

# 14th Annual Report 2005 - 2006



**Kabsons Industries Limited**

**KABSONS INDUSTRIES LIMITED**

<b>BOARD OF DIRECTORS</b>	:	Mr.G.K.KABRA    CHAIRMAN
	:	Mr.B.SHANKAR    DIRECTOR
	:	Mr. RAJIV KABRA    EXECUTIVE DIRECTOR
<b>AUDITORS</b>	:	M/s. BRAHMAYYA & CO., Chartered Accountants, Flat No.403 & 404, Golden Green Apts, Erramanzil Colony, Somajiguda, Hyderabad - 500 082.
<b>AUDIT COMMITTEE</b>	:	B. SHANKAR - CHAIRMAN G.K.KABRA RAJIV KABRA
<b>BANKERS</b>	:	ANDHRA BANK, Balanagar, HYDERABAD - 500 037.
	:	STATE BANK OF INDIA Yellareddyguda, HYDERABAD - 500 073.
<b>REGISTERED OFFICE</b>	:	Plot No.48, 8-3-1087, Srinagar Colony, HYDERABAD - 500 073.
<b>SHARE TRANSFER AGENTS/ DEMAT AGENTS</b>	:	M/S.XL SOFTECH SYSTEMS LIMITED 3, Sagar Society, Road No. 2, Banjara Hills, HYDERABAD - 500 034.
<b>FACTORY</b>	:	Plot No.B-3, Phase 1, MIDC, Waluj, AURANGABAD - 431 133.
<b>BOTTLING PLANTS</b>	:	Aurangabad, Dharwad, Jaipur, Jalpaiguri, Nagpur, Rohtak, Baroda, Bhubaneswar, Ranchi.



KABSONS INDUSTRIES LIMITED

## NOTICE

Notice is hereby given that the 14th Annual General Meeting of the members of the Company will be held on 25th September, 2006 at Nagarjuna Nagar, Welfare Association, 1111, Nagarjunanagar, Yellareddyguda, Hyderabad - 500 073, at 11.00 A.M. to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2006 and Profit & Loss Account for the year ended on that date together with report of Directors and Auditors thereon.
2. To appoint a Director in place of Mr.G.K.Kabra, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint, M/s. Brahmayya & Co., Chartered Accountants, Hyderabad, Auditors who retires and being eligible offer for reappointment, to hold office from the conclusion of this meeting until conclusion of next Annual General Meeting and authorise Board of Directors of the Company to fix their remuneration.

### SPECIAL BUSINESS:

4. To Consider and if thought fit, to pass the following Resolution with or without modifications as Ordinary Resolution:

"RESOLVED THAT pursuant to section 293(1)(a) and other applicable provisions of the Companies Act, 1956, the company do approve and ratify the creation of security by way of first charge (after release of the same by IFCI) by the Board of Directors of the Company (the Board) and on such terms and conditions, at such time and in such form or manner as the Board may think fit, of fixed assets of the Company located at Plot No.124 and 125, Tupudana Industrial Growth Center Ranchi, Jharkhand and open land at Plot No.68, at Nellimerla Industrial Development Area, Vizianagaram Dist., Andhra Pradesh in favour of M/s.Lata Engineering Company (P) Ltd., Hyderabad to secure its interest free Loan of Rs.20.00 Lakhs, taken to part finance the settlement of OCC Loan with Andhra Bank."

"FURTHER RESOLVED and ratified the execution of documents and other deeds papers and writings for creating the aforesaid charge and to do all such acts deeds and things as may be necessary or expedient for implementing this Resolution."

**By Order of the Board  
For KABSONS INDUSTRIES LIMITED**

Sd/-

**RAJIV KABRA  
Executive Director**

Place : Hyderabad

Date : 08.08.2006

### Notes:

- a) A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a Member of the Company. Proxies in order to be effective, the duly completed, stamped and signed proxy form shall be deposited at the Registered office of the Company, not less than 48 hours before the commencement of the Meeting.
- b) The Members are requested to notify immediately any change of address to the registered office quoting their Registered Folio No.
- c) The Members are requested to bring the Annual Report along with them at the time of Annual General Meeting and are also requested to send their queries, if any, on the adoption of accounts well in advance, so as to enable the company to place relevant records and information at the Annual General Meeting.

