





#### BOARD OF DIRECTORS

Mr. Ashok Jaipuria  
Mr. Shreekant Somany  
Mr. Rakesh Nangia  
Mr. B. D. Gupta  
Mr. N. K. Gupta  
Mr. S. K. Mittal  
Mr. Ambrish Jaipuria

Chairman

#### PRESIDENT

Mr. Natarajan S Iyer

#### COMPANY SECRETARY

Mr. Nitin Mittal

#### REGISTERED OFFICE

P.O. Jabli, Distt. Solan  
H.P.-173 209  
Ph.: 01792-277231-32/35/36  
Fax:01792-277234  
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.: 011-26863968, 26863969  
Fax:011-26862969  
Email : sales@cosmoferrites.com

#### SALES OFFICE

30, Community Centre  
Saket, New Delhi-110 017  
Ph.: 011-26863968, 26863969  
Fax:011-26862969  
Email: sales@cosmoferrites.com

#### MFG. PLANT

P.O. Jabli, Distt. Solan, H.P.-173 209  
Ph.: 01792-277231-32/35/36  
Fax : 01792-277234  
E-mail : plant@cosmoferrites.com



## NOTICE

Notice is hereby given that the Eighteenth Annual General Meeting of the members of Cosmo Ferrites Limited will be held at its registered office at Jabli, Dist., Solan (HP)-173209 on Tuesday, the 24<sup>th</sup> day of August, 2004 at 2:00 P.M. to transact the following business:

### ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 31<sup>st</sup> March, 2004 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. Shreekanth Somany who retires by rotation and is eligible for reappointment.
3. To appoint auditors and to fix their remuneration.

### SPECIAL BUSINESS :

#### ITEM NO. 4

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

**"RESOLVED THAT** Mr. B D Gupta, who was appointed as Director under section 262 of the Companies Act, 1956 in the casual vacancy caused by resignation of Mr. O. P. Khaitan and who holds the office upto the conclusion of this Annual General Meeting and in respect of whom due notice in writing alongwith requisite fees under Section 257 of the Companies Act, 1956 has been received by the Company proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."

#### ITEM NO. 5

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

**"RESOLVED that** pursuant to the provisions of sections 198, 269, 310, 387 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, including any statutory modification(s) or reenactment thereof for the time being in force, the consent of the company be and is hereby accorded to the re-appointment of Mr. Vinod Tibrewala as Manager of the Company, for a further period of five years commencing from 28th May, 2004, on the remuneration and perquisites as per the terms and conditions as the President may in his absolute discretion consider necessary."

**"RESOLVED further that** the remuneration payable as aforesaid by way of salary, commission and perquisites, etc., shall not exceed 5% of net profits of the company in any financial year.

**"RESOLVED FURTHER THAT** in the event of absence or inadequacy of net profit in any financial year, the company do pay to Mr. Vinod Tibrewala remuneration by way of salary, perquisites and allowances not exceeding the ceiling limit specified under Section II of

Part II of Schedule XIII to the Companies' Act, 1956 or any statutory modification thereof.

**RESOLVED FURTHER THAT** the President be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

### NOTES:

1. The relative explanatory statement, pursuant to Section 173(2) of the Companies' Act, 1956 is attached hereto.
2. Shareholders are requested to bring their copy of Annual Report to the Meeting.
3. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ANOTHER PERSON AS HIS PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK FORM OF PROXY IS ENCLOSED AND IF INTENDED TO BE USED, IT SHOULD BE DULY COMPLETED AND DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE SCHEDULED TIME OF THE MEETING. UNDER THE COMPANIES' ACT, 1956, VOTING IS BY SHOW OF HANDS UNLESS A POLL IS DEMANDED BY A MEMBER OR MEMBERS PRESENT IN PERSON, OR BY PROXY, HOLDING AT LEAST ONE-TENTH OF THE TOTAL SHARES ENTITLED TO VOTE ON THE RESOLUTION, OR BY THOSE HOLDING PAID-UP CAPITAL OF AT LEAST RS. 50,000. A PROXY MAY NOT VOTE EXCEPT ON A POLL.
4. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
5. The Register of Members and share Transfer Books of the Company will be closed from Tuesday, the 24<sup>th</sup> day of August, 2004 to Wednesday, the 25<sup>th</sup> day of August, 2004
6. Members, who are holding shares in identical order of names in more than one folio are requested to write to the Company enclosing their share certificates to consolidate their holdings in one folio.
7. Members who hold shares in dematerialised form are requested to bring their Client ID and DPID numbers for easy identification of attendance at the meeting.
8. The Members are also requested to notify any change in their addresses immediately to the Company's Share Registrar and Transfer Agents M/s. Alankit Assignments Limited, 205-208, Anarkali Market, Jhandewalan Extension, New Delhi 110 055.
9. Members / Proxy holders are requested to produce at the entrance of the Auditorium the enclosed attendance slip duly completed and signed.
10. Register of Directors' shareholding, maintained under Section 307 of the Companies' Act, 1956 will be available for inspection by the members at the registered office of the company.



11. The Register of Contracts, maintained under Section 301 of the Companies' Act, 1956, will be available for inspection by the members at the registered office of the Company.
12. Members wishing to claim dividends of the previous years, which remain unclaimed, are requested to correspond with Mr. Nitin Mittal, Company Secretary, at the Company's registered office. Members are requested to note that dividends not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will, as per Section 205A of the Companies' Act, 1956, be transferred to the Investor Education and Protection Fund.
- Information in respect of such unclaimed dividend when due for transfer to the fund is given below:-

Financial Year	Type of dividend	Date of declaration	Due for transfer
2000-01	Final Dividend	24.07.01	30.08.08
2001-02	Final Dividend	30.08.02	06.10.09

Shareholders are requested to note that no claims shall lie against the Company or the said fund in respect of any amount which were unclaimed and unpaid for a period of seven years from the dates that they became due for payment and no payment shall be made in respect of any such claims.

