





BOARD OF DIRECTORS

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

PRESIDENT

Aseem DasGupta

REGISTERED OFFICE

Jabli Distt. Solan
H.P.-173 209
Ph.: 01792-77231-32/35/36
Fax : 01792-77234
Email : cosmo.jb@jb.cosmo.sril.in

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
Email : cosmo.ferrites@dl.cosmo.sril.in

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SALES OFFICES

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Email : ndg_cosmo@vsnl.com

Aurangabad :

B-14/9, MIDC Industrial Area,
Waluj, Aurangabad-431136
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Notice

Notice is hereby given that the Fourteenth Annual General Meeting of Cosmo Ferrites Limited will be held at its registered office at Jabli, Distt., Solan (HP) - 173209 on Wednesday the 27th September 2000 at 1.00 P.M. to transact the following business :

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st March, 2000 and the Balance Sheet as at that date and the Report of the Board of Directors and the Auditors of the Company thereon.
2. To appoint a Director in Place of Mr. R. M. Bhandari 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.

Special Business

5. AS AN ORDINARY RESOLUTION

"RESOLVED that Mr. Ranbir Mukherjee, who was appointed as an additional Director of the company during the year, in respect of whom a Notice under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director has been received, be and is hereby appointed as a Director of the Company and that the period of Directorship shall be liable for determination by retirement by rotation."

Registered Office:
Jabli, Distt., Solan (HP)
173209

By Order of the Board
S. K. Mittal
Director

Place : New Delhi
Date : 28th July, 2000

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 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 Saturday the 16th September, 2000 to Wednesday the 27th September, 2000 (both days inclusive).

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

Item no.5

Shri Ranbir Mukherjee was appointed as Additional Director of the company during the year. He will hold office upto the date of this Annual General Meeting in terms of provisions of Section 260 of Companies Act, 1956. The Company has received notice in writing from a member u/s 257 of the Companies Act, 1956 signifying his intention to propose Shri Ranbir Mukherjee as Director of the Company. Having regard for his wide knowledge and experience, The Board of Directors are of the Opinion that his continued association with the Board will be of immense value to the Company and the Board therefore, recommends his appointment as Director.

None of the Director except Shri Ranbir Mukherjee is concerned or interested in the resolution.

Listing on Stock Exchanges

Company's shares are listed on following Stock Exchanges:

- The Stock Exchange, Delhi
- The Stock Exchange, Mumbai
- The Stock Exchange, Calcutta
- Ludhiana Stock Exchange

Annual Listing Free

Annual Listing Free for the year 2000-01 has been paid to each of the above Stock Exchanges.



DIRECTORS' REPORT

To the Members,

The Directors are pleased to present the Annual Report and audited accounts for the year ended 31st March, 2000.

FINANCIAL RESULTS

	(Rs. Lacs)	
	1999-2000	1998-1999
Sales	2458	2065
Other Income	27 <u>2485</u>	39 <u>2104</u>
Profit before Finance		
Charges & Depreciation	767	314
Finance Charges	<u>483</u>	<u>545</u>
Profit / (Loss)		
before Depreciation	284	(231)
Depreciation	<u>278</u>	<u>263</u>
Profit / (Loss)		
before Tax	6	(494)
Tax	-	4
Net Profit / (Loss)	6	(498)
Add Balance		
brought forward	(201)	-
Transfer from		
Investment Allowance		
Reserve	6	-
Transfer from		
General Reserve	-	297
Balance carried to		
Balance Sheet	<u>(189)</u>	<u>(201)</u>

OPERATIONS

The year ended March 31st, 2000 was one of consolidation of the internal processes within the company. It was decided to undertake several measures to re-examine and reconfigure the business model on which earlier operations had been based. Since the domestic market growth was taking place essentially in the low-realisation product segments, it was

decided to focus intensively on the export markets in application segments with attractive price realisation opportunities. Thus, there was only a modest growth in component production tonnage to 805 MT from 723 MT in the previous year. However, the share of exports increased to 55% from 43% last year.

In the domestic market, the company strategically concentrated on the more remunerative lighting, energy meter and EOU segments. Average realisation per Kg of component sales improved by over 24 % leading to a growth in domestic net sales revenue to Rs 911 Lacs from Rs 857 Lacs despite a drop in tonnage to 379 MT from 443 MT last year.

In exports, where approval cycles are considerably longer, efforts of the first two quarters yielded substantial business in the latter half. Export revenues grew by 30% to Rs 1182 Lacs from Rs 905 Lacs in the previous year. The Company has consolidated its position with several repeat orders from the same customers over the second half-year.

Besides better realisations through product-mix, there have been all-round reduction in production costs through better conversion efficiencies, higher utilisation of capital assets and reduction in overhead costs. Operational Profitability (before finance charges and depreciation) as % of Sales revenue improved significantly to 33% from 15% last year.

During the course of the year, ICICI restructured the long-term debts of the company. Part of the outstanding long term loans amounting to Rs 589 Lacs were substituted by subscription to Cumulative Preference Shares redeemable in the 8th, 9th and 10th years. The balance loans have been rescheduled with repayments to commence from financial year ending March 2002. This will add substantial strength to the company's operations during the next two years.

RESEARCH AND DEVELOPMENT

During the previous year, manufacturing operations derived major benefits from the R&D efforts. Several projects covering raw material substitution, process improvements and new material development were completed and implemented during the year. Work is in progress to develop further improvements in material specifications which should enable the company not only to keep ahead of obsolescence but also



to meet market requirements for higher grade, and, therefore, better realisation materials in the forthcoming years.