**EXPLANATORY STATEMENT TO SECTION 173(2) OF THE COMPANIES ACT, 1956, RELATING TO SPECIAL BUSINESS TO BE TRANSACTED AT THE MEETING IS ANNEXED HERETO**

### ITEM NO.4:

Keeping in view the urgency of one time settlement of OCC Loan with Andhra Bank, M/s. Lata Engineering Company (P) Ltd, Hyderabad who is the major shareholder of the company holding 55.73% of the equity share capital, has extended financial support for an amount of Rs.20.00 Lakhs as interest free secured loan. The total borrowings of the company including this loan is within the borrowing limits under Section 293(1)(d) of the Companies Act, 1956.

As per the terms agreed the loan will be required to be secured by way of first charge, as being released by IFCI on the assets of the company located at Plot No.124 and 125, Tupudana Industrial Growth Center Ranchi, Jharkhand and open land at Plot No.68, at Nellimerla Industrial Development Area, Vizianagaram Dist. Andhra Pradesh.

The proposed resolution is intended to obtain the consent of the Company and the Board recommends in acceptance thereof.

**By Order of the Board  
For KABSONS INDUSTRIES LIMITED**

Sd/-

**RAJIV KABRA  
Executive Director**

Place : Hyderabad

Date : 08.08.2006

**KABSONS INDUSTRIES LIMITED****DIRECTORS' REPORT**

To The Members of **KABSONS INDUSTRIES LIMITED**,

Your Directors hereby present the 14th Annual Report and Accounts of the Company for the year ended 31st March, 2006.

**FINANCIAL RESULTS:**

(Rs.in Lakhs)

	<b>Year Ended 31.03.2006</b>	<b>Year Ended 31.03.2005</b>
1) Sales & other Income	<b>82.57</b>	115.18
2) Profit before Interest, Financial Charges and Depreciation	<b>19.74</b>	11.47
3) Interest and Financial Charges	<b>0.83</b>	35.99
4) Profit /Loss Before Depreciation	<b>18.91</b>	(24.52)
5) Depreciation	<b>45.32</b>	107.16
6) Loss from operations after, Financial Charges, Depreciation	<b>26.41</b>	131.68

**DISCUSSION ON FINANCIAL PERFORMANCE:**

There was not much change in the performance of the company as compared to previous year and lease income is the major source of revenue to the company.

We could get a profit of Rs. 19.74 Lakhs before interest and depreciation during the current year as against profit of Rs. 11.47 Lakhs during the previous year.

Your company had settled the Term Loan account with IFCI under OTS during the year under consideration.

**REFERENCE TO BIFR:**

Your Company received order from BIFR dismissing the reference as non-maintainable on the grounds of settlement of dues to secured creditors, workers, statutory dues and closure of Cylinder Manufacturing unit etc.

**OUT LOOK:** Your Company is concentrating in leasing out the bottling plants wherever opportunities are available since the Gas Business by itself is not viable and sustainable and your Company is also negotiating for leasing out the cylinder manufacturing plant during the year under consideration.

**DIRECTORS:** Mr.G.K.Kabra is retiring at the ensuing Annual General Meeting and being eligible offers himself for the appointment as Director liable to retire by rotation.

**AUDITORS:** Messers Brahmaya & Co., Chartered Accountants, Auditors of the company, retire at the conclusion of the Annual General Meeting and being eligible, offers themselves for re-appointment. The Company has received a certificate from them to the effect that the appointment, if made, would be within the limits prescribed under Section 224(1-B) of the Companies Act, 1956.

**DIRECTORS RESPONSIBILITY STATEMENT AS REQUIRED UNDER SEC 217 (2AA) OF COMPANIES ACT 1956:**

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby Confirmed:

- That in the preparation of the accounts for the financial year ended 31st March 2006, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 the loss of the Company for the year under review;
- That the Directors have taken proper and sufficient care 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;
- That the Directors have prepared the accounts for the financial year ended 31st March, 2006 on a going concern basis despite continues losses, erosion of net worth, excess of current liabilities over current assets and uncertainty associated with the operations of the Company.

