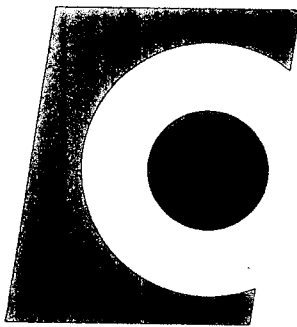


MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DIV	NA
TRA	NA		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓

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**COSMO
FERRITES
LIMITED**

**ANNUAL
REPORT
1997-98**





BOARD OF DIRECTORS

Ashok Jaipuria - Chairman
O.P. Khaitan
S.L. Bagree
R.M. Bhandari
S.A. Shanbhag
Rajeev Gupta
V.P. Sawhney (Nominee of ICICI)

PRESIDENT

R.S. Wazir

SECRETARY & MANAGER

Naveen Kapoor

REGISTERED OFFICE & PLANT

Jabli, Distt. Solan
(H.P.) - 173 209
Fax : (01793) 77234

HEAD OFFICE

30, Community Centre,
Saket,
New Delhi-110017
Fax : (011) 6862969

AUDITORS

B.K. Shroff & Co.
3/7-B, Asaf Ali Road,
New Delhi-110 002

BANKERS

State Bank of India
Canara Bank





NOTICE

NOTICE is hereby given that the Twelfth Annual General Meeting of Cosmo Ferrites Limited will be held at its Registered Office at Jabli, Distt. Solan (H.P.) - 173 209 on Saturday, the 26th September, 1998 at 10.30 A.M. to transact the following business :

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended 31st March, 1998 and the Balance Sheet as at that date and the Report of Board of Directors and the Auditors of the Company thereon.
2. To appoint a Director in place of Mr. S.L. Bagree who retires by rotation and is eligible for reappointment.
3. To appoint a Director in place of Mr. Rajeev Gupta who retires by rotation and is eligible for reappointment.
4. To appoint Auditors and to fix their remuneration and for that purpose to pass, with or without modifications, the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to Section 224-A and other applicable provisions, if any, of the Companies Act, 1956, M/s B.K. Shroff & Company, Chartered

Accountants, the retiring Auditors of the Company be and are hereby reappointed as Auditors of the Company to hold such office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on such remuneration as may be fixed by the Board of Directors of the Company."

Registered Office :
Jabli Distt. Solan,
(H.P.) - 173 209

By Order of the Board

Place : New Delhi
Dated : 24th June, 1998

Naveen Kapoor
Secretary

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
2. The Register of Members of the Company will be closed from 16th September, 1998 to 26th September, 1998 (both days inclusive).



DIRECTORS' REPORT

TO THE MEMBERS

The Directors present the Annual Report and audited accounts of the Company for the year ended 31st March, 1998.

FINANCIAL SUMMARY

	(Rs. in lacs)			
	1997-98		1996-97	
Sales	1675		1272	
Other Income	103	1778	32	1304
Profit before Finance Charges & Depreciation		390		315
Finance Charges		383		198
Profit Before Depreciation		7		117
Depreciation		173		85
Profit before Tax		(166)		32
Tax		—		4
Net Profit		(166)		28
Add Balance brought forward		163		135
		(3)		163
Transferred from General Reserve		3		—
		—		163
		—		163

APPROPRIATIONS

Balance Carried Forward	—	163
	—	163

DIVIDEND

In view of loss incurred by the Company, your directors regret their inability to recommend any dividend for the year ended 31st March, 1998.

OPERATIONS

Sales during the year increased by about 35% in terms of value and 40% in terms of volume. This has been possible as a result of fresh initiatives undertaken by your company in focusing on customer requirements, increased adherence to the commitments and greater empowerment of all the concerned.

The domestic CTV market, which is the most important segment for ferrite demand in India, saw a healthy growth of 29% from 2.3 million CTVs to 3 million CTVs. However, the MNCs have been very aggressive and have carved

for themselves substantial market share. Your company has increased its market share substantially with the domestic CTV manufacturers and is actively pursuing indigenisation possibilities with MNCs.

In export markets, sustained efforts have resulted in getting entries to new market and approvals from Original Equipment Manufacturers. You may be pleased to note that company is now having a wider customer base in different geographic locations. As a result our components exports doubled.

The company however has incurred a net loss due to significant price fall for components during the year as compared to previous year. In spite of substantial increase in productivity compared to last year, the capacity utilisation of expansion, commissioned in September, was not optimum. This resulted in higher incidence of finance cost and depreciation in the year.

You will be pleased to note that the expansion in capacity was successfully commissioned in September augmenting our capacities by three times.

CURRENT YEAR & FUTURE PROSPECTS

The domestic market, particularly the CTV segment, is likely to grow at about 30%. The indigenisation program of MNCs is also expected to receive further impetus due to increase in custom duties announced in the budget as well as the Indian Rupee depreciation. Your company is favorably positioned to capitalize on the opportunities and is also optimistic of improving its market share.

