

35th Annual Report 2006-2007



GALADA

POWER AND TELECOMMUNICATION LTD.

SAVING ENERGY THROUGH PIONEERING TECHNOLOGY



MESSAGE FROM MANAGING DIRECTOR

Dear fellow share holders,

India has already implemented 10th five year plan upto March, 2007 and the tenth five year plan has been the foundation laying exercise for an excellent infrastructure. Electric Power, one of the areas of infrastructure has been in focus from 2003. Clear cut goals have been set for Urban and Rural electric power supply. Your company is an important player in providing efficient and reliable power at reasonable prices by reducing power losses. You are aware that we strive for "Saving Energy Through Pioneering Technology".

The performance of company improved to a great extent due to demand growth of power conductors. Company's pioneering product "AAAC" All Aluminium Conductors, is widely accepted and used. All the four government appointed CPSUs namely Power Grid, NTPC, NHPC and DVC have approved Galada and its products. All line construction companies have reposed their confidence in Galada's products. In spite of constraints in Working Capital the Company could climb a turnover of Rs. 125 crores plus. AAAC and ACSR have both been manufactured and supplied to all customers including SEBs. Value addition has been reasonably good to encourage company to expand conductor capacity at Silvassa by shifting the entire facility at Uppal. Besides work is progressing to put into use the two rod plants the indigenous one and the state of art imported one. These will facilitate better value addition, higher turnover and improved IBITA in years to come.

Your company is pursuing a one time settlement with all lenders to enable it to regain its health and become a leading player in power infrastructure projects in India. Your Company will in times to come diversify into value added rod/wire/products of newer alloys for electrical as well as mechanical sector. It also is looking at newer growth oriented EPC business in power sector.

Excellent support from customers, Institutions, BIFR, share holders, employees, government agencies and all other have boosted the moral of your company which now is determined to turn into a profitable company.



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BOARD OF DIRECTORS

Chairman	Shri S.M. Kankaria
Directors	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	Hyderabad Stock Exchange Ltd., 6-3-654, Opposite Erramanzil Bus Stop, Somajiguda, Hyderabad - 500 082.
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	2nd Floor, F. 201 Galada Towers, Begumpet, Hyderabad - 500 016.



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NOTICE

NOTICE is hereby given that the Thirty Fifth Annual General Meeting of the Company will be held on Friday, the 28th September, 2007 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, 2007 and the Reports of the Directors' and Auditors thereon.
2. To elect Director in place of Sri T B Subramaniam 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. 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 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 Devendra Galada, Executive Director of the Company in accordance with Schedule XIII to the Companies Act, 1956 as amended from time to time for a further period of five (5) years valid upto 31.03.2012 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 subsequent meetings held on 31.03.1998 and 30.09.2003.

“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 Devendra Galada, Executive Director for a further period of five (5) years valid upto 31.03.2012 on the following terms and conditions:

1. Salary

Rs.25,000/- 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.

- i. 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.
- ii. Leave Travel Concession: For the appointee and his family once in a year incurred in accordance with any rules specified by the Company.
- iii. Club fees: Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fee.
- iv. 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 Devendra Galada, Executive 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 and any statutory modifications or re-appointment thereof and/or any guidelines



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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 : 28.07.2007

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 24.09.2007 to 28.09.2007 (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 T B Subramaniam
2. Date of birth : 07.02.1937
3. Date of appointment : 28.06.1996
4. Qualification : M.Com., CAIIB, FSAA(I)
5. Expertise : In various fields of Management for the last few decades.
6. List of Public Ltd Companies in which outside Directorship was held as on 31st March, 2007:
a) Ladderup Finance Ltd (b) Kisan Mouldings Ltd
7. Chairman / Member of the Committees of other Public Ltd Companies on which he was a Director as on 31st March, 2007 :
(a) Ladderup Finance Ltd (2) Kisan Mouldings Ltd.

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

Item No.4

This item relates to the re-appointment of Shri Devendra Galada, Executive Director for a further period of five (5) years valid upto 31.03.2012. Shri Devendra Galada was re-appointed for a period of five (5) years from 31.03.2002 to 31.03.2007 as Executive Director of the Company in the Annual General Meeting held on 30th September, 2003. His terms expired on 31.03.2007 and the appointment is to be renewed for a further period of five (5) years as per Schedule XIII to the Companies Act, 1956.



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Shri Devendra Galada was appointed as Executive Director in the year 1994 and has been working in that position for the last 12 years without any change in his emoluments fixed in the year 1994. He was instrumental in setting up the Company's Silvassa unit and bringing it to commercial production. He is also in-charge of shifting the machinery from Uppal to Silvassa and making them operational. His responsibilities include up-keep of machinery on continuous basis and eliminate the down-time due to break down, etc. He has also been looking after the Company's overall operations and has played a significant role in increasing the production level at Silvassa plant which has resulted in the improved working results of the Company. Looking at the problems being faced by the Company at present, his continuance in the present position is absolutely necessary to enable the Company to tide over its difficulties. His re-appointment was approved by the Board of Directors in their meeting held on 28th July, 2007.

Shri Devendra Galada is the son of Shri Mahaveer Chand Galada, the Director of the Company and brother of Shri Dharam Chand Galada, Managing Director of the Company.

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 35th Annual Accounts of the Company for the financial year ended 31st March, 2007.

Amount in Rs.Lacs

Particulars	Year ended 31.03.2007	Year ended 31.03.2006
Sale value of production	10906	3481
Gross profit / (loss)	506	89
Interest	724	729
Cash loss	218	640
Depreciation & write off	696	601
Loss before tax	914	1241
Fringe benefit tax	2	2
Loss after tax	916	1243
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 2006-07.

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.

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



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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 Lenders initially gave time to the Company upto 30th September, 2004, which was later on extended upto 30th June, 2005, to show significant operational improvement in its performance. The Lenders also advised the Company to look into the possibility of one-time settlement of dues and the Company earnestly has pursued the matter with the Lenders.

In the hearing held by BIFR on 30th May, 2007, the Hon'ble Bench decided to issue Notice to the Company asking the Company to show cause as to why the Company should not be wound up in view of the unreasonable delay in coming to a firm decision on the rehabilitation proposal / one time settlement.

The Company's efforts to make a break through in the matter has borne fruit and SASF (IDBI) has since indicated its willingness for one-time settlement of its dues and the modalities are being worked out. Similarly, the Company is making efforts to settle the dues of other lending institutions and banks. The Company has requested IDBI, the Operating Agency, to suitably appraise BIFR of the developments so that BIFR would give some more time to the Company to sort out the issues.

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. T.B. Subramaniam 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, 2007 and of the Loss for the year 1st April, 2006 to 31st March, 2007.



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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.

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 / QTS 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-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/-

Sd/-

D.C.Galada

Devendra Galada

Managing Director

Executive Director

Place : Hyderabad

Date : 29.06.2007



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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 2006-07

(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.