





BOARD OF DIRECTORS

Ashok Jaipuria, Chairman
O.P. Khaitan
R.M. Bhandari
S.A. Shanbhag
Rajeev Gupta
V.P. Sawhney (Nominee of ICICI)
Badri Agarwal
S.K. Mittal

PRESIDENT

Aseem DasGupta

REGISTERED OFFICE & Plant

Jabli Distt. Solan
H.P. - 172 209
Ph.: 01792-77231-32/35/36
Fax : 01792-77234

AUDITORS

B.K. Shroff & Co.

BANKERS

State Bank of India
Canara Bank

Corporate Office

30, Community Centre
Saket, New Delhi - 110 017
Ph. : 011-668105, 6863968, 6863969
Fax : 011-6862969

Mfg. Plants

Jabli Distt. Solan
H.P. - 172 209
Ph.: 01792-77231-32/35/36
Fax : 01792-77234

SALES OFFICES

Delhi :

30, Community Centre
Saket, New Delhi - 110 017
Ph. : 011-668105, 6863968, 6863969
Fax : 011-6862969

Bombay :

Bits House Jukaso Silk Mills Compound
Saki Naka, Andheri East
Bombay - 400 072
Ph.: 022-8510901, 8514734

Bangalore :

1316/E, 9th Cross,
2nd Phase, J.P. Nagar,
Bangalore-560078
Pager No. 9628121910

Aurangabad :

E-14/9, MIDC Industrial Area,
Waluj, Aurangabad-431136
Ph.: 0240-554612 / 13
Fax : 0240-554416



Notice

NOTICE is hereby given that the Thirteenth Annual General Meeting of Cosmo Ferrites Limited will be held at its Registered Office at Jabli, Distt. Solan (HP) -173209 on Friday the 10th September 1999 at 12.00 Noon to transact the following business:

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st March, 1999 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. O P Khaitan who retires by rotation and is eligible for reappointment.
3. To appoint a Director in place of Mr. Badri Agarwal who was appointed in the casual vacancy of Mr S C Bafna and who was liable to retire by rotation in this meeting, and is eligible for reappointment.
4. To appoint Auditors and to fix their remuneration.

Special Business

5. AS AN ORDINARY RESOLUTION

"RESOLVED that the consent of the Company be and is hereby accorded in terms of Section 94 and other applicable provisions, if any, of the Companies Act, 1956 to create additional 3,00,000 (three lac) preference shares of Rs.100/- each and thereby increasing the Authorised Share Capital of the Company to Rs. 23,00,00,000 (Rupees Twenty Three Crore) divided into 1,50,00,000 (One Crore and Fifty Lac) equity shares of Rs.10/- each and 8,00,000 (Eight Lac) Preference shares of Rs.100/- each.

"RESOLVED FURTHER that following clause be substituted in place of existing clause V of the Memorandum of Association of the Company:

"RESOLVED FURTHER that following clause be substituted in place of existing clause v of the Memorandum of Association of the Company.

- V. The Share Capital of the Company is Rs. 23,00,00,000 (Rupees Twenty Three crore) divided into 1,50,00,000 (One Crore and Fifty Lac) equity shares of Rs.10/- each and 8,00,000 (Eight Lac) Preference shares of Rs.100/- each.

6. AS A SPECIAL RESOLUTION

"RESOLVED that following Article be substituted in place of existing Article 5(a) of the Articles of Association of the company.

5(a). The Share Capital of the Company is Rs. 23,00,00,000 (Rupees Twenty three crore) divided into 1,50,00,000 (one crore and fifty lac) equity shares of Rs.10/- each and 8,00,000 (eight lac) Preference shares of Rs.100/- each.

7. AS A SPECIAL RESOLUTION

"RESOLVED that pursuant to the provisions of Section 81(1-A) and other applicable provisions, if any, of the Companies Act, 1956, and in accordance with the provisions of the Articles of Association of the company and the listing Agreement entered into by the company with the Stock exchange(s), where the shares, of the company are listed, and subject to the consent of all concerned authorities, if and to the extent necessary, and such other approvals, permissions and sanctions as may be necessary, and subject to such conditions and modifications as may be prescribed in granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the company (hereinafter referred to "as the Board"), at its sole discretion, the consent of the company be and is hereby accorded to the Board to create, offer for subscription, issue and allot, to financial institutions Cumulative Redeemable Preference Shares of Rs.100/- each for a sum not exceeding Rs. 600 lacs in one or more tranches on terms and conditions including issue price as may be fixed and determined by the Board prior to the issue and offer thereof. Such financial institutions need not be a member of the company".

