

19th
ANNUAL REPORT
2005 - 2006

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GSAL

BOARD OF DIRECTORS

SRI. A. KRISHNA MURTHY	CHAIRMAN
SRI. K.P. PATNAIK	DIRECTOR
SRI. K. VIJAYA KUMAR	DIRECTOR (w.e.f. 29.04.2005)
SRI. N.KRISHNA MOHAN	MANAGING DIRECTOR
SRI. M.H. KULKARNI	DIRECTOR (Nominee IDBI)
SRI. P.S. RAVINDRANATH	DIRECTOR (Nominee ICICI Bank)
SRI. Y. SURYANARAYANA	DIRECTOR(Nominee APIDC wef 28.10.05)
SRI. J. BAPU REDDY	DIRECTOR(Nominee APIDC Up to 28.10.05)

STATUTORY AUDITORS :

M/s. N. Lakshminarayana Associates
Chartered Accountants
302, Gupta Estates, Basheerbagh,
HYDERABAD - 500 004.

FACTORY :

SREERAMPURAM
L. Kota Mandal
Vizianagaram District,
ANDHRA PRADESH

BANKERS :

IDBI BANK LTD.

Regd.Off: & Secretarial Dept. :
6-3-668/10/66,
Durganagar Colony,
Punjagutta, Hyderabad - 500 082.
Phone : 23411251

ELECTRONIC AGENTS :

M/s. VENTURE CAPITAL AND
CORPORATE INVESTMENTS LTD.,
12-10-134, (MIG - 134)
2nd Floor, Bharatnagar Colony,
Hyderabad - 500 038.
Ph.no(s) - 040-23712250/53

Notice TO SHAREHOLDERS

Notice is hereby given that the 19th Annual General Meeting of the Members of M/s. GSAL (India) Limited will be held on 14th day of August, 2006 at 11.00 AM at the Regd. Office of the company, i.e., 6-3-668/10/66, Durganagar Colony, Punjagutta, Hyderabad - 500 082.

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31-3-2006 and Profit and Loss Account for the period ended on that date and the reports of the Auditors and Directors thereon.
2. To appoint a Director in place of Sri. A. Krishna Murthy who retires by rotation and being eligible offers himself for reappointment.
3. To consider and if thought fit, to pass with or without modification the following Resolution as a Special Resolution.

"RESOLVED THAT M/s. Lakshminarayana Associates, Chartered Accountants, Hyderabad, be and are hereby reappointed as Auditors of the Company U/s. 224 A of the Companies Act, 1956 to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on such remuneration and out of pocket expenses as may be fixed by the Board of Directors of the Company"

By Order of the Board of Directors
for GSAL (INDIA) LIMITED,

Place : Hyderabad
Date : 26-05-2006

N. KRISHNA MOHAN
MANAGING DIRECTOR

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND PROXY NEED NOT BE A MEMBER THE INSTRUMENT OF PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of Members and Share Transfer Books will remain closed from the 11th day of August, 2006 to 14th August 2006 (Both days inclusive).
3. Members holding shares in Electronic form are requested to inform the changes, if any in their address to the depository a participant with whom the Demat Account is maintained.

DIRECTORS' REPORT**Dear Shareholders**

Your Directors have pleasure in presenting you the 19th Annual Report together with the Audited Statement of Account for the period ended 31st, March 2006.

OPERATIONS :

During the financial year ending 31st March, 2006, the Company could achieve the following results.

Sl. No.	Particulars	For the period ended 31-03-2006 (Rs. in Lakhs)
1	Sales	3054.41
2	Other Income/Stocks	75.96
3	Gross Profit / Loss	408.93
4	Interest	636.68
5	Cash loss	1045.61

DEBT RESTRUCTURE:

The Draft Rehabilitation Scheme (DRS) submitted by the Operating Agency (OA) i.e., IDBI with AAIFR for their consideration and approval has been heard on 17-06-2005 and 10-08-2005 and the Hon*ble Members of AAIFR on 10-08-2005 remanded the case back to BIFR for approval of the Draft Rehabilitation Scheme (DRS). The company has carried out the orders of the BIFR dated 5.5.2006 approving writing down of the equity by 85%, allotment of new equity to Financial Institutions and Promoters and also preferential shares to Financial Institutions. The future prospects of the Industry are expected to be bright. The doors of GSAL are opened for investment by FI's in the captive power Plant by using Kiln waste gases and also Melting facilities which will give added value to GSAL's products making it more viable. The Steel Industry is growing @ 5% to @ 6% and in the long term, the future of the Company lies in the expeditious installation of the captive power plant and melting facilities for which the company and the Board have taken necessary steps.

OTS

Considering the huge debt burden company is having and the necessity to bring down the interest cost in addition to inviting funders for investment in the Captive Power Plant and Melting facilities, the company is negotiating with Financial Institutions for OTS of their dues which will help to reduce the total debt burden and improve the viability of the company. Your Board is confident that the above efforts will bear fruit.

FI's have come forward and ready to enter OTS with Banks and Financial Institutions and to invest in the company.

None of the Directors are interested except Mr. N-Krishna Mohan, Managing Director of the Company.

