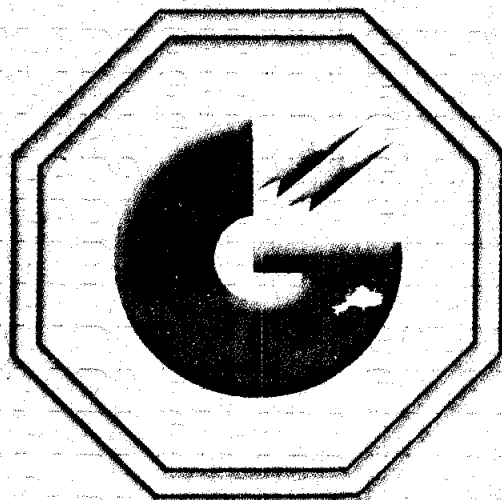
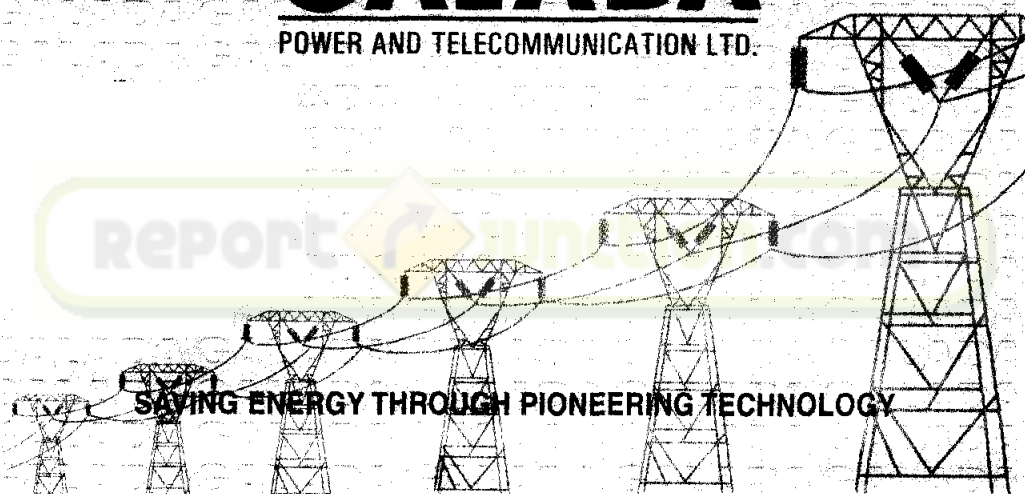


30th Annual Report
2001-2002



GALADA
POWER AND TELECOMMUNICATION LTD.





MESSAGE TO SHAREHOLDERS FROM MANAGING DIRECTOR

Happy Diwali and a Prosperous New Year to you and your family.

Economic boom of 90's has slowly turned into economic doom in the early part of the new century. Newer global concepts and decisions on this front have surprisingly led to vanishing profits, dwindling cash flows and upsurge in legal actions allround. Activity leading to value addition is the victim. Your Company is no exception.

Banks, Institutions and other connected authorities are doubtful about acceptance and implementation of power reforms by the utilities and the benefits thereof. Between the two i.e (i) one rehabilitation of deserving Sick Unit (ii) deciding to close down and auction the Unit to recover debts, the preference is for the second one. It is sad.

However, me being an optimist, I feel that the turmoils and hostile attitudes will slowly dissolve when truth reappears on the horizon.

To convert doom into boom, we have relied on seeking justice and compensation through appropriate authorities. I am glad to say that the good days are not far off when rehabilitation of your Company as also the Industry as whole will start. A suitable scheme which will satisfy all the participants in rehabilitation is under evolution and the same will be the stepping stone for your Company's revival.

The Management team, of which I am just a part, is storming its brain to :

- a) Pass the remaining short period of turmoil peacefully and without disintegration.
- b) Prepare for grabbing / harnessing the opportunities which, though hidden at present, are clearly visible when viewed carefully.
- c) Keep costs down, remain lean, so that at appropriate time a leap can be taken.

Your unstinted support has been the moral force in the past and is motivating us even now to persist in our effort to revive the Industry.