"RESOLVED FURTHER that for the purpose of giving effect to any issue and/or allotment of Preference Shares the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its discretion, deem necessary or desirable with power to settle any question, difficulty or doubt that may arise in regard to any such issue and/or allotment."

8. AS A SPECIAL RESOLUTION

"RESOLVED FURTHER that following Articles be substituted in place of existing Article 10 of the Articles of Association of the Company.



"Subject to the provisions of these articles, the Company shall have power to issue preference shares carrying a right to redemption out of profits which would otherwise be available for dividend or out of fresh issue of shares made for the purpose of such redemption or liable to be redeemed at the option of the company and the Board may, subject to the provision of Section 80 of the act, exercise such power in such manner as may be provided in these Articles."

Registered Office:
Jabli, Distt, Solan
H.P. -173209

By Order of the Board
S K Mittal
Director

Place : New Delhi
Date : 28th July, 1999

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 and Share transfer Books of the Company will be closed from Wednesday the 9th July, 1999 to Monday the 19th July 1999 (both days inclusive).

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956.

Item No. 5 & 6

It is proposed to increase the authorised share capital of the Company from Rs. 20,00,00,000 to 23,00,00,000 divided into 1,50,00,000 (one crore and fifty lac) equity shares of Rs.10/- each and 8,00,000 (eight lac) Preference shares of Rs.100/- each. The company is planning to issue Preference Shares to financial

institutions on preferential basis. To accommodate this issue company needs to increase the authorised capital of the company. The proposed increase in the authorised capital of the company requires the approval of the members in the general meeting and consequential amendment of the Company's Memorandum and Articles of Association.

None of the Directors is interested or concerned in these resolutions.

Item No. 7

The company is considering its financial restructuring options, with the financial institutions. The Company has since received a letter of intent from ICICI. This may require the company to issue Preference shares to the institutions on preferential basis on such terms and conditions as may be agreed to with the institutions. It is thus necessary to delegate the power to Board of Directors to issue preference shares to institutions with such terms & conditions as may be agreed and decided by them in one or more tranches.

None of the directors is interested or concerned in this resolution.

Item No. 8

The existing clause 10 of the Articles of Association of the company need to be reworked to make it align with the Companies Act, 1956.

None of the director is interested or concerned in this resolution.

Registered Office:
Jabli, Distt, Solan
H.P. -173209

By Order of the Board
S K Mittal
Director

Place : New Delhi
Date : 28th July, 1999



DIRECTORS' REPORT

To the Members,

The Directors present the Annual Report and audited accounts of the Company for the year ended 31st March, 1999.

(Rs. in Crores)

FINANCIAL RESULTS

	1998-99		1997-98	
Sales	20.65		17.59	
Other Income	0.39	21.04	0.19	17.78
Profit before Finance				
Charges & Depreciation		3.14		3.90
Finance Charges		5.45		3.83
Profit/(Loss)				
before Depreciation		(2.31)		0.07
Depreciation		2.63		1.73
Loss before tax		(4.94)		(1.66)
Tax		0.04		—
Net Loss		(4.98)		(1.66)
Add Balance				
brought forward		—		1.63
Transfer from				
General Reserve		2.98		0.03
Balance carried				
to Balance Sheet		(2.00)		—

OPERATIONS

The year ended 31st March, 1999 was the first year of operations after the substantial expansion of capacity over the last two years.

In quantitative terms, the company achieved a 44% increase in sales of soft ferrite components, securing sales of 742 MT against 517 MT sold in the previous year. In the domestic CTV market, which has been the mainstay of the company's business, your company maintained its market share in the face of intense domestic competition as well as continuing kit imports. Domestic sales crossed 440 MT, growing by 24% from the previous year's sales of 356 MT. Besides the TV market, the company was successful in diversifying into the emerging markets in the computer SMPS, lighting and energy meter segments. In exports, the company continued aggressive market penetration with sales increasing from 161 MT the previous year to 279 MT, an impressive growth of 70%. Significant breakthroughs were achieved into a number of large OEM accounts in Europe, Scandinavia and, significantly, the U.S. market. This was achieved through sustained

emphasis on quality processes, R & D efforts and intensive market development activities.