TRADE RELATIONS

The Board desires to place on record its appreciation of the support and co-operation that your Company received from suppliers / processors / distributors / dealers and all others associated with your Company. The Company regards them as partners in its progress.

PERSONNEL

The Board wishes to place on record its appreciation of the contribution made by all employees in ensuring the high levels of performance and growth that your Company has achieved during the year.

OUTLOOK

Last year's performance has removed the atmosphere of gloom pervading the company's operations. The directors are confident that turnaround has been achieved. With the international ferrite market growing substantially and the company having achieved both, recognised presence with large customer base in all international markets, as well as internal profitability in operations, it is expected that the forthcoming year will show very significant growth in revenues and profits. Besides some small de-bottlenecking or quality control equipment purchases, the company does not envisage major capital investments during the forthcoming year.

DIRECTORS

Shri Badri Agarwal, Director of the company resigned from the Board of Directors on 2/5/2000. The Directors place on record their appreciation of the help and guidance given by Sh. Badri Agarwal.

Shri Suresh Rajpal has been inducted as a Director in casual vacancy of Shri Badri Agarwal w.e.f 2/5/2000.

Shri Ranbir Mukherjee has been inducted as a additional director w.e.f 2/5/2000.

Sh. R M Bhandari and Sh. S. A. Shanbhag retire by rotation and are eligible for reappointment. The Directors recommend 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 the 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 employee pursuant to Section 217(2)A of the Companies Act, 1956.

SUBSIDIARY COMPANY

In respect of the subsidiary company Cosmo Share & Leasefin Ltd., a statement under section 212 of the Companies Act is 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 : 2nd May, 2000

Ashok Jaipuria
Chairman



ANNEXURE TO THE DIRECTORS' REPORT

Information as per Section 217 (I) (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

- Continuous monitoring of power consumption in major consumption equipment through energy meters.
- 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 kept in partial sleep mode during idle hours to save power.
- ISO 14000 Application submitted. Work in progress to meet requirements. Expect to obtain certificate by 30.09.2000.
- Maximising usage of Rotary kiln for all types of materials, leading to lesser power cost per unit of power produced.

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy.

- Pre-sintering Kiln (pusher) at MP will be shut down in the 2000-2001 as all materials will be shifted to Rotary Kiln. Savings - Rs. 5-6 lacs / year.
- All Operators trained to ensure Machines are switched off during Lunch/Tea break, leading thereby to power saving.
- Task force teams working on projects to study and implement improvements / modifications related to energy conservation.

c) The above measures resulted in reduction of approx. 27.21% 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 for low power loss and high frequency applications stabilized. Potential markets (large OEMs)

US & Europe captured with this new material.

** R&D Expenditure

- Capital	Rs. Nil
- Recurring	Rs. 54.36 Lacs
- Percentage of turnover	2.21 %

ii) Technology absorption, adaptation & innovation

- Optimisation of pre-calcined Ferrite powder output- resulting in reduction in input output ratios
- Optimisation of Nitrogen Kiln output - resulting in improved contribution per tonne of sale.
- Focus on product mix.

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 39%.
- The company is making efforts to access new Markets with new products.

b) Foreign Exchange Earned - Rs. 1270.42 lacs

c) Foreign Exchange outgo - Rs. 252.36 lacs

On behalf of the Board

Dated : 2nd May, 2000
Place : New Delhi

Ashok Jaipuria
Chairman


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

PERSONS EMPLOYED THROUGHOUT THE FINANCIAL YEAR UNDER REVIEW AND WERE IN RECEIPT OF REMUNERATION FOR THAT YEAR IN AGGREGATE NOT LESS THAN RS. 6,00,000/-

Name	Designation /Nature of Duties	Gross Annual Remuneration	Qualification	Years of Experience	Date of Commencement of employment	Age	Last Employment	Name of Company	Designation
Mr. Aseem Dasgupta	President	12,67,205	B.Tech, PGDM	29	30.09.1998	52	HCL Infosys Ltd.		Executive Director
Mr. Amitabh Mohan	General Manager (Marketing)	7,79,050	B.Tech, PGDM	19	02.09.1996	46	Continental Devices India Ltd		DGM

NOTE :

- 1) Remuneration includes Salary, Company's contribution to Provident Fund and Superannuation Scheme, Personal 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, 2000, 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, 2000 and;
- (b) In so far as it relates to the Profit & Loss Account of the Profit for the year ended on that date.

for B.K. SHROFF & CO.,
CHARTERED ACCOUNTANTS
 Sanjiv Aggarwal
 Partner

Place: New Delhi
 Dated : 2nd May, 2000

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 physi-



cally 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 rate of interest and other terms and conditions on which interest free unsecured loan has been taken from companies, firms or other parties listed in the register maintained under section 301 and / or from companies under the same management within the meaning of section 370 (1-B) of the Companies Act, 1956, are prima facie not prejudicial to the interest of the company.

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 within the meaning of section 370 (1-B) of the Companies Act, 1956.

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) There are no transactions of purchase of goods and materials and sale of goods, materials and services aggregating during the year to Rs. 50,000 or more in respect of each party made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956.

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, 2000 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 : 2nd May, 2000

Sanjiv Aggarwal
Partner