





BOARD OF DIRECTORS

Mr. Ashok Jaipuria
Mr. O P Khaitan
Mr. R M Bhandari
Mr. Anil Nayar
Mr. S K Mittal
Mr. Shreekant Somany
Mr. R Mukherjee

Chairman

(Nominee of ICICI)

PRESIDENT

Mr. Aseem DasGupta

COMPANY SECRETARY

Ms. Tulika Agarwal

REGISTERED OFFICE

P.O. Jabli Distt. Solan
H.P.-173 209
Ph.: 01792-77231-32/35/36
Fax:01792-77234
E-mail: plant@cosmoferrites.com

AUDITORS

B.K.Shroff & Co.

BANKERS

State Bank of India
Canara Bank

CORPORATE OFFICE

30, Community Centre, Saket,
New Delhi-110 017
Ph.: 011-6863968,6863969
Fax:011-6862969
Email : sales@cosmoferrites.com

SALES OFFICES

Delhi:
30, Community Centre
Saket, New Delhi-110 017
Ph.: 011-6863968,6863969
Fax:011-6862969
Email: sales@cosmoferrites.com

MFG. PLANTS

P.O. Jabli Distt. Solan, H.P.-173 209
Ph.: 01792-77231-32/35/36
Fax : 01792-77234
E-mail : plant@cosmoferrites.com

BANGALORE:

1316/E, 9th Cross
2nd Phase, J.P. Nagar, Bangalore-560 078
Pager No. 9628121910
Email: ndg@cosmoferrites.com

**NOTICE**

NOTICE is hereby given that the Sixteenth Annual General Meeting of Cosmo Ferrites Limited will be held at its registered office at Jabli, Distt., Solan (HP) -173209 on Friday the 30th August, 2002 at 1.00 p.m. to transact the following business :

Ordinary Business

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st March, 2002 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 declare dividend on equity shares.
3. To pay dividend on preference share.
4. To appoint a Director in place of Mr O P Khaitan who retires by rotation and is eligible for reappointment.
5. To appoint a Director in place of Mr Ranbir Mukherjee who retires by rotation and is eligible for reappointment.
6. To appoint auditors and to fix their remuneration.

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

By order of the Board

Tulika Agarwal
Secretary

New Delhi
16th July, 2002

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 Monday the 26th day of August, 2002 to Friday the 30th day of August, 2002.
3. The dividend, as recommended by the Board, if approved at the Meeting will be payable to those members whose name appear on the Company's Register of members on 26.8.2002.

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DIRECTORS' REPORT

To the Members,

The Directors are pleased to present the Annual Report and the audited accounts for the year ended 31st March 2002.

(Rs. in Lacs)

FINANCIAL RESULTS

	2001 - 2002	2000 - 2001
Sales	2993	3366
Cash Profit/(Loss)	818	1019
Depreciation	310	295
Profit before Tax	508	724
Provision for current Tax	27	14
Profit after current Tax	481	710
Provision for deferred tax	154	—
Profit after deferred tax	327	710
Add : Balance brought forward	46	(189)
Less : Transfer to Deferred Taxation reserve (for earlier years)	(31)	(Nil)
	15	(189)
	342	521
APPROPRIATIONS		
Dividend-Pref. Shares	6	9
- Equity shares	132	241
Dividend Tax	14	25
General Reserve	—	200
Balance carried to Balance Sheet	190	46
	342	521

DIVIDEND

Equity dividend of Rs.1.10 per share (@ 11%) has been recommended by the Board of Directors for the year ended 31st March, 2002 amounting to Rs 132 lacs on equity share capital.

DEPOSITORY SYSTEM

Your company shares have been notified for compulsory trading in demat form by SEBI w.e.f. September 25, 2000. Members have the option of holding their shares in Demat form through any of the depositories by opening account with the authorised depository participants.

OPERATIONS

- The company suffered the impact of the general slowdown in the major world economies during the year. Ferrites being components in electronic hardware which all suffered huge recession, there was a major cutback in the market demand through most of year 2001. Customers in all our export markets drastically reduced their orders and schedules starting May, 2001. This had a severe impact on revenues

for the year. With volumes dropping sharply and thus surplus capacities, there was sharp erosion in prices in both the overseas as well as in the domestic markets. Despite this, domestic sales revenues improved from Rs 10.5 cr last year to Rs 12.5 cr. Export sales suffered a decline from Rs 19.1 cr last year to Rs 13.2 cr.