Revenue growth, however, was not achieved to the same extent on account of severe competitive depression in price realisations, both in the domestic sector as well as in exports against large Far Eastern competitors. While production was far below the enhanced capacity, there were substantial increases in plant operating costs which were higher than the increase in earnings. Furthermore, the increased finance costs and depreciation on the full plant investment have led to the company incurring losses for the financial year under review.

OUTLOOK

During the current financial year, the company has redoubled its efforts to improve profitability from operations. Besides continued initiatives to enter new markets overseas, the company is focussing efforts to achieve higher value added product mix, improved manufacturing productivities and development of materials to meet higher application requirements emerging in the global markets. The performance during the first quarter indicates positive trends. Efforts are also underway to identify sources of technology to help speed up the product development process.

Concurrently, the company has been in dialogue with and has secured in principle approval from the lead financial institution for a restructuring of the long term debts in a manner which would better align financial costs with the projected earnings growth over the next few years.

As a result of these measures, your company in confident of not only achieving a significantly improved performance during the current financial year, but also to establish a growth path for sustained profitable growth in the years to come.

RESEARCH & DEVELOPMENT

R & D has been one of the high focus and high priority areas for the company. As a result the performance and quality of materials was improved, and coupled with productivity improvements, these resulted in product approvals with reputed manufacturers. R & D has also contributed to the development of indigenised vendors for materials which were previously imported. This has helped the company to reduce procurement costs.

DIRECTORS

Sh. S.L. Bagree, Director of the company resigned from the Board of Directors on 7th January, 1999. The Directors place on record their appreciation of the help and guidance given by Sh. S.L. Bagree.



Sh. Badri Agarwal, has been inducted as a Director, in the casual vacancy of Sh. S.C. Bafna w.e.f. 16th October, 1998.

Sh. S.K. Mittal, has been inducted as a Director, in casual vacancy of Shri S.L. Bagree w.e.f. 27th January, 1999.

Sh. Badri Aggarwal and Sh. O.P. Khaitan Directors retire by rotation and are eligible for reappointment. The Directors recommended their reappointment.

STATUTORY STATEMENT

Following information as per the requirements of the Companies Act, 1956, is given in separate statement annexed herewith for a part of this report :-

- a. Energy Conservation, technology absorption and foreign exchange inflow/outflow pursuant to Section 217(1)(e) of the Companies Act, 1956.
- b. Particulars of employees pursuant to Section 217(2) A of the Companies Act, 1956.

SUBSIDIARY COMPANY

In respect of the subsidiary Company Cosmo Shares & Leasfin Ltd., a statement under section 212 of the Companies Act in annexed.

AUDITORS

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

ACKNOWLEDGEMENT

Your directors are appreciative of the support received from ICICI and other financial institutions, State Bank of India, Canara Bank, the Central Government & the Himachal Pradesh Government.

On behalf of the Board

Place : New Delhi

Date : 28th May, 1999

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 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 replaced with motors with low H.P. (required power) during 1999-2000.
- Training is planned for Operators to ensure Machines are switched off during Lunch/Tea break.

c) The above measures resulted in reduction of approx. 22.65% in specific energy consumption.

d) Total energy consumption and energy consumption per unit of production as per prescribed Form 'A' - Not applicable.

frequency applications.

** R&D Expenditure

- Capital	Rs. 3.76 Lacs
- Recurring	Rs. 15.33 Lacs
- Percentage of turnover	0.92 %

ii) Technology absorption, adaptation & innovation

- Optimisation of pre-calcined Ferrite powder output.
- Optimisation of Nitrogen Kiln output
- Successful introduction of import substitute major raw material

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 11%.
- Exports during the year were 51% of total turnover.
- The company is making efforts to access new markets.

b) Foreign Exchange Earned - Rs. 859.98 lacs

c) Foreign Exchange outgo - Rs. 285.31 lacs

On behalf of the Board

B) TECHNOLOGY ABSORPTION

i) Research & Development

- * New material for low power loss and high

Place : New Delhi

Dated : 28th May, 1999

Ashok Jaipuria

Chairman

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

Name	Designation /Nature of of Duties	Gross Annual Remune- ration	Qualification	Years of Experi- ence	Date of commence- ment of employment	Age	Last Employment	
							Name of company	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/-.								
Amitabh Mohan	General Manager (Mktg.)	6,93,220	B.Tech. PGDM	18	02.09.1996	45	Continental Devices India Ltd.	DGM
EMPLOYED FOR PART OF THE YEAR								
R.S. Wazir	President	4,23,414	B.E. (Chem. Engg.)	27	14.11.1996	52	Samtel India Ltd.	General Manager
Aseem DasGupta	President	4,31,142	B.Tech. PGDM	23	30.09.1998	51	HCL Infosys Ltd.	Executive Director

NOTE :

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 perquisites 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 employees, except in the case of the Managing Director whose appointment is contractual are non-contractual and terminable by one/three months notice on either side.

