to facilitate faster transfer and avoid rejections for bad deliveries. The share certificates may be sent directly to the Company Secretary / Registrar and Transfer Agents.
7. The Company's Equity Shares are presently listed at the Mumbai (BSE) and Madras (MSE) Stock Exchanges.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 ANNEXED TO THE NOTICE FOR THE THIRTEENTH ANNUAL GENERAL MEETING****ITEM NO.6**

The present term of Mr. N. Karupiah, Wholtime Director – Finance of the Company will expire on 31.5.2006. The Board of Directors at its meeting held on 29.4.2006, subject to approval of the Members of the Company re-appointed him as Wholtime Director – Finance of the Company for a further period of one year with effect from 1st June, 2006 as per the terms and conditions set out in the resolution. The terms of re-appointment were considered and approved by the Remuneration Committee of the Board of Directors as per the details furnished in the relevant resolution.

The re-appointment and remuneration of Mr. N. Karupiah as Wholtime Director – Finance of the Company require approval of the Members of the

Company in General Meeting in terms of Sections 269, 309 and Schedule XIII of the Companies Act, 1956.

In view of his qualification and experience in the field, the Board considers that the re-appointment of Mr. N. Karupiah as Wholtime Director – Finance of your Company will be beneficial to your Company and accordingly recommends the resolution for your approval.

None of the Directors is concerned or interested in the Resolution.

This may also be regarded as an abstract of terms of appointment of Mr. N. Karupiah as Wholtime Director – Finance of the Company and Memorandum of interest under Section 302 of the Companies Act, 1956.

(By Order of the Board)  
for **Q-FLEX CABLES LTD.,**

**P.A. JOYKUTTY**  
Chairman & Managing Director

Place : Chennai  
Date : 29.07.2006

**Information required to be furnished under the Listing Agreement about the particulars of Directors who are proposed to be appointed / re-appointed at the Thirteenth Annual General Meeting.**

- a) Mr. George P Joy is aged about 31 years. He holds a Bachelor of Engineering degree and has experience in the field of Engineering, Administration and Management. He is not holding any Directorship / Membership in the Board / Committee of other Companies.
- b) Mrs. Suji Thomas holds a Bachelor Degree is aged about 31 years and has experience in the field of Accounts and Administration. Mrs. Suji Thomas is not holding any Directorship/Membership in the Board / Committee of other Companies.
- c) Mrs. Jis C Joy holds a Master Degree is aged about 27 years and has experience in the field of Administration and Management. Mrs. Jis C Joy is not holding any Directorship / Membership in the Board / Committee of other Companies.

**G-FLEX CABLES LTD.****DIRECTOR'S REPORT**

Your Directors hereby present the Thirteenth Annual Report together with the Audited Accounts for the year ended 31<sup>st</sup> March, 2006.

**FINANCIAL RESULTS**

	<b>2005-2006</b>	<b>2004-2005</b>
	(Rs. in Lakhs)	
Profit before Interest and Depreciation	(53.45)	(66.21)
Less : Interest	57.49	57.66
Profit before Depreciation	(110.94)	(123.87)
Less : Depreciation	35.17	36.90
	(146.11)	(160.77)
Less : Preliminary exp. written off	9.91	9.92
Net Profit carried to B/S	(156.02)	(170.69)

**DIVIDEND**

In view of the loss incurred by the Company during the year under review, the Board of Directors could not recommend any dividend.

**OPERATIONS**

During the year and review, your Company has achieved a turnover of Rs.103.79 Lakhs as compared to previous year's turnover of Rs.232.37 Lakhs. Due to non-availability of working capital funds and increase in cost of major inputs, the performance of the Company has been affected adversely. Directors are taking all the steps to improve the performance of the Company in the years to come.

Since 100% of the peak net worth of the Company is eroded due to accumulated loss as on 31<sup>st</sup> March, 2004 itself, Your Company has become a "Sick Industrial Company" under the provision of the Sick Industrial Companies (Special Provisions Act), 1985. The Company already reported its sickness to the Board for Industrial and Financial Reconstruction (BIFR) in compliance with the said Act and got acknowledgement.

**PERSONNEL**

No employee was in receipt of remuneration in excess of the limits specified under Section 217(2A) of the Companies Act, 1956.

**ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE**

Information pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is furnished in the Annexure.

**DIRECTORS**

As per Article 111 of the Articles of Association of the Company, Mr. George P. Joy, Mrs. Suji Thomas and Mrs. Jis C Joy, Directors of the Company retire by rotation and are eligible for re appointment.