- R & D successfully developed new material variants and achieved significant improvements in the existing materials. Thus new segments of the ferrite markets are being addressed. New product sample evaluation is in progress with various customers.
- During the year, a major training and development program was undertaken to implement Kaizen disciplines at the plant. This should yield ongoing benefits in various aspects of plant operations.
- Despite the lower sales volume and price realisations, improvement in internal efficiencies helped to sustain contribution and operating margin levels.
- The new furnace has been installed. There has been delay due to damages during transit for which replacements had to be re-imported. Commissioning work is in progress and commercial production is expected during second quarter of current year.

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/bankers and all others associated with your Company. Your Company regards them as partners in its journey of growth and 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. Despite the setbacks in the market, the employees played a sterling role in maintaining and improving all round operational productivity levels during the year.

OUTLOOK

- The company's product and material range are well established and in current use in the high volume application areas of transformer products and hence adequately insulated from the risk of technological obsolescence in the near future.
- R & D has made significant progress towards development of higher capability materials for which Sales has already identified significant market opportunities for growth in the forthcoming years.
- The company has gained approved supplier status with a number of large OEM winding houses in all major markets across the world. With growth in their business, the company is faced with demand for increasing supplies to meet their growing requirements.



- At current production levels, the factory is already approaching installed capacity levels in most stages of component manufacturing process. The company has initiated a project to increase component capacity from the current 1350 MT per annum to 2050 MT. Funding arrangements, which will consist of both internal accruals as well as borrowings, are in process of finalisation. In view of long delivery lead times for some of the equipment, the enhanced capacity will be available towards the end of the current financial year.

DIRECTORS

Mr Rajeev Gupta, Director of the Company resigned from the Board of directors on 18/02/2002. Directors place on record their appreciation of the help and guidance given by Mr Rajeev Gupta.

Mr Suresh Rajpal, Director of the Company resigned from the Board of directors on 19/04/2002. Directors place on record their appreciation of the help and guidance given by Mr Suresh Rajpal.

Mr O P Khaitan & Mr Ranbir Mukherjee, directors retire by rotation and are eligible for 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.

- Energy conservation, technology absorption and foreign exchange inflow/outgo pursuant to section 217(1)(e) of the Companies Act, 1956.
- Particulars of employees pursuant to section 217(2A) of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of section 217(2AA) of the Companies Act, 1956, your directors state that:

- In the preparation of the annual accounts, applicable accounting standards have been followed;
- Accounting policies selected were applied consistently. Reasonable and prudent judgements and estimates are made so as to give a true and fair view of the state of affairs of the Company as of 31st March, 2002 and of the profit of the Company for the year ended on that date ;
- Proper and sufficient care has been taken 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;
- The annual accounts of the company have been prepared on a going concern basis.

CORPORATE GOVERNANCE

As per the amended Listing Agreement with the Stock Exchanges, your Company is required to comply with the requirements of Corporate Governance by 31st March 2002. Several steps taken by the Company in this direction are attached to this report.

AUDITORS

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

APPRECIATION

Your directors wish to place on record their appreciation of the whole-hearted and continued support extended by the investors, bankers and financial institutions.

On behalf of the Board

New Delhi
16th July, 2002

Ashok Jaipuria
Chairman

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

- ENERGY CONSERVATION MEASURES TAKEN
 - Continuous monitoring of power consumption in major consumption equipment through energy meters.
 - During peak load hours, generator run with full capacity load to reduce effective HSD cost per unit.
 - Kilns switched off to partial sleep mode during idle hours to save power.
- Additional investments and proposals, if any, being implemented for reduction of consumption of energy.
 - All Operators trained to switch off machines during Lunch/ Tea breaks to save power-this is being monitored through meters installed on the machines.
 - Energy audit done and measures were taken to :
 - Reduce losses by switching off one of the three transformers depending on load.
 - Reduce power consumption by replacing some motors with low HP motors.
 - Select energy efficient equipment for capacity expansion project.
 - Task force teams conduct studies and carry out projects continuously to implement.
- Continues efforts are being made to reduce specific energy consumption.
- 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 application developed and established. Sampling is in progress with new potential customers for this material.
- Material confirming to International Standard, for high permeability applications developed, established in the process as well as in the market.
- Material with stable frequency response for end us-in EMI applications, developed and established.
- Material for telecom applications developed and established in the market. Also bulk supplies of precalcined ferrite powder of this grade made to ferrites producers.
- During the current year, the focus is also on developing material of 10K permeability, in additions to various objectives related to process/quality/productivity improvements.

** R & D expenditure

— Capital	Nil
— Recurring	Rs. 79.03 Lacs
— Percentage of turnover	2.64%

ii) Technology absorption, adaptation & innovation

- Optimisation of critical process parameters in all production processes implemented with stringent process control measures, resulted in significant improvement in productivity this year.

- Innovative process methodologies implemented at sintering stage to improve the consistency in entire spectrum of product quality.