AUDITORS' REPORT**TO THE MEMBERS OF COSMO FERRITES LIMITED**

We have audited the attached Balance sheet of M/s. Cosmo Ferrites Limited as at 31st March, 1999, and also 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 & 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, the Balance sheet and Profit and Loss account dealt with by the report are in compliance with Accounting Standards referred to in Section 211(3c) of the Companies Act, 1956.

v) 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 other notes appearing in schedule 19 give the information required by Companies Act, 1956 in the manner so required and give a true and fair view :

- a) In so far as it relates to the Balance Sheet of the state of affairs of the company as at 31st March, 1999 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 : 28th May, 1999

Sanjiv Aggarwal
Partner

ANNEXURE REFERRED TO IN PARAGRAPH 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 are not material and the same have been properly dealt with in the books of accounts.
- 6) On the basis of our examination of stock records, we are of the opinion that the 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. 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.
- 9) Parties including employees 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 activities carried on 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 explanations given to us, no undisputed amounts were payable in respect of Income Tax, Sales Tax, Wealth Tax, Customs Duty and Excise Duty which have remained outstanding as at 31st March, 1999 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 the 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.
- 22) In our opinion and according to the information and explanation given to us, in respect of the service activities, the company has a reasonable system of authorisation at proper levels with necessary controls on issue of stores. However, the nature of activity is such that allocation of stores and manhours consumed on job is not necessary. There are adequate internal control procedures commensurate with the size of the company and the nature of its business.

for B.K. SHROFF & CO.,
CHARTERED ACCOUNTANTS

Place : New Delhi
Dated : 28th May, 1999

Sanjiv Aggarwal
PARTNER

**BALANCE SHEET**

As at 31st March 1999

	Schedule	Current Year Rs.	Previous Year Rs.
SOURCES OF FUNDS			
SHAREHOLDER'S FUND			
Share Capital	1	8,02,00,000	8,02,00,000
Reserves and Surplus	2	<u>70,66,800</u>	<u>3,68,21,708</u>
		8,72,66,800	11,70,21,708
LOAN FUNDS			
Secured Loans	3	26,74,34,771	26,11,78,796
Unsecured Loans		<u>4,96,03,000</u>	<u>4,96,03,000</u>
		31,70,37,771	31,07,81,796
		40,43,04,571	42,78,03,504
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	4		
Less: Depreciation	5	<u>45,22,24,693</u>	<u>42,33,31,728</u>
		<u>11,47,88,473</u>	<u>8,87,38,091</u>
		33,74,36,220	33,45,93,637
Add: Capital work in progress		<u>—</u>	<u>1,00,32,747</u>
		33,74,36,220	34,46,26,384
INVESTMENTS	6	1,81,29,201	1,81,29,201
CURRENT ASSETS			
Inventories	7	3,83,53,549	5,43,35,585
Receivables	8	3,46,23,928	3,54,68,645
Cash and Bank Balances	9	49,86,482	59,35,628
Loans & Advances	10	<u>1,85,65,320</u>	<u>2,84,73,276</u>
		9,65,29,279	12,42,13,134
LESS: Current Liabilities & Provisions			
Current Liabilities	11	6,73,03,336	5,79,85,180
Provisions	12	<u>8,48,165</u>	<u>14,87,054</u>
		6,81,51,501	5,94,72,234
NET CURRENT ASSETS		2,83,77,778	6,47,40,900
MISCELLANEOUS EXPENDITURE 13			
(To the extent not written off or adjusted)		2,72,906	3,07,019
PROFIT AND LOSS ACCOUNT		2,00,88,466	—
		40,43,04,571	42,78,03,504
NOTES ON ACCOUNTS	19		

Schedules 1 to 19 form an integral part of the accounts

As per our report of even date annexed

For B.K. SHROFF & CO.,
Chartered AccountantsSanjiv Aggarwal
PartnerPlace : New Delhi
Dated : 28th May, 1999Vinod Tibriwal
ManagerAseem DasGupta
PresidentAshok Jaipuria
R.M. Bhandari
Directors