**DIRECTOR'S RESPONSIBILITY STATEMENT**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Director's Responsibility Statement, it is hereby confirmed that :

- (i) in preparation of the annual accounts for the financial year ended 31<sup>st</sup> March, 2006, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) the directors had selected such accounting policies and applied them consistently and 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 at the end of the financial year and of the profit or loss of the company for the year under review;
- (iii) the directors had taken proper and sufficient care 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;
- (iv) the directors had prepared the accounts for the financial year ended 31<sup>st</sup> March 2006 on a 'going concern' basis.

**AUDITORS**

M/s .Karpagam & Co., the Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

**Q-FLEX CABLES LTD.****CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, a Report on Corporate Governance with Auditor's Certificate on compliance of conditions of Corporate Governance with Auditor's Certificate on compliance of conditions of Corporate Governance and a Management Discussion & Analysis Report have been attached to form part of the Annual Report.

Place : Chennai  
Date : 29.07.2006

**ACKNOWLEDGEMENT**

The Directors wish to place on record their appreciation of the dedication and excellent contribution made by the employees. The Directors would like to thank The Catholic Syrian Bank Ltd., Industrial Finance Branch, Chennai -2, Suppliers and above all the Shareholders and valued Customers for their continued support and patronage.

(By Order of the Board)  
For **Q-FLEX CABLES LTD.**,  
(For and on behalf of the Board)

**P.A. JOYKUTTY**  
Chairman & Managing Director

**ANNEXURE TO DIRECTOR'S REPORT FOR THE YEAR ENDED 31st MARCH, 2006**

Information pursuant to the Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosures of particulars in the Report of Board of Directors) Rules, 1988.

**A. CONSERVATION OF ENERGY :**

Energy conservation measures are being taken with in our Plant as an ongoing exercise.

**B. TECHNICAL ABSORPTION :****FORM B****RESEARCH AND DEVELOPMENT**

1. Specific areas in which R & D carried out by the Company :
2. Benefits derived as a result of the above R & D : **Nil**
3. Future plan of action :
4. Expenditure on R & D :
  1. Capital
  2. Recurring
  3. Total
  4. Total R & D expenditure as a percentage of total turnover

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :**

1. Efforts, in brief, made towards technology absorption, adaptation and innovation

2. Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc. Nil
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 : Nil
  - a) Technology imported
  - b) Year of import
  - c) Has technology been fully absorbed?
  - d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO :**

- i) Activities relating to exports, initiatives taken to increase exports, development of new export market for products and services and export plans :  
We have exported PVC insulated cables during the year.
- ii) Total foreign exchange used and earned:

Current Year	Previous Year
(Rs. in Lakhs)	
Used	-
Earned	80.70
	26.03

(By Order of the Board)  
for **Q-FLEX CABLES LTD.**,

(For and on behalf of the Board)

**P.A. JOYKUTTY**  
Chairman & Managing Director

Place : Chennai  
Date : 29.07.2006

**G-FLEX CABLES LTD.****MANAGEMENT DISCUSSION AND ANALYSIS REPORT****INDUSTRY STRUCTURE**

The Company is engaged in the business of manufacture and sale of Building Cables, Flexible Cables, Power Cables, Submersible Pump Cables, Automotive Cables, Control Cables, Railway Signalling Cables & Power Cords which are classified under the Industrial Structure as Electrical Cables and Wires.

Our products are used in construction industry, automobile industry, railways, home appliances, etc. With signs of up-trend in the economy, it is expected that the consumption of cables and wires is likely to go up. Further, the export is also picking up steadily.

**OPPORTUNITIES AND THREATS**

The product portfolio of the Company is dominated by threats posed by manufacturers in un-organised sector. As the Government is initiating various measures to encourage the infrastructure and housing sector, there is possibility of increase in demand for cables and wires.

**RISK AND CONCERNS**

The fortune of the Company is dependent on entry barriers set up by electrical cables and wires business in the unorganized sector.

Further as a manufacturer in the organized sector, the fixed costs in terms of administrative expenses are high.

**OUTLOOK**

Though the business environment is very competitive, because of the efforts which are being taken for cost reduction and improving operational efficiency, the performance in the coming years is expected to be better.

**INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has adequate internal control system monitored by Internal Auditors who are reporting to the Audit Committee. The Audit Committee is meeting periodically for reviewing the performance of the Company and formulating policies / issuing guide lines to the Management.