The International markets on an average are growing at 8% per annum. With the depreciation in the exchange rate supported with steps for improved quality, productivity & customer service, the company is hopeful of doubling its component export again in the current year. With increased capacity utilisation in the current year, the company is optimistic about better results than the last year.

RESEARCH & DEVELOPMENT

The company continues to maintain high focus on R&D. The in house programme was strengthened during the year and the quality & performance of materials was improved which resulted in approvals for our products from reputed foreign manufacturers. Developing better process conditions and compositions also consolidated productivity gains. The Company is collaborating with other Research organisations for upgrading its materials & products. The in house R & D continues to work on development of state of art low power loss & high permeability materials.



DIRECTORS

Shri S C Bafna and Shri V Dixit, Directors of the Company have resigned from the Board of Directors of your Company on 15th April, 1998 and 20th April, 1998 respectively. The Directors, while recalling their significant guidance and contribution, place on record their appreciation for the help and guidance given by Shri Bafna & Shri Dixit.

Shri S L Bagree and Shri Rajeev Gupta, Directors retire by rotation and are eligible for reappointment. The directors recommend their reappointment.

STATUTORY STATEMENTS

Following information as per the requirements of the Companies Act, 1956 is given in separate statements annexed hereto which form part of this report :

(a) Energy conservation, technology absorption and foreign exchange inflow/outgo pursuant to section 217 (1)(e) of the Companies Act, 1956.

(b) Particulars of employees pursuant to section 217 (2A) of the Companies Act, 1956.

SUBSIDIARY COMPANY

During the year, Cosmo Shares & Leasefin Limited became the subsidiary of your Company after obtaining necessary approval of Central Government. A statement under Section 212 of the Companies Act, 1956 is annexed.

AUDITORS

M/s B.K. Shroff & Company, Auditors of the Company retire and are eligible for reappointment.

ACKNOWLEDGEMENT

The Directors are appreciative of the support received from ICICI and other Financial Institutions, State Bank of India and the Central and the Himachal Pradesh Governments.

On behalf of the Board

Dated : 24th June, 1998
Place : New Delhi

Ashok Jaipuria
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

Information as per Section 217 (1) (e) read with Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988:

A) CONSERVATION OF ENERGY

- a) ENERGY CONSERVATION MEASURES TAKEN
 - Energy auditing done. 'No-cost' work implemented.
 - Energy meters are provided to major consumption equipment and are being monitored.
 - During peak load hours, generator is run with full capacity load so that the per unit cost of Diesel is reduced and HPSEB bill is reduced.
 - Kilns are being switched off during idle hours to save power.
- b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy.
 - Stress is being made to run the equipment with 100% utilisation and keep the other machines off to reduce power consumption.
 - High Power consumption motors are being checked and proposed to be replaced with motors with low H.P. (required power) during 1998-99.
 - Training is planned for Operators to ensure Machines are switched off during Lunch/Tea break.
- c) The above measures resulted in reduction of approx. 11.42% in specific energy consumption.
- d) Total energy consumption and energy consumption per unit of production as per prescribed Form 'A' - Not applicable.

B) TECHNOLOGY ABSORPTION

- i) Research & Development
 - * New material development for Line Filter application.
 - ** R&D Expenditure

- Capital	Rs. 42.20 Lacs
- Recurring	Rs. 17.49 Lacs
- Percentage of turnover	Rs. 3.56 %
- ii) Technology absorption, adaptation & innovation
 - * Optimisation of pre-calcined Ferrite Powder output.
 - ** Optimisation of Nitrogen Kiln output.
- iii) Technology imported
 - * The Company has not imported any technology, during the last 7 years.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO

- a) Activities
 - * Exports during the year increased by 42%.
 - ** Exports during the year were 49% of total turnover.
 - *** The company is making efforts to access new markets.
- b) Foreign Exchange Earned - Rs. 827.01 lacs
- c) Foreign Exchange outgo - Rs. 490.46 lacs