BOARD OF DIRECTORS

Chairman	Shri S.M. Kankaria
Directors	Shri G.S. Srinivasan Dr. S.S. Subrahmanyam Shri Mahaveerchand Galada Shri T.B. Subramaniam Shri M.L. Sachdeva
Managing Director	Shri D.C. Galada
Executive Director	Shri Devendra Galada
Vice President & Secretary	Shri V. Subramanian
Auditors	M/s. Brahmayya & Co., Chartered Accountants Flat No. 404, Golden Green Apartments, Irrumanzil Colony, Hyderabad - 500 082.
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 Thirtieth Annual General Meeting of the Company will be held on Monday, the 30th September, 2002 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 10.30 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 31st March, 2002 and the Reports of the Directors and Auditors thereon.
2. To elect Director in place of Sri.M.L. Sachdeva who retires by rotation under the Articles of Association of the Company and being eligible offers himself 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.

By order of the Board

Sd/-

Place : Hyderabad

V.Subramanian

Date : 31.07.2002

Vice President & Secretary

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 27-09-2002 to 30-09-2002 (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 & 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.



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DIRECTORS' REPORT

Your Directors have pleasure in presenting the 30th Annual Accounts of the Company for the financial year ended 31st March, 2002.

Amount in Rs.Lacs

Particulars	Year ended 31-03-2002	Year ended 31-03-2001 (9 months)
Sale value of production	864	648
Gross Loss	330	906
Interest	743	1080
Cash loss	1073	1986
Depreciation	115	87
Loss before tax	1188	2073
Provision for tax	2	—
Loss after tax	1190	2073
Dividend	—	—

During the period under report, the Company's sale value of production increased from Rs.648 lacs in 2000-2001 (9 months) to Rs.864 lacs in 2001-02 resulting in a net loss of Rs.1190 lacs against Rs.2073 lacs in the previous year.

DIVIDEND

In view of the operating loss suffered by the Company during the period under report, your Directors are not in a position to recommend any dividend for the year 2001-02.

PRODUCTION AND SALES

The Company has not been operating its Uppal (Hyderabad) Plant since May 2000. It operated its Silvassa Plant at a very low capacity with whatever little funds it had at its disposal, as the banks suspended all the credit facilities earlier made available to the Company. Keeping in view the meagre cash flow, the Company has taken various economy measures to cut down establishment and other costs.

REFERENCE TO BIFR

The Board for Industrial and Financial Reconstruction (BIFR) has declared the Company as a Sick Industrial Company in terms of clause (o), sub section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 and appointed Industrial Development Bank of India (IDBI) as the "Operating Agency" under Section 17(3) of the said Act to examine the viability and formulate a scheme for the revival of the Company. Accordingly, the Company has submitted to IDBI a comprehensive Rehabilitation Proposal which is under their examination.



FUTURE PROSPECTS

Your Directors are exploring various ways and means to turnaround the Company's operations with the support of Banks and Financial Institutions. The Company is hopeful that the Operating Agency appointed by BIFR alongwith other lenders would take a practical and sympathetic view and work out a suitable "Rehabilitation Package" to bring the Company back on its rails.

DIRECTORS

In terms of Articles of Association of the Company, Shri. M. L. Sachdeva retires by rotation and is 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

Your Company has taken steps to dematerialize the shares both with Central Depository Services of India Ltd. and National Securities Depository Services Limited. Till date 39,45,902 shares are dematted accounting for 53% of the paid-up capital of the Company.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956 inserted vide the Companies (Amendment) Act, 2000, your Directors confirm that :

1. In the preparation of Annual Accounts, the applicable accounting standards have been followed.
2. Appropriate accounting policies have been selected and applied consistently and have made judgement and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2002 and of the loss for the year 1st April 2001 to 31st March 2002.
3. 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 for preventing and detecting fraud and other irregularities.
4. The Annual Accounts have been prepared on a going concern basis.

AUDIT COMMITTEE

The Company has set up an Audit Committee pursuant to section 292A of the Companies Act, 1956 with Shri.T.B.Subramaniam as the Chairman and Dr.S.S.Subrahmanyam & Shri.D.C.Galada as members of the Committee.