DIRECTORS RESPONSIBILITY STATEMENT :

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statement in terms of Section 217 (2AA) of the Companies Act, 1956.

1. That in the preparation of the annual accounts for the period ended 31st March, 2006 the applicable accounting standards have been followed along with proper explanation relating to material departures.
2. That such accounting policies as mentioned in Schedule 18 to the Annual Accounts have been selected and applied consistently and judgements and estimates that are reasonable and prudent made so as to give a true and fair view of the state of affairs of the Company at the end of the period ended on 31st March, 2006 and of the profit of the Company for that period.
3. That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and to prevent and detect fraud and other irregularities:
4. That the Annual Accounts for the year ended 31st, March 2006 have been prepared on a going concern basis.

CORPORATE GOVERNANCE :

The Company has complied with the provisions of Corporate Governance, as clause 49 of the Listing Agreement with the Stock Exchange (s). A separate report on Corporate Governance annexed which forms part of this report.

AUDIT SUB-COMMITTEE :

Pursuant to the provision of Section 292A of the Companies Act, 1956, Audit Sub Committee has been constituted with the following Directors :

- 1) Sri. A. Krishna Murthy
- 2) Sri. K. P. Patnaik
- 3) Sri. N. Krishna Mohan

AUDITORS :

The report of the Auditors and the notes referred to in the Auditors report are self explanatory.

M/s. N. Lakshminarayana Associates, Chartered Accountants, Hyderabad, the Statutory Auditors of the Company hold office until the conclusion of this Annual General Meeting and are recommended for reappointment till the conclusion of the next Annual General Meeting. The Company has received a certificate from them that their reappointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956.

INDUSTRIAL RELATIONS :

Industrial relations continued to be cordial.

FIXED DEPOSITS :

Your Company has not accepted any Deposits from the public during the period under review.

PARTICULARS OF EMPLOYEES SECTION 217 (2A) :

As per the Companies (Particulars of Employees) Rules, 1975 as amended the details under Sec 217(2A) of the Companies Act 1956 are required to be published only in respect of employees who were in receipt of monthly remuneration of Rs. 2 lakhs and above during the year 2005-2006. The Company had no employee receiving a monthly remuneration of Rs. 2 Lakhs and above during the year. As such furnishing the particulars under Sec 217(2A) does not arise.

**PARTICULARS OF CONSERVATION OF ENERGY, TECHNICAL
ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUT GO :**

The information with respect to Conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo as required under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in the Annexure forming part of this Report.

ACKNOWLEDGMENTS :

Your Directors Acknowledge with thanks the cooperation and support received by the Company from the Financial Institutions and Banks, State and Central Governments, Your Directors also wish to place on record their appreciation of the sincere and dedicated services rendered by all the Officers and Employees of the Company.

By order of the Board of Directors
for GSAL (INDIA) LIMITED

Place : Hyderabad
Date : 26.05.2006

K. VIJAY KUMAR
Director

N. Krishna Mohan
Managing Director

REPORT ON CORPORATE GOVERNANCE :

1. THE COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE :

The Company's philosophy of Corporate Governance aims at assisting the Management of the Company in the efficient conduct of its business and in meeting its responsibilities to all the stake holders. It is towards this end that efforts are made to maintain high standards of disclosure to the shareholders and internal compliance of guidelines for better Corporate Governance.

2. BOARD OF DIRECTORS :

The Board of Directors consists of 7 members. One of the Director is the Managing Director and one of the director is nominated by APIDC, one of the director is nominated by IDBI, one of the director is nominated by ICICI Bank and the remaining 3 Directors are independent directors.

(i) TENURE:

As per the provisions of the Companies Act, 1956, two third of the Board of Directors (excluding Institutional Nominee Directors and Managing Director) should be retiring by rotation. One of these Directors is required to retire every year, and if eligible, these Directors qualify for re-appointment.

The Managing Director was appointed by the Shareholders for a period of five years subject to eligible for re-appointment on completion of tenure. The tenure of the Managing Director is up to 30-09-2010.

(ii) DIRECTORS ATTENDANCE & BOARD MEETINGS HELD DURING THE YEAR :

Details of Board Meetings held and attended by the Directors;

Name of the Director	Dates of the Board Meeting and their attendance by the Director			A.G.M.
	28/10 2005	26/01 2006	26/05 2006	30/11. 2005
1. Sri. A. Krishna Murthy	L.A.	P	p	L.A
2. Dr. J. Bapu Reddy (Nominee-APIDC)	P	R	R	
3. Sri .Y. Suryanarayana	-	L.A.	P	-
4. Sri.K.P. Patnaik	P	P	L.A.	P
5. Sri P.S. Ravendranath (Nominee-ICICI Bank)	P	L.A	L.A.	L.A
6. Sri M.H. Kulkarni (Nominee-IDBI Bank)	P	P	L.A	L.A.
7. Sri N. Krishna Mohan	P	P	P	P
8. Sri K. Vijay Kumar	P	P	L.A.	P

P : Present

L.A : Leave of absence granted

R : Resigned

The Company has held 3 Board Meetings during the last AGM held as mentioned above.