During the current year the focus is on reducing technical losses in various processes which will have far reaching impact on the overall process loss.

iii) Technology Imported

The Company has not imported any technology during the last year.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO

a) Activities

- The Company has successfully accessed new exports makets which have substantial sales potential.
- Exports during the year aggregated to 52% of total sales.

b) Foreign Exchange Earned	Rs. 1339.58 lacs
c) foreign Exchange outgo	Rs. 732.13 lacs

On behalf of the Board

New Delhi
16th July, 2002

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	Qualification	Years of Experience	Date of commen- cement of Employment	Age	Last Employment Name of the Company	Designation
Mr. Aseem DasGupta	President	28,61,645	B.Tech, PGDM	31	30.09.1998	54	HCL Infosys Ltd	Executive Director

- NOTE :
- 1) Remuneration is as defined under section 198 of the Companies Act, 1956
 - 2) Employee mentioned above is not related to any director of the Company.
 - 3) The conditions of employment are non-contractual and terminable by three months notice on either side.

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MANAGEMENT ANALYSIS OF OPERATIONS DURING THE FINANCIAL YEAR

• SALES

- ◆ The slowdown in the world economy across most sectors of industry, including those involved in ferrite applications, turned out to be much more severe than was initially anticipated. Contrary to initial expectations, the effect was not limited to the telecom hardware and IT sectors, but affected all sectors of consumer and industrial products and services as well. The sharp drop in end product offtake resulted in build-up of inventories and consequent postponement or cancellation of supply schedules all the way through the supply chain.
- ◆ This phenomenon affected our US markets in the first quarter of last year and the rest of our export markets during the second quarter. The aftermath of the September 11th aggravated the already grim situation and destroyed all hopes of market recovery by end of fiscal 2001.
- ◆ With available capacities chasing sharply reduced market demand, all manufacturers resorted to very aggressive pricing and territory protection strategies. This caused a general drop in price realisations across all category of products.
- ◆ Further, the drop in sales volumes in the overseas markets led Indian ferrite manufacturers to turn their full attention to the domestic energy meter segment which, despite significant growth in volumes simultaneously saw very sharp drop in prices.
- ◆ The company suffered a 30 % decline in component export revenues from Rs 19.1cr last year to Rs 13.2 cr. However, domestic sales revenues improved by 22 % from 10.5 cr last year to Rs 12.5 cr., bolstered to a large extent by a significant increase in sales to the EOU segment.

• MANUFACTURING

- ◆ The impact of the market slowdown affected manufacturing operations from the second quarter of the financial year. The reduced scale of operations was exploited as an opportunity to launch an intensive training initiative for the plant operations staff extending from the management levels upto workmen. This ongoing programme has, since November 2001, yielded significant improvements in terms of cost savings, plant maintenance and upkeep levels, and morale.
- ◆ Development activities for new materials and products have continued uninterrupted. The pace of product sampling to new prospective customers, as well as newly developed core shapes in improved materials, has been stepped up with the objective of having approvals in place and in time for when the customers' purchasing begins afresh.
- ◆ Ongoing efforts in the area of implementing process control discipline and rigorous quality management resulted in major

and sustainable reduction in wastages, and hence conversion costs. This has facilitated reduction of inventories of all classes of materials and hence to lower working capital requirements.

- ◆ The new sintering furnace ordered at the end of last financial year has been delivered and installed during the year. There were delays in the installation and commissioning due to late receipt of supporting utility equipment from domestic vendors, and repairs/re-import required on some modules which suffered handling damages at Mumbai port. Production trials are in progress, and commercial production is expected to commence during the current month. Initial results in terms of quality, consistency and throughput of product have been very encouraging.
- ◆ In view of the sharp drop in sales volumes during the year and, therefore earnings, all other investments towards augmentation of manufacturing capacity as also the purchase of expensive laboratory equipment had to be deferred. These shall be reconsidered after realising sustained improvement in earnings levels, and the visibility of continued market growth, hopefully during the current year.

OUTLOOK FOR THE FUTURE

• MARKETS

- ◆ Signs of slow revival of markets are already becoming visible. A number of major US and European customers have confirmed schedules extending beyond the immediate quarter. Others are seeking assurance of continuous supply. However, growth in order volumes is still not significant enough to warrant confidence of a turnaround. Most customers expect tangible volume growth to be visible after another one or two quarters.

• MANUFACTURING

- ◆ With the additional sintering capacity now available, it has become possible to undertake shutdown and refurbishing-cum-upgrade of the furnace which has been in continuous production since 1987. On completion, this furnace will enable production of higher quality and grade of material than is possible now.
- ◆ With the increased capacity, it becomes possible for the company to offer to service select customers in the high volume - low priced commodity product markets, which we had been forced to exit due to sintering capacity limitations.



