

28th Annual Report 1999 - 2000



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GALADA

POWER AND TELECOMMUNICATION LTD.

SAVING ENERGY THROUGH PIONEERING TECHNOLOGY

MESSAGE TO SHAREHOLDERS FROM MANAGING DIRECTOR

Happy Diwali, New Year and Ugadi to you and your family.

Our new focus on procuring orders under internationally funded projects were successful partially because when we executed such orders, we came across some typical problems. The utilities made payment much after the due dates (180-240 days) thereby putting the Company into a financial crisis. The Letters of Credit established by banks for procurement of raw material devolved and the banks (consortium) stopped opening further LCs for raw materials which lowered capacity utilization. They also charged over-due interest and cumulative effect was that the Company incurred heavy to very heavy cash losses rendering our account with Banks and Financial Institutions "Non-performing".

The institutions and banks now insist on infusion of fresh funds and the operations of the Company have almost come to a grinding halt. The Company has approached Board for Industrial and Financial Reconstruction (BIFR) to approve a package of rehabilitation. In spite of the grim picture, I see a ray of light and hope in the recent Government stand that Power Sector will be reformed with the following objectives:

1. Modernising power infrastructure for accelerating economic growth and long-term human development.
2. To meet the energy requirement of the consumers and to provide reliable, high quality, cost-effective electricity supply by credit worthy and commercially operated Power Utilities, functioning in a competitive and appropriately regulated Power market with significant private ownership and participation.

We have already made our representations to Ministry of Power, to lend a helping hand to the ailing industry which is a victim of State Electricity Board's financial inadequacy and we are hopeful of the Government's action.

Our country is presently passing through turbulent times and difficult economic situation which have adversely affected all Large, Medium and Small Industries during the last few years. Government is already aware of these factors and has initiated suitable measures which I trust will help our industry to revive in the near future. Being a brutal optimist and an entrepreneur who has passed through such critical times in the past, I along with all Gallant Folks have drawn up our plans to rebuild the industry. Your moral support has been most valuable in the past and I am sure it will continue in future as well.



SAVING ENERGY THROUGH PIONEERING TECHNOLOGY

BOARD OF DIRECTORS

| | |
|--|--|
| Chairman | Shri S.M. Kankaria |
| Directors | Shri G.S. Srinivasan Dr. S.S. Subrahmanyam Shri Mahaveerchand Galada Shri Deoraj Ranka Shri T.B. Subramaniam Shri M.L. Sachdeva Dr. M.V. Krishna Rao |
| Managing Director | Shri D.C. Galada |
| Executive Director | Shri Devendra Galada |
| Vice President & Secretary | Shri V. Subramanian |
| Auditors | M/s. Brahmayya & Co., Chartered Accountants Tilak Road Hyderabad - 500 001. |
| Bankers | Canara Bank R.P. Road Secunderabad - 500 003. Syndicate Bank New Nallakunta Hyderabad - 500 044. |
| Stock Exchanges | |
| Regional | Hyderabad Stock Exchange 3-6-275, Himayathnagar Hyderabad - 500 029. |
| Others | The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers Dalal Street Mumbai - 400 001. |
| Registered Office & Factory - I | P 2/6, I.D.A, Block III, Uppal Hyderabad - 500 039. |
| Factory - II | Village Khadoli Silvassa U.T. of Dadra & Nagar Haveli. |
| Administrative Office | 12-13-194, Tarnaka Hyderabad - 500 017. |



NOTICE

NOTICE is hereby given that the Twenty Eighth Annual General Meeting of the Company will be held on Friday the 29th December, 2000 at The Federation of A.P.Chambers of Commerce & Industry, Surana Udyog Auditorium, 11-6-841, Red Hills, PB No: 14, Hyderabad - 500 004 at 10.00 a.m to transact the following items of business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended 30th June, 2000 and the Reports of the Directors and Auditors thereon.
2. To elect Directors in place of Sri.Deoraj Ranka and Sri.M.C.Galada who retire by rotation under the Articles of Association of the Company and being eligible offer themselves for re-appointment.
3. To re-appoint M/s.Brahmayya & Co., Chartered Accountants, as Auditors to hold office from the conclusion of the Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board to fix the remuneration of the said Auditors.

SPECIAL BUSINESS

4. To consider and, if thought fit, to pass with or without modification, the following resolution as Special Resolution for the re-appointment of Sri.D.C.Galada, Managing Director of the Company for a further period of 5(five) years effective from 01.01.2001 on the same terms, conditions and managerial remuneration approved in the Annual General Meeting of the Company held on 29th September,1995 subject to the approval of Central Government.

"RESOLVED THAT the approval and sanction of the Company pursuant to the provisions of Sections 198,269,309 and other applicable provisions, if any, of the Companies Act, 1956 be and is hereby accorded to the re-appointment of Sri.D.C.Galada, Managing Director for a further period of 5 (five) years effective from 01.01.2001 on the following terms and conditions subject to the approval of Central Government:

1. **Salary**
Rs.41,000/- per month including dearness allowance and all other allowances.
2. **Perquisites**
Provision of perquisites and benefits classified into three categories A, B, C as appearing hereinafter:-

**Category A**

- i. **Housing I:** The expenditure by the Company on hiring furnished accommodation for the appointee will be subject to the following ceiling:

Sixty percent of the salary, over and above ten percent payable by the appointee.

