

21<sup>st</sup>

# ANNUAL REPORT

2005-2006

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**KARUNA CABLES LIMITED**

**KARUNA CABLES LIMITED**

21st ANNUAL REPORT

2005-2006

**BOARD OF DIRECTORS**

Dr. Mahendra C. Shah	Chairman & Managing Director
Mr. N. S. Ranganath	Non-executive & Independent Director
Mr. C V V Prasad	Non-executive & Independent Director
Mr. Pawankumar Sanwamal	Non-executive & Independent Director

**AUDITORS**

M/s Nilesh Lakhamshi & Co.  
Chartered Accountants

**BANKERS**

State Bank of Hyderabad  
United Bank of India  
Punjab National Bank  
HDFC Bank Ltd

**REGISTER OFFICE**

102, Sanjay Chambers, Choubal Lane,  
V. P. Road, Opera House, Mumbai – 400 004.

**FACTORY**

102-A, S. V. C. I.. Estate, IDA Bolaram, Dist. – Medak (Andhra Pradesh)

**HYDERABAD OFFICE**

76-B, Street No. 3, Vengalraonagar, Hyderabad – 500 038.

**REGISTRAR & SHARE TRANSFER AGENTS**

M/s Purva Sharegistry (India) Private Limited  
9, Shiv Shakti Industrial Estate, Gr. Floor,  
Sitaram Mill Compound, J.R. Boricha Marg,  
Lower Parel, Mumbai – 400 011.

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**KARUNA CABLES LIMITED****NOTICE**

Notice is hereby given that the TWENTY FIRST ANNUAL GENERAL MEETING of the Members of **Karuna Cables Limited** will be held on Saturday the 30th day of September 2006 at 10:00 A.M. at The Swastik League Hall, 324-A Vithalbhai Patel Road, Opera House, Mumbai – 400 004 to transact the following business, with or without modifications.

**ORDINARY BUSINESS :**

1. To receive, consider and adopt the Audited Balance Sheet as on 31<sup>st</sup> March 2006 and Profit & Loss Account for the period ended on that date along with Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. C.V.V.PRASAD RAO Director of the Company, who retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

**Registered Office:**

102 Sanjay Chambers, Choubal Lane,  
V. P. Road, Opera House,  
Mumbai – 400 004

By Order of the Board of Directors  
For **KARUNA CABLES LIMITED**

**DR. MAHENDRA C SHAH**  
CHAIRMAN & MANAGING DIRECTOR

Date : 4<sup>th</sup> September, 2006  
Place : Mumbai

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING AND ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER. THE PROXIES SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The members are requested to notify immediately changes, if any, in their registered address to the Company's Registrar & Share Transfer Agent M/S Purva Sharegistry (India) Pvt. Ltd., 9, Shiv Shakti Industrial Estate, Gr. floor, Sitaram Mill Compound, J. R. Borecha Marg, Lower Parel, Mumbai-400011.
3. Members who hold Shares in Dematerialized form are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio Number in the Attendance Slip for easy identification at the meeting and number of shares held by them.

**KARUNA CABLES LIMITED**

4. The Share Transfer Books and the Register of Members will remain closed from Wednesday the 27.09.2006 to Saturday 30.09.2006 (both days inclusive).
5. At the ensuing Annual General Meeting Mr. C.V.V. PRASAD RAO – Director, retires by rotation and being eligible offers himself for re-appointment, the brief resume of this director is as under:

• Name	MR. C.V.V. PRASAD RAO
• Age	45 Years
• Qualification	B.Sc., M.Tech., M.B.A. (Marketing)
• Expertise in Specific Area	POWER PROJECT CONSULTANT
• Date of First Appointment on the Board of the Company	31 <sup>st</sup> January, 2004
• Name(s) of the other companies in which Directorship held and Committee Membership/Chairmanship held.	NIL

6. Shareholders desiring any information as regards to the Accounts are requested to write to the Company at least Seven days in advance of the Annual General Meeting so that the information, to the extent practicable, can be made available at the Annual General Meeting.

**Registered Office:**

102 Sanjay Chambers, Choubal Lane,  
V. P. Road, Opera House,  
Mumbai – 400 004

By Order of the Board of Directors  
For **KARUNA CABLES LIMITED**

**DR. MAHENDRA C SHAH**  
CHAIRMAN & MANAGING DIRECTOR

Date : 4<sup>th</sup> September, 2006  
Place : Mumbai

**KARUNA CABLES LIMITED****DIRECTORS' REPORT TO THE MEMBERS**

Your Directors have pleasure in presenting their **TWENTYFIRST ANNUAL REPORT** together with the Audited Accounts of the Company for the year ended on 31<sup>st</sup> day of March 2006.

