

**34th Annual Report
2005-2006**



GALADA

POWER AND TELECOMMUNICATION LTD.

SAVING ENERGY THROUGH PIONEERING TECHNOLOGY



MESSAGE FROM MANAGING DIRECTOR

Greetings to you and your family. It is heartening to see economy booming and the resultant prosperity of people. "National Common Minimum Programme" designed by United Progressive Alliance and implemented by Government of India has put emphasis on Rural Electrical Infrastructure and Household Electrification. In other words, Rural Electricity works of over Rs. 30,000 crores have to be implemented by March 2009. This translates into a further substantial investment in Generation, Transmission and Distribution. Conductors form a substantial portion of these programmes.

Galada, the pioneer manufacturer of energy saving conductors and one of the few manufacturers approved by all PSUs like PGCIL, NTPC, NHPC, DVC and also SEBs, has now got to accept the challenge of production/supply of large quantities of AAAC.

Your company has taken the challenge in right earnest and worked out innovative arrangements with customers. Progress is visible and improvement in each quarter over the preceding one has been happening. The Management team, the technical team, the staff, the workmen are all determined to put in their best efforts to meet this challenge.

Your company also contemplates completion of pending capital works which will facilitate not merely improved quality but also higher production and better profitability.

Customer and Institutional support coupled with dedication of one and all at Galada has helped us in performing better. We are sincerely indebted to the share holders, employees, institutions, banks, BIFR and other governmental agencies who have been extending moral support in times of difficulty and distress and we hope to achieve much better results in years to come.



BOARD OF DIRECTORS

Chairman	Shri S.M. Kankaria
Directors	Shri R.S. Sridhar Shri S.V. Kanaka Seshu Shri M. C. 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 Appts., Erramanzil Colony, Hyd.-500 082.
Stock Exchanges	
Regional	The Hyderabad Stock Exchange Ltd., 6-3-654, Opposite Erramanzil Bus Stop, Somajiguda, Hyderabad - 500 082.
Others	Mumbai Stock Exchange Ltd. 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	2nd Floor, F. 201 Galada Towers, Begumpet, Hyderabad - 500 016.

**NOTICE :**

NOTICE is hereby given that the Thirty Fourth Annual General Meeting of the Company will be held on Friday, the 29th September, 2006 at Hotel Kamat Lingapur, Chikoti Gardens, Begumpet, Hyderabad-500 016 at 10 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, 2006 and the Reports of the Directors' and Auditors thereon.
2. To elect Director in place of Sri M C Galada who retires by rotation under the Articles of Association of the Company and being eligible, offers himself for re-appointment.
3. To reappoint M/s. Brahmāyā & 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 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 Shri D C Galada, Managing Director of the Company in accordance with Schedule XIII of the Companies Act, 1956 as amended from time to time for a further period of five (5) years valid upto 31.12.2010 on the same terms, conditions and managerial remuneration approved in the Annual General Meeting held on 30th November, 1994 and also as renewed in the Annual General Meetings held on 29th September, 1995 and 29th December, 2000.

"Resolved that the approval of and sanction of the Company pursuant to the provisions of Section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 and in particular Schedule XIII thereto, be and is hereby accorded to the re-appointment of Shri D C Galada, Managing Director for a further period of five (5) years valid upto 31.12.2010 on the following terms and conditions:

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.



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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 exceeding Rs.4,000 per annum.

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

Category B

1. Contribution to provident fund, superannuation fund or annuity fund will not be included in the computation of ceiling on perquisites to the extent these either singly or put together are not taxable under the Income-tax Act.
2. Gratuity payable should not exceed half a month's salary for each completed year of service.
3. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

Category C

Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls and use of car for private purpose shall be billed by the Company to the individual appointee concerned.

"Resolved further that the consent of the Company be and is hereby accorded, pursuant to Section 309(3) read with Section 194(4) and other applicable provisions of the Act, for payment and/or provision of the aforesaid remuneration, benefits and perquisites to Shri 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"

"Resolved further that the Board of Directors be and is hereby authorized to amend or vary the terms and conditions of remuneration provided that such remuneration shall not exceed the limits prescribed in Schedule XIII of the Act"



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and any statutory modifications or re-appointment thereof and/or any guidelines relating to Managerial Remuneration as may be notified by the Central Government from time to time".

By order of the Board

Sd/-

V Subramanian

Vice President & Secretary

Place: Hyderabad

Date : 30.06.2006

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 26.09.2006 to 29.09.2006 (both days inclusive).
3. Members are requested to intimate immediately any change in their address.
4. The shares of the Company are listed in the Hyderabad & Mumbai Stock Exchanges and the listing fees have been paid upto date.

INFORMATION ON DIRECTOR SEEKING REAPPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING.

1. Name of the Director : Sri M C Galada
2. Date of birth : 30.05.1925
3. Date of appointment : 30.09.2003
4. Expertise : Industrial / business experience for over six decades.
5. List of Public Ltd Companies in which outside Directorship was held as on 31st March, 2006 : Nil
6. Chairman / Member of the Committees of other Public Ltd Companies on which he was a Director as on 31st March, 2006 : Nil

EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956. Item No.4

This item relates to the re-appointment of Shri D C Galada, Managing Director for a further period of five (5) years valid upto 31.12.2010.

Shri D C Galada was re-appointed for a period of five (5) years from 01.01.2001 to 31.12.2005 as Managing Director of the Company in the Annual General Meeting held on 29th December, 2000. His appointment has to be renewed for a further period of five (5) years as per Schedule XIII of the Companies Act, 1956. The re-appointment was approved by the Remuneration Committee and Board of Directors in their meetings held on 12th November, 2005.