Housing II: In case the accommodation is owned by the Company, ten percent of the salary of the appointee shall be deducted by the Company.

Housing III: In case no accommodation is provided by the Company, the appointee shall be entitled to house rent allowance subject to the ceiling laid down in Housing I.

Explanation : The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962. This shall however, be subject to a ceiling of ten percent of the salary of the appointee.

- ii. **Medical Reimbursement :** Expenses incurred for the appointee and the family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- iii. **Leave Travel Concession:** For the appointee and his family once in a year incurred in accordance with any rules specified by the Company.
- iv. **Club fees:** Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fee.
- v. **Personal Accident Insurance:** Premium not to exceed Rs.4000/- per annum.

Explanation: For the purpose of Category "A" "family" means the spouse, the dependent children and dependent parents of the appointee.

Category B

1. Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income-tax Act. Gratuity payable at the rate of half a month's salary for each completed year of service.
2. Encashment of leave as per the rules of the Company

Category C

Provision of car for use on Company's business and telephone at residence. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the individual appointee concerned.



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"RESOLVED FURTHER THAT the consent of the Company be and is hereby accorded, pursuant to Section 309(3) read with Section 198(4) and other applicable provisions of the Act, for payment and/or provision of aforesaid remuneration, benefits and perquisites to Sri.D.C.Galada, Managing Director as minimum remuneration in the event of absence or inadequacy of profits in any financial year of the Company during his term of office".

5. To consider and, if thought fit, to pass with or without modification, the following resolution as Special Resolution for approving/confirming the reference being made to Board for Industrial and Financial Reconstruction (BIFR) under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985.

"RESOLVED THAT the members of the Company considered and adopted the Accounts for the financial year 1999-2000(1st July-30th June) wherein the accumulated losses of the Company as on 30.06.2000 exceeded the networth as defined in Sick Industrial Companies (Special Provisions) Act, 1985 and thus became a sick industrial company".

"RESOLVED FURTHER THAT the action taken by the Board of Directors of the Company in making a reference to BIFR under the proviso to subsection(1) of Section 15 of Sick Industrial Companies (Special Provisions) Act, 1985 is hereby approved and confirmed and the Board is further authorised to take all necessary steps as required under the said Act".

For Galada By order of the Board

Place : Hyderabad
Date : 31.10.2000

S. Subramanian
Vice President & Secretary
SUBRAMANIAN
Vice-President **Secret**

NOTE:

1. A member entitled to attend and vote at the Meeting can appoint a proxy to attend and vote instead of himself and a proxy need not be a member.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 26.12.2000 to 29.12.2000(both days inclusive).
3. Members are requested to intimate immediately any change in their addresses.
4. The shares of the Company are listed in the Hyderabad and Mumbai Stock Exchanges and the listing fees have been paid update.
5. As per the directive received from SEBI, trading in and delivery of shares of the Company shall be compulsorily in dematerialised form with effect from 27.11.2000. Accordingly, the Company's equity shares are available for dematerialisation with National Securities Depository Limited and Central Depository Services of (I) Limited and the ISIN number allotted is "INE255C01018". The Company has appointed M/s. Venture Capital and Corporate Investment Limited, Hyderabad as the Registrar for shares held in the electronic form.



EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO: 04

This item relates to the re-appointment of Sri.D.C.Galada, Managing Director for a further period of 5(five) years effective from 01.01.2001.

Sri.D.C.Galada was appointed for a period of 5 (five) years from 01.01.1996 to 31.12.2000 as Managing Director of the Company in the Annual General Meeting held on 29th September, 1995. His present tenure of office expires on 31.12.2000 and his re-appointment is to be approved by the members of the Company as per the relevant provisions of the Companies Act, 1956. The re-appointment will be on the same terms, conditions and managerial remuneration subject to the approval of Central Government.

Sri.D.C.Galada is the son of Sri.M.C.Galada and son-in-law of Sri.Deoraj Ranka, the other Directors and brother of Sri.Devendra Galada, Executive Director of the Company.

ITEM NO: 05.

This item relates to the mandatory reference to be made to BIFR under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985.

As per the proviso to subsection (1) of Section 15 of said Act, if the Board of Directors had sufficient reason, even before the adoption of Accounts, to form the opinion that the company had become a sick industrial company, the Board of Directors shall within 60 days after it has formed such opinion, make a reference to BIFR for determination of measures which shall be adopted with respect to the Company. Accordingly, a reference is being made to BIFR by the Board of Directors of the Company.

This resolution is to approve and confirm the action taken by the Board of Directors of the Company under the relevant provisions of Sick Industrial Companies (Special Provisions) Act, 1985.



SAVING ENERGY THROUGH PIONEERING TECHNOLOGY

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 28th Annual Accounts of the Company for the financial year ended 30th June, 2000.