**FINANCIAL PERFORMANCE**

The accumulated loss as on 31<sup>st</sup> March, 2004 itself have eroded the networth of the company fully. The Company had already reported its sickness to BIFR in compliance with the said provisions and got acknowledgement.

**MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT**

During the year under review, the relationship between the staff, workmen and management was good and cordial. The Company arranged for various programmes for our workmen on safety and productivity.



**G-FLEX CABLES LTD.****REPORT ON CORPORATE GOVERNANCE (2005-2006)****1. Company's Philosophy :**

Adherence to the Corporate Governance Standards by practicing principles of transparency, integrity and social accountability in all its operations.

**2. Board of Directors :**

	Name of the Directors, Designation and Category	No. of Board Meetings attended	Attendance at last AGM	No. of other Directorships*	Committee Membership*	
					Chairman	Member
1	Mr.P.A.Joykutti Chairman and Managing Director Promoter Executive	4	Yes	—	—	—
2	Mr.Thomas P.Joy Executive Director Promoter Executive	4	Yes	—	—	—
3	Mr. George P.Joy Director- Operations Promoter Executive	4	Yes	—	—	—
4	Mr. N. Karuppiah Director – Finance Executive Independent	4	Yes	—	—	—
5	Mrs. Suji Thomas Non Executive Independent	4	Yes	—	—	2
6	Mrs. Jis C. Joy Non Executive Independent	4	Yes	—	—	2
7	Mrs. Melanie Santhosh Non Executive Independent	4	Yes	—	—	—
8	Mr. George Baby George Non Executive Independant	2	Yes	—	2	—
9	Mr. Thomas Alexander Non Executive Independant	—	—	—	—	—

\* Does not include directorships in companies excluded as per Section 278 of the Companies Act, 1956.

Number of Board Meetings held : 4

Dates on which held : 29<sup>th</sup> April, 2005, 29<sup>th</sup> July, 2005,  
28<sup>th</sup> October, 2005 and  
31<sup>st</sup> January, 2006.



**G-FLEX CABLES LTD.****3. Audit Committee :**

- The Company has an Audit Committee comprising of three Non-Executive Directors namely, Mr.George Baby George acting as Chairman, Mrs.Suji Thomas and Mrs. Jis C Joy, as Members.

The Audit Committee oversees the Company's financial reporting process, reviews the annual financial statements with Management and holds discussions with internal and external auditors about the scope of audit and adequacy of internal control systems.

The Committee held three Meetings during the year and Mr.George Baby George, Mrs. Suji Thomas and Mrs. Jis C Joy attended all the meetings.

**4. Remuneration Committee :**

The Board has constituted a Remuneration Committee comprising of three Non-Executive Independent Directors namely, Mr. George Baby George acting as Chairman, Mrs. Suji Thomas and Mrs. Jis C Joy as members. Remuneration for Wholtime Directors is fixed by the Remuneration Committee. The remuneration policy followed by the Company to fix a remuneration to wholtime Directors taking into consideration the qualifications and functional experience of the individuals and the prevailing remuneration packages especially in the Cable Industry.

The details of remuneration paid to Whole -Time Directors for the financial year ended 31st March, 2006 is as follows :

Name	Remuneration (including Sitting Fees) (Rs.)
Mr.P.A.Joykutty	2.00 Lakhs
Mr. Thomas P. Joy	2.12 Lakhs
Mr. George P.Joy	1.22 Lakhs
Mr. N. Karuppiah	2.36 Lakhs

Service contracts: Five Years

Notice period or Severance fee : Three calendar months notice or salary due in lieu of notice. All components of remuneration as above are fixed. There is no performance linked incentives.

No bonus shares or stock options are issued to any of the Directors.

**5. Shareholders Committee / Investors Grievance Committee :**

The Board has constituted a Share Transfer & Shareholders/Investors Grievance Committee comprising of three Non-Executive Directors namely, Mr.George Baby George, Mrs.Suji Thomas and Mrs. Jis C Joy as members to approve the Share Transfer, Transmission, Transposition of Name, Issue of Split / Duplicate Certificates and to review the status on redressal of Shareholder and Investor Complaints.

The Company has not received any complaints from the shareholders and all other requests / correspondence received from the shareholders were attended. There were no pending share transfer as on 31<sup>st</sup> March, 2006.

**6. Annual / Extra Ordinary General Meetings :**

Location and time where last three Annual /Extra Ordinary General Meetings held :