**KABSONS INDUSTRIES LIMITED****CONSERVATION OF ENERGY/TECHNOLOGY ABSORPTION/FOREIGN EXCHANGE EARNINGS AND OUTGO:**

As required under section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Directors) Rules, 1988 information relating to conservation of Energy, Technology Absorption and Foreign Exchange Earnings and outgo is given in Annexure to the extent applicable and forms part of this report.

**DISCLOSURES AS PER LISTING AGREEMENT:**

**Cash Flow Statement:** In compliance of clause 32 of the Listing Agreement, the Cash Flow Statement prepared in accordance with the requirements prescribed by SEBI is appended to this Annual Report.

**CORPORATE GOVERNANCE:**

Pursuant to clause 49 to the Listing Agreement with Stock Exchanges, a separate section titled "CORPORATE GOVERNANCE" has been attached to this Annual Report. A Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance stipulated in the Listing Agreement with Stock Exchanges, are annexed to and form part of the Annual Report.

**PARTICULARS OF EMPLOYEES:**

There are no employees who attract Section 217(2A) of the Companies Act, 1956 and therefore the particulars were not given.

**INFORMATION & EXPLANATION IN RESPECT OF QUALIFICATION / RESERVATION OR ADVERSE REMARKS CONTAINED IN AUDITORS REPORT UNDER CLAUSE NO.5:**

- A) Interest for the year Rs.7,04,453/- on deposits of distributors/dealers has not been provided in view of company's adverse financial position and will be negotiated for waiver resulting to understatement of loss by that amount.
- B) In spite of continues losses, erosion of networth, position of excess of current liabilities over current assets and uncertainty associated with operations of the company the Accounts of the Company are prepared on going concern basis.

**PERSONNEL:**

Your Directors would like to place on record their deep sense of appreciation of the services of executives, staff and workers of the Company. Industrial Relations continued to be cordial throughout the year at all locations.

**ACKNOWLEDGMENT:**

Your Directors Express their thanks for the guidance and assistance received from IFCI Ltd, Andhra Bank, State Bank of India, Department of Explosives and their Officials, Central Excise, Pollution Control Boards and Commercial Tax Departments of respective States, host of other State and Central Government Departments, Securities Exchange Board of India, and Stock Exchanges at Hyderabad, Mumbai, Ahmedabad, Delhi, Kolkata and Chennai and others.

Your Directors would like to express their gratitude to all Corporate, Institutional and Individual Shareholders for the confidence reposed by them in the Company.

Place: Hyderabad  
Date : 08.08.2006

for and on behalf of the Board  
**G.K.KABRA**  
Chairman

**KABSONS INDUSTRIES LIMITED****ANNEXURE - A TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2006:**

Information under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report.

**FORM - B****PARTICULARS WITH RESPECT TO ABSORPTION  
RESEARCH AND DEVELOPMENT (R & D)**

1. Specific areas in which R&D carried out by the Company	NIL	NIL
2. Benefit derived as a result of the above R & D	—	—
3. Future plan of action	—	—
4. Expenditure on R&D	Current Year	Previous Year
	(Rs.)	(Rs.)
a) Capital	NIL	NIL
b) Recurring	NIL	NIL
TOTAL		
c) Total R&D expenditure as % turnover	NIL	NIL

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:**

1. Efforts in brief made towards technology, absorption, adaptation	NIL	NIL
2. Benefits derived as a result of the above efforts i.e., product improvement, cost reduction, product development, import substitution etc.	NIL	NIL
3. Import of technology	NIL	NIL

**FORM C****FOREIGN EXCHANGE EARNINGS & OUT GO**

	Current Year	Previous Year
	(Rs.)	(Rs.)
FOREIGN EXCHANGE EARNINGS:	NIL	NIL
FOREIGN EXCHANGE OUTGO:	NIL	NIL

**REPORT ON CORPORATE GOVERNANCE: - Annexure - B.****1) COMPANY PHILOSOPHY ON CORPORATE GOVERNANCE:**

The Company's philosophy of Corporate Governance is aimed at attainment of highest levels of transparency and accountability in all facets of operations and in all its interactions with IFCI, Andhra Bank, State Bank of India, Government Departments, Distributors, Dealers, Suppliers, Shareholders, Employees and the Lenders.