**FINANCIAL HIGHLIGHTES :**

(Rs. in Lac)

	<b>For the year ended on 31.03.2006</b>	<b>For the year ended on 31.03.2005</b>
Turnover	3565.52	1713.26
Other Income	142.55	0.27
Increase / Decrease in Stock	184.69	162.01
Total Income	3892.76	1875.54
Total Expenditure	3593.38	1807.62
Profit / (Loss) before Taxation	299.38	67.93
Provision for Tax	18.50	0.32
Profit / (Loss) after Taxation	280.88	67.61
Balance b/f from Previous Year	(405.16)	(439.53)
Deferred Tax	(82.22)	(33.23)
Earlier Year Adjustments	(0.20)	0.00
Balance Carried to Balance Sheet	(206.70)	(405.16)

**OPERATIONAL REVIEW :**

The Sales for the period ended 31.03.2006 were at Rs 3565.52 lacs as against Rs.1713.26 lac for the previous year ended 31.03.2005 , indicating increased by 108 %. The Profit After Tax is Rs 280.88 Lacs against Rs.67.61 Lacs in the previous year. The other incomes include reverse debit balance of TNEB of Rs.118.09 lacs wrongly written off as bad debts in the past and recovery of bad debts in the past.

**DIVIDEND:**

In view of the revival of the company's operation, your Directors have decided not to recommend any dividend on account for the year under operation.

**MANAGEMENT DISCUSSION AND ANALYSIS :**

As required by clause 49 of the Listing Agreement with the Stock Exchange, a Management Discussion and Analysis Report is appended.

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**KARUNA CABLES LIMITED**

**DIRECTORS :**

Mr. C.V.V. PRASAD RAO retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. Your Directors recommends his re-appointment.

**PERSONNEL :**

There were no employees during the year or part of the year drawing remuneration, which falls within the preview of the provisions of Section 217 (2A) of the Companies Act 1956.

**AUDITORS' REPORT :**

The observation made in the Auditors' Report read together with relevant notes thereon are self explanatory and hence do not call, any further comments under Section 217 of the Companies Act 1956.

**AUDITORS :**

M/s Nilesh Lakhamshi & Co., Chartered Accountants, retires as Auditors of the Company at the conclusion of the ensuing Annual General Meeting and has confirmed their eligibility and willingness to accept the office of the Auditors, if re-appointed.

**FIXED DEPOSITS :**

The Company has not invited / accepted / renewed any fixed deposits as per the provisions of Section 58 A of the Companies Act 1956 from the public during the year under review.

**CORPORATE GOVERNANCE :**

A separate report on the Corporate Governance and Management Discussion & Analysis is attached as a part of the Annual Report. The Auditors' Certificate regarding compliance of the conditions of Corporate Governance is also annexed.

**DIRECTORS' RESPONSIBILITY STATEMENT :**

In terms of Section 217 (2AA) of the Companies Act 1956, the directors would like to state that :

- i) In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review.

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**KARUNA CABLES LIMITED**

- iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) The Directors have prepared the Annual Accounts on a going concern basis.

**CONSERVATION OF ENERGY, ABSORPTION OF TECHNOLOGY & FOREIGN EXCHANGE EARNINGS AND OUTGO :**

Information relating to Conservation of Energy, Technology absorption and Foreign Exchange Earning and Outgo as stipulated under Section 217 (1) (e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 is set out in the separate statement, attached to this report & forms part of it.

**ACKNOWLEDGEMENTS :**

Your Company & its Directors wish to extend their sincerest thanks to the Bankers, State Government, Customers, Suppliers and Staff for their continuous co-operation & guidance.

For **KARUNA CABLES LIMITED**

DATE : 4<sup>th</sup> September, 2006

PLACE : Mumbai

**DR. MAHENDRA C. SHAH**  
CHAIRMAN & MANAGING DIRECTOR

**KARUNA CABLES LIMITED****ANNEXURE TO DIRECTORS' REPORT**

Information as per Section 217 (1) (e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988.

**A. CONSERVATION OF ENERGY :**

The capacity of the plant utilized partially, so there was no need to use Generator.

**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**

Sr. No.	Particulars	31-03-2006	31-03-2005
1	Electricity		
a.	Purchased Units	322259	101202
	Total Amount in Rs.	1679195	844934
	Average Rate	5.21	8.27
b.	Own Generation	—	—
	Through Diesel Generator	—	—
	Unit per litre of Diesel	—	—
	Cost per unit	—	—
2	Coal (Specify quality where used)	—	—
	Quantity (Tonnes)	—	—
	Total Cost	—	—
	Average Cost	—	—
3	Furnace oil	—	—
	Quantity (Lits)	—	—
	Total Amount	—	—
	Average Rate	—	—

**B. TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT :**

Indigenous technology is used. Continuous efforts are being made to improve the quality of Conductors in terms of Conductivity, Resistance, etc. by R&D team. The company has not carried out R & D in any specific area. The company has a system of continuously evaluating various production processes for up gradation.