CORPORATE GOVERNANCE

Effective Corporate Governance ensures that the management acts transparently and to enhance shareholders value, keeping in view the interests of other stakeholders. Cosmo Ferrites Limited practices responsible Corporate Governance. This helps the Company to meet its obligations to its customers, employees and shareholders.

The Company's compliance of Corporate Governance guidelines as per clause 49 of the Listing Agreement is as follows:

1. NUMBER OF BOARD MEETINGS

During the year, the Cosmo Ferrites Board met six times – on April 11, July 12, October 17, November 26, January 15 and February 28. The maximum time gap between any two meetings was not more than four months.

2. COMPOSITION OF THE BOARD, RECORD OF DIRECTORS' ATTENDANCE AT BOARD MEETINGS AND AGM AND OTHER DIRECTORSHIPS HELD BY THEM

Name of the Director	Category of Directorship	Board Meetings Attended	Attendance at last AGM	No. of Others directorship	No. of committees in which membership held
Mr Ashok Jaipuria	Chairman	4	Yes	2	1
Mr R M Bhandari	Independent Non- Executive Director	5	No	9	4
Mr O P Khaitan	Independent Non- Executive Director	3	Yes	11	6
Mr Shreekant Somany	Independent Non- Executive Director	3	No	18	0
Mr Anil Nayar	Nominee of ICICI	3	No	3	3
Mr Ranbir Mukherjee	Non- Executive Director	Nil	No	0	0
Mr S K Mittal	Non- Executive Director	4	No	3	3

Note: None of the Directors have any materially significant pecuniary or business relationship with the Company.

3. INFORMATION SUPPLIED TO THE BOARD

The Board was supplied with all relevant information and supporting papers which were required to transact the business specified in the agenda of Board Meetings held.

4. AUDIT COMMITTEE

The Audit Committee was constituted on October 30, 2000. The Committee consists of Mr R M Bhandari, Chairman of the Committee, Mr Anil Nayar and Mr S K Mittal, directors. Every member of the aforesaid Committee possesses a strong financial and accounting background.

The Audit Committee met three times during the year on April 11, 2002, October 13, 2001 and January 15, 2002 inter alia to deliberate upon and review the quarterly and audited results of the Company.

Terms of reference of the Audit Committee are as per the guidelines set out in the listing agreements with the Stock

Exchanges that inter alia include the overview of the Company's financial reporting processes, review of the quarterly, half yearly and annual financial statements, the adequacy of internal control systems, the financial and risk management policies etc.

Name of the Director	No. of Meetings attended
Mr R M Bhandari	2
Mr Anil Nayar	1
Mr S K Mittal	3

- Mr Anil Nayar was inducted in the Audit Committee in the Board Meeting held on 26/11/2001.

5. REMUNERATION COMMITTEE

The company has formed a Remuneration Committee on October 30, 2000.

No meeting of the Remuneration Committee was held in the Financial Year 2001-02.

6. REMUNERATION OF DIRECTORS

Name of the Director	Sitting Fees	Salaries & Perquisites	Commission Bonus/ Exgratia	Total Rupees
Mr Ashok Jaipuria	—	—	—	—
Mr R M Bhandari	20,000	—	—	20,000
Mr O P Khaitan	6,000	—	—	6,000
Mr Shreekant Somany	6,000	—	—	6,000
Mr V P Sawhney*	12,000	—	—	12,000
Mr Rajeev Gupta*	2,000	—	—	2,000
Mr Suresh Rajpal***	2,000	—	—	2,000
Mr Anil Nayar	12,000	—	—	12,000
Mr Ranbir Mukherjee	—	—	—	—
Mr S K Mittal	—	—	—	—

* Resigned from the Board on 12.11.2001

** Resigned from the Board on 18.02.2002

*** Resigned from the Board on 19.04.2002

7. SHARE TRANSFER AND INVESTOR GRIEVANCE COMMITTEE

The company has reconstituted its Share Transfer Committee to Share Transfer and and Investor Grievance Committee on 17/01/2002. The Committee consists of Mr Ashok Jaipuria, Mr S K Mittal and Mr Anil Nayar. It was constituted specifically to review compliance of rules and regulations, to redress shareholder's grievance and to provide suggestions.

To expedite the process of share transfers the Board has delegated the power of share transfer to Alankit Assignments Limited viz. Registrar and Share Transfer Agents who will attend to the share transfer formalities at least once in a fortnight.

Terms of reference of the Share Transfer and Investor Grievance Committee are as per the guidelines set out in the listing agreements with the Stock Exchanges that inter alia include looking into the investors complaints on transfer of shares, non receipt of declared dividends etc and redressal thereof.

The details of complaints received and disposed off during the year has been detailed in Shareholders Information Annexed to this report.