The Statutory auditors of the company have examined the company's compliance, and have certified the same, as required under the SEBI Guidelines. Such Certificate is reproduced as Annexure - C

A Separate Management discussion and analysis report covering a wide range of issues is given to this report as Annexure - D.

**2) BOARD OF DIRECTORS:**

The Board of Directors comprises three members including alternate Directors. The Board's role, functions, responsibility and accountability are clearly defined.

At the Board Meeting of the Company apart from all important matters affecting the business affairs of the Company the directors are being provided information, stipulated in clause 49 of the Listing Agreement.

**a) BOARD MEETINGS:**

Meeting of the Board of Directors are held at Company's Registered Office at Hyderabad, and are scheduled well in advance. The Board meets at least once in a quarter to review performance and financial results. The agenda for the meeting is prepared in consultation with Executive Director and the papers are circulated to the directors in advance. The Board Members have access to all information pertaining to the Company and are free to recommend inclusion of any matter in the agenda for discussion.

**b) THE COMPOSITION OF THE BOARD IS AS FOLLOWS:**

Sl.No.	Name of the Directors	Status	Category
1.	Sri.G.K.Kabra	Chairman	Promoter/Director
2.	Sri. B.Shankar	Director	Non-Executive/Non Independent Director
3.	Sri. Rajiv Kabra	Executive Director	Promoter / Executive Director

**KABSONS INDUSTRIES LIMITED****c) DETAILS OF BOARD MEETINGS HELD AND ATTENDANCE OF DIRECTORS:**

Name of the Director	No. of Board Meetings		Attendance at Last AGM
	Held	Attended	
Sri. G.K.Kabra	5	5	Attended
Sri. B.Shankar	5	5	Attended
Sri. Rajiv Kabra	5	5	Attended

d) Number of Board Meetings held and the dates on which held.

Five Board Meetings were held during the year, as against minimum requirement of four meetings. The dates on which the meetings were held on 05/07/2005, 05/08/2005, 04/11/2005, 02/02/2006 and 07/03/2006.

**3) AUDIT COMMITTEE:**

a) Brief Description of terms of reference:

The terms of reference of the Audit Committee are comprehensive and covers the matters specified for Audit Committee under Listing Agreement with Stock Exchanges.

b) Composition names of members and Chairperson:

According to the Resolution passed in the Board of Directors meeting held on 28th June, 2001 the Board has constituted the Audit Committee comprising of Mr.G.K.Kabra, Mr.B.Shankar and Mr.Rajiv Kabra as members of the committee. Mr.B.Shankar is Non-Promoter and non-independent Director having knowledge of Finance and Accounts. The Quorum for the Audit Committee is two members.

Mr.B.Shankar, continues to be the Chairman of the Committee.

c) Meetings and attendance during the year:

Meetings are scheduled in advance and the committee, has met on 05th July, 2005, 5th August, 2005, 4th November, 2005, and 2nd February, 2006.

All the members of the Audit Committee attended the meetings.

**4) INVESTORS GRIEVANCE COMMITTEE / SHARE TRANSFER COMMITTEE:**

The Board of Directors designated an "Investor Grievance Committee" as a measure of good corporate governance and to strengthen the investor relations. Mr.Rajiv Kabra, Executive Director who personally looks after the investor grievances and heads the Committee. The Committee also looks into redressing the shareholders' complaints.