On behalf of the Board

Dated : 24th June, 1998
Place : New Delhi

Ashok Jaipuria
Chairman


PARTICULARS OF EMPLOYEES IN TERMS OF SECTION 217 (2A) OF THE COMPANIES ACT, 1956

NAME	DESIGNATION/ NATURE OF DUTIES	GROSS ANNUAL REMUNERATION (Rs.)	QUALIFICATION	YEARS EXPERIENCE	DATE OF COMMENCEMENT OF EMPLOYMENT	AGE	LAST EMPLOYMENT HELD BY SUCH EMPLOYEES BEFORE JOINING THE COMPANY	
							NAME	DESIGNATION
PERSONS EMPLOYED THROUGHOUT THE FINANCIAL YEAR UNDER REVIEW AND WERE IN RECEIPT OF REMUNERATION FOR THAT YEAR IN AGGREGATE NOT LESS THAN RS. 3,00,000/-.								
Mr. R.S. Wazir	President	8,12,658/-	B.E. (Chemical Engg.)	26	14.11.1996	51	Samtel India Ltd.	GM
Mr. Amitabh Mohan	General Manager (Marketing)	5,76,656/-	B.Tech PGDM	17	02.09.1996	44	Continental Devices India Ltd.	DGM
Mr. Raman Kumar Govila	General Manager	3,29,300/-	B.E. (Metallurgical Engg.)	24	01.04.1996	43	Premier International Ltd.	GM
EMPLOYED FOR PART OF THE YEAR								
Mr. Rakesh Asthana	Vice President (Mfg.)	4,67,358/-	B.Tech PGDM ICWA (INTER)	16	01.05.1995	40	Salora International Ltd.	DGM

NOTES:

- 1) Remuneration includes Salary, Company's contribution to Provident Fund and Superannuation Scheme, Personnel Accident Policy premium, expenses incurred on medical reimbursement, Leave Travel Assistance, House Rent Allowance, Leave Encashment and prerequisites evaluated as per Income Tax Rules.
- 2) None of the employees mentioned above is related to any Director of the Company.
- 3) The conditions of employment to all the above employees, are non-contractual and terminable by one/three months notice on either side.

AUDITORS' REPORT
TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of **COSMO FERRITES LIMITED** as at 31st March, 1998 and the Profit & Loss Account for the year ended on that date annexed thereto and report that :

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the annexure referred to in paragraph 1 above, we state that:
 - i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - ii) 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.

iii) The Balance Sheet and the Profit & Loss Account referred to in this report are in agreement with the books of account.

iv) In our opinion and to the best of our information and according to the explanations given to us, the accounts subject to and read together with the notes appearing in Schedule 19 give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :

- (a) in so far as it relates to Balance Sheet, of the state of affairs of the company as at 31st March, 1998, and
- b) in so far as it relates to the Profit & Loss Account, of the Loss for the year ended on that date.

For B.K. SHROFF & Co.,
Chartered Accountants

Place : New Delhi
Dated : 24th June, 1998

O.P. Shroff
Partner



ANNEXURE REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE

1. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. As explained to us, all the fixed assets have been physically verified by the management during the year according to a regular programme which in our opinion is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies with respect to book records were noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. The stocks of finished goods, spare parts and raw materials, except in respect of material in transit, have been physically verified by the management during the year. In our opinion the frequency of verification is reasonable.
4. In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
5. The discrepancies noticed on verification of stocks as compared to book records were not material and the same have been properly dealt with in the books of account.
6. On the basis of our examination of stock records, we are of the opinion that valuation of stocks is fair and proper and is in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. The company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. As explained there is no company under the same management as the company within the meaning of section 370(1-B) of the Companies Act, 1956.
8. The company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under section 301 and/or to companies under the same management as defined under section 370 (1-B) of the Companies Act, 1956.
9. Parties including employees and subsidiary company to whom loans or advances in nature of loans have been given by the company are repaying the principal amounts as per stipulation, wherever such stipulations exist and are also regular in payment of interest, wherever applicable.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of stores, raw material including components, plant and machinery, equipment and assets and with regard to the sale of goods.
11. In our opinion and according to the information and explanation given to us, the transactions of purchases of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to more than Rs. 50,000 are at prices which are reasonable having regard to quantitative and qualitative considerations and prevailing market prices, where available.
12. As explained to us, the company has a regular procedure for determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
13. According to the information given to us, the company has not accepted any deposits from the public within the meaning of Section 58A of the Companies Act, 1956.
14. In our opinion, reasonable records have been maintained by the company for the sale and disposal of realisable scrap. The company has no by products.
15. In our opinion, the company has an adequate internal audit system commensurate with size and nature of its business.
16. The Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of the products dealt with by the company.
17. According to the records of the company, provident fund dues have been regularly deposited during the year with the appropriate authorities. As explained to us, Employees State Insurance was not applicable to the company during the year under review.
18. According to the information and explanation given to us, no undisputed amounts payable in respect of Income-Tax, Wealth-Tax, Sales-Tax, Custom Duty were outstanding as at 31st March, 1998 for a period of more than six months from the date they became payable.
19. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with the generally accepted business practice.
20. The company is not a sick industrial company within the meaning of Section 3(1) (o) of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. In respect of trading activities of the company, it has been explained to us that there were no damaged goods during the year.

For B.K.SHROFF & Co
Chartered Accountants

Place : New Delhi
Dated : 24th June, 1998

O.P. Shroff
Partner