3. REMUNERATION OF DIRECTORS :

The Company does not have a formal Remuneration Committee. The Company pays sitting fees to all the Non-executive Directors at the rate of Rs. 2,500/- for each meeting. The details of sitting fees paid to the Non - executive Directors for attending the Board Meetings and Committee Meetings during the Financial year 2005-06 are as follows:

S.No.	Name of the Director	Sitting Fees	Total
		Rs.	Rs.
1.	Sri. A. Krishna Murthy	7500/-	7500/-
2.	Sri. Dr. J. Babu Reddy (Nominee - APIDCO)	2500/-	2500/-
3.	Sri. K.P. Patnaik	5000/-	5000/-
4.	Sri. P.S. Ravendranath (Nominee-ICICI Bank)	2500/-	2500/-
5.	Sri. M.H. Kulkarni (Nominee-IDBI Bank)	2500/-	2500/-
6.	Sri. K. Vijay Kumar	5000/-	5000/-

The remuneration paid to the Managing Director during the financial year ended 31.03.2006 is : NIL

4. NUMBER OF OTHER DIRECTORSHIPS OF THE DIRECTORS :

S.No.	Name of Director	Other Directorships
1.	Sri. A. Krishna Murthy	NIL
2.	Sri. N. Krishna Mohan	Sri Chakra Cements Ltd Wholtime Director
3.	Sri. K. Vijay Kumar	Aditya Spinners Ltd
4.	Sri. P.S. Ravendranath (Nominee-ICICI Bank)	NIL
5.	Sri. M.H. Kulkarni (Nominee-IDBI Bank)	1) Suryalakshmi Cotton Mills Ltd. 2) APITCO Ltd.

The meeting of the Board of Directors are held at the Registered Office at Hyderabad. The Board meets atleast once in a quarter to review the quarterly performance and financial results.

5. AUDIT COMMITTEE :

In Compliance with Clause 49 of the Listing Agreement and pursuant to the provision of Section 292A of the Companies Act, 1956 the Board of Directors of the Company has constituted an Audit Committee comprising of three directors viz., Sri.A.Krishna Murthy, Sri.N.Krishna Mohan and Sri.K .P. Patnaik.

The terms of reference stipulated by the Board to the Audit Committee are as follows :

- a. Recommending the appointment and removal of external auditors, fixation of audit fee and approval for payment for any other expenses.
- b. Reviewing with the Management, the annual financial statement, before the submission to the Board, focussing primarily on :
 - Any change in accounting policies and practices
 - Major accounting entries based on exercise of judgement by management
 - Qualification in Draft Audit Report
 - Significant adjustments arising out of audit
 - The going concern assumption
 - Compliance with accounting standards
 - Compliance with Stock Exchange and Legal Requirements concerning financial Statements
 - Any related party transaction i.e., transactions of the Company of material nature with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the Company at large.
- c. Reviewing with management, external and internal auditors, the adequacy of internal control system.
- d. Reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- e. Reviewing the quarterly and annual financial statements and submitting the same to the Board with recommendations, if any.
- f. The recommendation made by the Audit Committee on any matter relating to financial management including the Audit Report, shall be binding on the Board.

- g. Discussing with internal auditors on any significant findings and follow up thereon.
- h. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or failure of internal control systems of material nature and reporting the matter to the Board.
- i. Discussing with the external auditors before the audit commences, nature and scope of audit as well as have post-audited discussions to ascertain any area of concern.
- j. Reviewing the Company's financial and risk management policies.
- k. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholder (for non-payment of declared dividends) and creditors.
- l. The Chairman of the Audit Committee shall attend the Annual General Meeting of the company to provide any clarifications on matters relating to audit as may be required by the matters of the Company.

During the year, the Committee has met Three times on 28/10/2005, 25/01/2006, and 26/05/2006.

6. GENERAL BODY MEETING (S) :

Location and time for last 3 Annual General Meetings were :

Year	Location	Date	Time
2004-05	H.No. 6-3-668/10/66, Durganagar Colony, Panjagutta, Hyderabad-82.	30-11-05	11.00 A.M
2003-04	H.No. 6-3-668/10/66, Durganagar Colony, Punjagutta, Hyderabad-82.	21-08-04	11.00 A.M
2002-03	H. No. 6-3-668/10/66, Durganagar Colony Punjagutta, Hyderabad-82	28-11-03	11.00 A.M

The 19th Annual General Meeting will be held on Monday, August 14th, 2006 at 11:00 A.M at Regd. Off. 6-3-668/10/66, Durganagar Colony, Punjagutta, Hyderabad - 500 082.

7. DISCLOSURES :

Disclosures of materially significant related party transactions, i.e., transactions of the Company, of material nature with the promoters, the Directors or the Management, their subsidiaries or relatives etc., that may have potential conflict with the interest of the Company at large.

None of the transactions with any of the related parties were in conflict with the interest of the Company.

Details of Non-Compliance by the company, penalties, strictures imposed on the Company by the Stock Exchanges or Securities and Exchange Board of India (SEBI) or any other statutory authority on any matter related to the Capital Markets during the last 3 years.