Amount in Rs.Lacs

| Particulars | Year ended 30.06.2000 | Year ended 30.06.1999 |
|--------------------------|--------------------------|--------------------------|
| Sale value of production | 3925 | 6621 |
| Gross profit | (731) | 1244 |
| Interest | 1545 | 1431 |
| Cash loss | 2276 | 187 |
| Depreciation | 117 | 116 |
| Loss before tax | 2393 | 303 |
| Provision for tax | -- | -- |
| Loss after tax | 2393 | 303 |
| Dividend | -- | -- |

During the period under report, the Company's sale value of production came down sharply from Rs.6621 lacs in 1998-99 to Rs.3925 lacs in 1999-2000 resulting in a net loss of Rs.2393 lacs against Rs.303 lacs in the previous year.

DIVIDEND

In view of the operating loss suffered by the Company during the period under report, your Directors have decided to skip dividend for the year 1999-2000.

PRODUCTION AND SALES

Due to inordinate delays in the collection of receivables from State Electricity Boards and Power Utilities, there were continuous irregularities in the working capital system resulting in higher interest burden and acute liquidity constraints, which in turn adversely affected the production cycle. The production at both the units virtually came to a stand-still as the Company could not make financial arrangements for procurement of raw material.

REFERENCE TO BIFR

The Company's accumulated losses as on 30.06.2000 exceeded the net worth as defined in Sick Industrial Companies (Special Provisions) Act, 1985 and the Company therefore became a Sick Industrial Company within the meaning of clause (o) of sub section (1) of section 3 of the said Act. A reference is being made to the Board for Industrial and Financial Reconstruction for determination of the measures which shall be adopted with respect to the Company.



FUTURE PROSPECTS

Your Directors are exploring various avenues to turn-around the Company's operations with the support of banks and financial institutions. A rehabilitation package is being worked out taking into account all the constraints faced by the Company in the past and the opportunities that lie ahead.

DIRECTORS

Shri.G.S.Srinivasan,Deputy General Manager JNIDB was appointed on the Board as Nominee Director by Industrial Development Bank of India with effect from 23.07.1999.

In terms of Articles of Association of the Company, Shri.M.C.Galada and Shri.Deoraj Ranka retire by rotation and are eligible for re-appointment.

AUDITORS

M/s.Brahmayya & Co, Chartered Accountants retire at the ensuing Annual General Meeting and are eligible for re-appointment.

DEMATERIALISATION OF SHARES

Securities and Exchange Board of India (SEBI) has mandated that delivery of shares of your Company shall be compulsorily in the dematerialised form for all investors with effect from 27.11.2000. Your Company has taken steps to dematerialise the shares both with Central Depository Services of India Ltd. and National Depository Services Limited. This will facilitate the shareholders to trade the Company's shares in dematerialised form. Your Company has appointed M/s. Venture Capital & Corporate Investments Limited, Hyderabad as the Registrar for shares held in the electronic form.

PERSONNEL

Your Directors wish to place on record their appreciation for the devoted services rendered by employees at all levels.

OTHER INFORMATION

Information required by the Companies (Amendment) Act, 1988 is given in Annexure- I forming part of this Report.

Also information as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended is given in Annexure- II forming part of this Report.

UNPAID DIVIDEND

Due to liquidity constraints, dividend declared for the year 1995-96 has not been fully distributed and the same will be regularised in course of time. Regarding the comments of auditors in their Report, Notes to Accounts are self explanatory.



ACKNOWLEDGMENTS

The Board of Directors would like to place on record their deep appreciation and sincere thanks for the continued cooperation, guidance, support and assistance provided during the period under review by the Financial Institutions viz. IDBI, IIBI, ICICI, UTI and the Bankers, Canara Bank and Syndicate Bank. The Board also extends its gratitude to the Company's shareholders, customers and suppliers for their full cooperation. The Board places on record the appreciation for the services and co-operation rendered by the officers, staff and workmen of the Company.

By order of the Board

M.C.Galada
Director

Place : Hyderabad
Date : 31.10.2000

D.C.Galada
Managing Director

ANNEXURE - I TO DIRECTOR'S REPORT

(Additional information given in terms of Notification No: 1029 of 31/12/1988 issued by the Department of Company affairs)

DISCLOSURES

Conservation of Energy

The Company has been vigorously implementing various measures for energy conservation such as installation of sophisticated power saving furnaces in the Heat Treatment and Ageing operations and carrying out modifications on a continuing basis for conservation of energy in other fields. The additional cost incurred is more than offset by the reduction in production cost due to lower consumption of energy per unit of output.

Technology Absorption

The Company's in-house Research and Development Unit has been granted recognition by the Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India. The efforts of the Company are focused on improvement of existing products and standardization.

There is no bought-out technology from foreign countries to be absorbed by the Company.

Foreign Exchange Earnings and Outgo

The information is contained in Schedule 20 Note 21 (viii, ix and x) forming part of the Notes to Accounts of the Annual Report.