Shri D C Galada is the son of Shri Mahaveer Chand Galada, the Director of the Company and brother of Shri Devendra Galada, the Executive Director of the Company.



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DIRECTORS' REPORT

Your Directors have pleasure in presenting the 34th Annual Accounts of the Company for the financial year ended 31st March, 2006.

Amount in Rs.Lacs

Particulars	Year ended 31.03.2006	Year ended 31.03.2005
Sale value of production	3481	2028
Gross profit / (loss)	89	(78)
Interest	729	706
Cash loss	640	784
Depreciation & write off	601	618
Loss before tax	1241	1402
Fringe benefit tax	2	0
Investment Allowance	0	(17)
Reserve written back		
Loss after tax	1243	1385
Dividend	—	—

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 2005-06.

PRODUCTION AND SALES

The Company has not been operating its Uppal (Hyderabad) plant since May 2000 and at present only its Silvassa plant is working. As the banks suspended all the credit facilities earlier made available, the Company revised its business strategy by accepting and executing job orders. This is reflected in the improved performance and increased capacity utilisation during the period under report. The actual production including execution of job orders was 7778.066 Mt during the period under report as against 3924.320 Mt in the previous year.

REFERENCE TO BIFR

The Company was declared as a sick industrial undertaking by BIFR in September, 2001 and Industrial Development Bank of India (IDBI) was appointed as the "Operating Agency" to examine the viability of the Company and formulate a scheme for its revival. As required, the Company submitted its Rehabilitation Proposal to IDBI and others in November, 2001 for their consideration. After a series of discussion, at the instance of the lending institutions, the Company submitted its revised Rehabilitation Proposal in October, 2003 and requested the institutions for its early consideration. After examining the proposal and further discussion, the lending institutions initially gave time to the Company upto 30.09.2004, which was later on extended upto 30.06.2005, to show significant operational improvement in its performance.

The Company's operational performance since then has shown steady improvement over the period and IDBI, the Operating Agency, has been kept informed of the progress. It is now expected that IDBI will review the Company's working and finalise the Rehabilitation Package during the current year. Lenders also advised the Company to



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look into the possibility of one-time settlement of dues and the Company is pursuing the matter with the lenders.

FUTURE PROSPECTS

The Company has steadily improved its performance and has increasingly been utilising the plant capacity by accepting and executing job orders. It has also been participating in the tenders floated by power utilities and others in a limited way by having financial tie-up with a raw material supplier and also by forming consortium with another conductor manufacturer under Licensor-Licensee Agreement. It is hoped that with the improvement in the power scenario due to reforms, the situation is expected to turn around in favour of the Company.

DIRECTORS

In terms of Articles of Association of the Company, Shri. M C Galada 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.

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to Section 217 (2AA) of the Companies Act 1956 inserted vide the Companies (Amendment) Act, 2000, the 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 judgement and estimates have been made 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, 2006 and of the Loss for the year 1st April, 2005 to 31st March, 2006.
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.

AUDITOR'S REPORT

As regards observations at para 4 (vii), 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 regularized in due course.
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.



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As regards observations at paras 9(b) forming part of Annexure to Auditor's Report, we submit that the payment of arrears of sales tax is being suitably dealt with in the Rehabilitation Package / OTS proposal. As regards the re-appointment of Executive Director and Managing Director, we submit that the re-appointments were made on the same terms and conditions stipulated on 30.11.1994 and no increase whatsoever was considered pending the complete turn-around of the Company.

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 along with Corporate Governance & Management Discussion and Analysis.

ACKNOWLEDGEMENTS

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 and banks. 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/-
D.C.Galada
Managing Director

Sd/-
Devendra Galada
Executive Director

Place : Hyderabad

Date : 30.06.2006

ANNEXURE – 1 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 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.

C. Foreign Exchange Earnings and Outgo

There are no foreign exchange earnings and outgo during the period under report.

REPORT ON CORPORATE GOVERNANCE FOR THE YEAR 2005-06

(Pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges)

1. Company's Philosophy

The Company's philosophy on corporate governance relates to laying the foundation for corporate excellence. It wants to enhance shareholder value with best practices of corporate governance. The high standard of corporate governance is maintained by being transparent and accountable and through continuous interaction with shareholders, employees, lending institutions, banks, government agencies, customers and society in general.

Corporate ethics

The Company adheres to the highest standards of business ethics, compliance with statutory and legal requirements and commitment to transparency in business dealings.

a) Code of Conduct for Board Members and Senior Management.

The Board of Directors of the Company adopted the Code of Conduct for its members and Senior Management at their meeting held on 30.06.2006. The Code highlights Corporate Governance as the corner stone for sustained management performance for servicing all the stakeholders and for instilling pride of association.

The Code is applicable to all directors and specified senior management executives. The Code impresses upon directors and senior management executives to uphold the interest of the Company and its stakeholders and to endeavour to fulfill all the fiduciary obligations towards them. Another important principle on which the Code is based is that the directors and senior management executives shall act in accordance with the highest standards of honesty, integrity, fairness and ethical conduct and shall exercise utmost good faith, due care and integrity in performing their duties.

b) Code of Conduct for prevention of Insider Trading.

The Company has adopted a Code of Conduct for prevention of Insider Trading for its management, staff and directors. The Code lays down guidelines and procedures to be followed and disclosures to be made by Directors, top level executives and staff whilst dealing in shares. The Company Secretary has been appointed as the Compliance Officer and is responsible for adherence to the Code.