AUDITORS' REPORT

As regards observations at para 7, we submit that :

1. 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.
2. Additional interest / liquidated damages payable to Financial Institutions and others are not provided as the Company has sought waiver of these amounts from the Institutions.
3. Interest on working capital demand loan has not been provided from the date of initiation of legal proceedings by Banks.

As regards observations at para 9 (XVII), we submit that :

1. The Company has deposited with Provident Fund Commissioner the full employees contribution upto 31st March 2002 and is in arrears with regard to the payment of employers' contribution due to its weak financial position.
2. The payment of arrears of PF, ESI and sales tax will be suitably dealt with in the Rehabilitation Package.

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.

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

Sd/-

M.C.Galada
Director

Sd/-

D.C.Galada
Managing Director

Place : Hyderabad
Date : 31.07.2002



ANNEXURE – I TO DIRECTORS REPORT

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

Disclosures

A. 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.

B. 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 focussed on improvement of existing products and standardisation.

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

C. Foreign Exchange Earnings and Outgo

The information is contained in Schedule 19 Note 26 (h) forming part of the Notes to Accounts of the Annual Report.

AUDITORS' REPORT

To the Members of
GALADA POWER AND TELECOMMUNICATION LIMITED,
Hyderabad (A.P.)

We have audited the attached Balance Sheet of GALADA POWER AND TELECOMMUNICATION LIMITED, HYDERABAD (A.P), as at 31st March, 2002 and the Profit & Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by



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management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion and report that :

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
2. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
3. The Balance Sheet and the Profit and Loss Account referred to in this report are in agreement with the books of account.
4. In our opinion, the Balance Sheet and the Profit & Loss Account comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
5. Based on the representations made by the Directors of the Company and on the information and explanations as made available, Directors of the Company do not prima facie have any disqualification as referred to in clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
6. **In the absence of confirmation letters from the parties, we are unable to ascertain whether the amounts shown under the Heads Sundry Debtors, Other Current Assets and Loans and Advances are realisable as the amounts are outstanding for a long period.**
7.
 - a) **The Company has not complied with the provisions of Sec. A(1) of the Companies Act, 1956 regarding transfer of its dividend to a special bank account and the interest payable for such non compliance amounting to Rs.64.15 Lakhs upto 31st March, 2001 and Rs.15.25 Lakhs for the year is not provided in the Accounts.**
 - b) **The Company has not provided for the liability on account of additional interest and liquidated damages payable to the Financial Institutions and/or other financiers for non compliance with certain terms of sanction of loans and/or repayment schedules amounting to Rs.937.43 Lakhs upto 31st March, 2001 and Rs.887.85 Lakhs for the year.**
 - c) **The Company has not provided for the liability on account of interest on recalled bank working capital loans amounting to Rs.341.09 Lakhs upto 31st March, 2001 and Rs. 731.11 Lakhs for the year.**

Consequent to the above the loss for the year and the liabilities as at 31.03.2002 are understated by Rs.1634.21 Lakhs and Rs.2976.86 Lakhs respectively.



SAVING ENERGY THROUGH PIONEERING TECHNOLOGY

8. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the Schedules annexed therewith and **subject to our comments in paras 6 and 7 above**, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :

- i) Insofar as it relates to the Balance Sheet, of the state of affairs of the Company as at 31st March, 2002.

AND

- ii) In the case of the Profit and Loss Account of the Loss of the Company for the year ended on that date.

9. As required by the Manufacturing and Other Companies (Auditors' report) Order, 1988, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks, as we considered appropriate, we report hereunder on the matters specified in paragraphs 4 and 5 of the said Order:

- i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management. There is annual verification of fixed assets, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies have been noticed on such verification.
- ii) None of the fixed assets have been revalued during the year.
- iii) The stocks of finished goods, stores, spare parts and raw materials have been physically verified during the year by the management. In our opinion, the frequency of the verification is reasonable.
- iv) The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- v) The discrepancies noticed on verification between the physical stocks and the book records were not material.
- vi) On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceeding year.
- vii) The Company has not taken any loans, secured or unsecured from Companies, firms or other parties listed in the registers maintained