The Following are the status of Complaints which were received during the year:

S.No	Date of Receipt	Nature of the Complaint	Reply Sent on	Remarks / Pending
1.	06.04.05	Non-Receipt of S/c after transfer	13.04.05	Nil
2.	28.07.05	Non-Receipt of A/R	30.07.05	Nil
3.	14.08.05	Transposition of Shares	16.08.05	Nil
4.	14.08.05	Regarding Company Informa -	16.08.05	Nil
5.	06.09.05	Non-receipt of A/R	09.09.05	Nil
6.	26.09.05	Non-receipt of A/R & Dividend Warrent.	01.10.05	Nil
7.	08.10.05	Regarding Company Informa- tion	10.10.05	Nil
8.	25.10.05	Regarding Company ISIN	26.10.05	Nil
9.	26.10.05	Non-receipt of A/R	26.10.05	Nil
10.	26.10.05	Regarding Specimen Signature	29.10.05	Nil
11.	02.11.05	Regarding Company Information	04.11.05	Nil
12.	02.11.05	Non-Receipt of Annual Report	04.11.05	Nil
13.	20.12.05	Regarding Demat of Shares	22.12.05	Nil
14.	22.12.05	Regarding Demat of Shares	23.12.05	Nil
15.	22.02.06	Non-Receipt of Dividend Warrent	27.02.06	Nil
16.		Change of Address		Up-Dated



**KABSONS INDUSTRIES LIMITED****5) GENERAL BODY MEETINGS:** Location and time of last 3 Annual General Meetings:

Sl.No	Year	Meeting	Venue	Date	Time
1)	2002 - 2003	A.G.M	FAPCCAI Hyderabad	24.09.2003	3.00 PM
2)	2003 - 2004	A.G.M	Nagarjuna Nagar	27.09.2004	3.00 PM
3)	2004 - 2005	A.G.M	Welfare Association Hyderabad Nagarjuna Nagar	27.09.2005	3.00 PM
			Welfare Association Hyderabad		

**6) DISCLOSURES:**

- a) None of the transactions with any of the related parties were in conflict with the interest of the company.  
b) There have been no instances of non-Compliance by the company, penalties, strictures imposed on the company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

**7) MEANS OF COMMUNICATION:**

The Board takes on record the Un-Audited Financial Results (with limited reviews by the auditors) and the financial results are in the prescribed format of the Stock Exchanges where the Company is listed. Further quarterly Un-audited financial results are also published at least in two newspapers within 48 hours of the conclusion of the meeting of the Board in which they are taken on record. The Quarterly Financial results will be published in Business Standards/Times of India and Andhra Prabha/ Vaartha in regional language of the region i.e., Andhra Pradesh, since the place of the Registered office of the Company is situated at Hyderabad (A.P).

**8) GENERAL SHAREHOLDERS INFORMATION:**

- a) As indicated in the notice to our shareholders, the Annual General Meeting of the company will be held on 25th September, 2006 at Nagarjuna Nagar Welfare Association, 1111, Nagarjuna Nagar, Yellareddyguda, Hyderabad - 500 073, at 11.00.A.M.
- b) Financial Calendar:  
Annual General Meeting 25th September, 2006  
Unaudited results for the quarter ending June 30th, 2006 8th August, 2006  
Unaudited results for the quarter/Half year ending September 30th, 2006 Last week of October, 2006  
Unaudited results for the quarter ending December, 31st 2006 Last Week of January, 2007  
Audited Results for the year ending March, 31, 2007 Last week of June, 2007
- c) Date of Book Closure: from 18th September, 2006 to 25th September, 2006 both days inclusive for the purpose of Annual General Meeting.
- d) The Shares of the Company are listed on the following Exchanges with the following stock codes.

Name & Address of the Stock Exchange	Stock Code:	Name & Address of the Stock Exchange	Stock Code
The Hyderabad Stock Exch Ltd Administrative Office, 6-3-654, Erramanzil Bus Stop Somajiguda, HYDERABAD - 500 082	KBS	The Stock Exchange Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, MUMBAI - 400 001	K0266
Madras Stock Exchange Ltd, Exchange Building, Post Box No.183, 11, Second Line Beach, CHENNAI - 600 001.	NIL	The Calcutta Stock Ass Ltd, 7, Lyons Range, CALCUTTA - 700 001.	NIL
The Stock Exch Ahmedabad, Kamdhenu Complex, Opp:Sahajanand College, Panjara Pole, AHMEDABAD - 380 015	29075/ KABSONS IND	Delhi Stock Exch Ass Ltd, DSE House 3/1, Asaf Ali Road, NEW DELHI - 110 002.	7306