**C. FOREIGN EXCHANGE EARNING AND OUTGO :**

Total Foreign Exchange Used:	NIL
Total Foreign Exchange Earned:	NIL

FOR AND ON BEHALF OF BOARD OF DIRECTORS

For **KARUNA CABLES LIMITED**

DATE : 4<sup>th</sup> September, 2006

PLACE : Mumbai

**DR. MAHENDRA C. SHAH**  
CHAIRMAN & MANAGING DIRECTOR



**MANAGEMENT DISCUSSION AND ANALYSIS REPORT :**

Your Directors have pleasure in presenting the Management Discussion and Analysis report for the year ended on 31<sup>st</sup> March 2006.

**a. INDUSTRY STRUCTURE, DEVELOPMENT :**

Karuna Cables Limited is engaged in the manufacturing of ACSR & AAAC conductors. The Plant capacity utilized partially because of financial constrain and shortage of working capital. Because of this few of the prestigious orders have been cancelled. The company has to depend more on job work. In the last quarter of the year company financial position is improved slightly because SBH has sanctioned small working capital.

**b. OPPORTUNITES, THREATS :**

The power industry are showing healthy signs of growth. The opportunity to get orders has considerably increased. The company has also trying to increases working capital limits and looking to reach optimum operation levels.

**c. SEGMENTWISE PERFORMANCE :**

The company operations are broad bifurcated into two segments.

**d. INTERNAL CONTROL SYSTEM & THEIR ADEQUACY :**

The company has adequate internal control system in to various areas to ensure transparency. Constant efforts are there to further develop the system and to extend it to new areas. Efforts for continued improvement are being consistently made in this regard.

**e. OUTLOOK :**

The long term outlook for the Industry is good and consequently for your Company is stable and reasonable good. For the short term we required lots of finance to participate and execute tenders and orders. The working capital has been sanction in the last quarter and we are trying to increase the bank limits. Overall Power sector is doing well.

**f. RISKS AND CONCERNS:**

The raw material is real concerns. The rates of raw material have gone up by more then 40% in last one year. The international market is very tight for the metals. The pricdes are quoted P.V. (Price Variation) is available but subject to delivery schedule maintain as per orders. Because of financial constrain company finds difficulties to executed orders in time.

**g. Industrial Relations:**

Industrial relations by and large cordial at all levels.

**h. HUMAN RESOURCES & INDUSTRIAL RELATION:**

The industrial relaxations with workers and officers are cordial during the year under review. The company maintains its people as the greatest source of strength.

## CORPORATE GOVERNANCE REPORT

### (1) COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Your company has been practicing the principals of good corporate governance and believes in importance of transparency. Good corporate governance leads to long-term shareholder value and enhance interest of stakeholders. The company understands that corporate governance is combination of voluntary practices and full compliance with laws and regulations leading to effective control and management of the organization. Your company has already commenced to implement, to the extent possible the recommendations of the code of corporate governance as per guideline

### (2) BOARD OF DIRECTORS

The composition of the Board, Category of Directors and Number of Directorship & Membership / Chairmanship of Committees in other Companies are as under:

Name of Director	Category	Remuneration received during the year under review	No. of Outside Directorship (s) Held		No. of Outside Committee Position Held	
			Public	Private	Member	Chairman
Dr. M. C. Shah	Chairman & Managing Director	NIL	NIL	NIL	NIL	NIL
Mr. N. S. Ranganath	Independent & Non-executive Director	NIL	NIL	NIL	NIL	NIL
Mr. C. V. V. Prasad Rao	Independent & Non-executive Director	NIL	NIL	NIL	NIL	NIL
Mr. Pawan Kumar Sanwamal	Independent & Non-executive Director	NIL	8	9	NIL	NIL

The code stipulates that the Company shall have an optimum combination of Executive & Non-executive Director with not less than 50 % of Board of Directors comprising of Non-executive Directors. The number of independent Directors would depend on whether the Chairman is executive or non-executive. In case of non-executive chairman, at least 1/3 of Board should comprise of independent directors and in case of Executive Chairman, at least 1/2 of the Board should comprise of independent directors.

The Company has been complying both the provisions towards number of non-executive directors as well as Independent Directors.

#### Number of Board Meetings:

During the year under review, 6 Board Meeting were held on 30th April 2005, 30<sup>th</sup> July, 2006 adjourned to 2<sup>nd</sup> August 2005, 5<sup>th</sup> September, 2005, 28<sup>th</sup> October 2005, 31<sup>st</sup> January 2006 & 27<sup>th</sup> March 2006