13. Corporate Members intending to send their authorised representatives are requested to send a duly certified copy of the Board Resolution authorising their representatives to attend and vote at the Annual General Meeting.
14. Consequent upon the introduction of Section 109A of the Companies' Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the Registrar and Transfer Agents, M/s Alankit Assignments Limited. The said Form 2B can also be downloaded from the Company's web site [www.cosmoferites.com](http://www.cosmoferites.com)
15. Pursuant to the requirements of the Listing agreement of Stock Exchanges, on Corporate Governance, the information about the Directors proposed to be appointed/ re-appointed is given in the Annexure to the Corporate Governance.

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

By order of the Board

Date : 15th July, 2004  
Place : New Delhi

Nitin Mittal  
Company Secretary

#### EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.

##### Item No. 4

Mr. B. D. Gupta was appointed Director on January 29, 2004 on the resignation of Mr. O. P. Khaitan and holds office upto

the conclusion of this Annual General meeting.

Mr. B. D. Gupta is a Post Graduate in Commerce and an Associate Member of the Institute of Cost & Works Accountants of India. He has served as Director- Finance in Indian Oil Corporation Limited and has extensive experience in the areas of Finance, International Trade and Strategic Management. Your Directors are confident that his guidance and participation in the deliberations of the Board would be very beneficial for the Company's business.

Except Mr. B. D. Gupta, none of the Directors are concerned or interested in the resolution.

##### Item No. 5

In the Meeting of the Board of Directors of the Company held on 15 July, 2004 the Board of Directors re-appointed Mr. Vinod Tibrewala as Manager of the Company for a further period of five years, effective from 28 May, 2004 on the following remuneration and perquisites, subject to approval of the shareholders at the General Meeting.

Salary : Upto Rs. 50,000 per month

The President in his absolute discretion and from time to time, will fix the salary payable to the Manager.

##### Perquisites:

Perquisites (evaluated as per Income Tax Rules, wherever applicable, and at actual cost to the company in other cases) like House rent allowance; Medical reimbursement, leave travel concession for self and his family including dependants; leave with full pay and allowance and the right to accumulate in accordance with the rules of the Company, provident fund, superannuation fund, gratuity and other retirement benefits. The President may in his absolute discretion vary the perquisite payable to the Manager.

In the event of absence or inadequacy of net profit in any financial year, the remuneration payable to the Manager, shall be governed by Section II of Part II of Schedule XIII of the companies Act, 1956 or any modification thereof.

The above remuneration is within the ceiling laid down in section 198, 269, 310 and 387 read with Schedule XIII to the Companies' Act, 1956 as modified by the circulars issued by the Company Law Board / Department of Company Affairs, from time to time.

The above change in remuneration is subject to the approval of the members of the company at the ensuing Annual General Meeting.

None of the Directors are concerned or interested in the resolution.

Copies of the resolution passed by the Board at the meeting held on 15<sup>th</sup> July, 2004 in respect of the above, may be inspected at the Registered Office of the Company on any working day between 2.00 p.m. and 4.00 p.m.

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

By order of the Board

Date : 15th July, 2004  
Place : New Delhi

Nitin Mittal  
Company Secretary



## DIRECTORS' REPORT

To the Members,

The Directors present the Annual Report and the audited accounts for the year ended 31st March 2004.

FINANCIAL RESULTS	(Rs. in Lacs)	
	2003-04	2002-03
Sales	2603	2690
Profit before depreciation & tax	484	588
Depreciation	343	342
Profit before Tax	141	246
Provision for current Tax	6	16
Profit after current Tax	135	230
Provision for deferred tax	(142)	278
Profit after deferred tax	277	(48)
Add :		
(a) Balance brought forward	169	190
(b) Dividend tax written back	Nil	14
(c) Transfer from Investment Allowance Reserve	Nil	13
(d) Less : Amortisation of intangible assets for the period upto 31-3-2003	(34)	Nil
	135	217
	412	169

### APPROPRIATIONS

Dividend-Pref. Shares	Nil	Nil
- Equity shares	Nil	Nil
Dividend Tax	Nil	Nil
Balance carried to Balance Sheet	412	169
	412	169

### DIVIDEND

In view of profits being low during the year compared to the last year, the directors are regretfully unable to recommend dividend on the equity shares for the year ended March 31, 2004 (previous year Nil)

### DEPOSITORY SYSTEM

Your Company's 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

- Year ended March 31, 2004 resulted in a lower sales revenue (net of excise duties) at Rs. 2466 lacs compared to Rs. 2533 lacs in the previous year. Powder sales volume decreased from 148 MT to 109 MT, while component

sales volume increased from 823 MT to 971 MT. The drop in sales revenues was primarily due to a severe erosion in component price realisations in the domestic as well as the export markets.

- Costs remained within control.
- Net profit after current tax for the year is Rs. 135 lacs compared to Rs 230 lacs in the previous year. This drop in profit has come about due to the reduced sales revenue as explained above.
- During the last year, new dealerships established in USA, South Africa and some European countries helped increase sales tonnages during the year.

### OUTLOOK

- The company is now well established with adequate brand recognition in all major markets across Europe, USA and Asia-Pacific.
- Purchase volumes at existing customers as well as new customers established over last year are likely to yield higher sales during the current year.
- Raw material prices are firming up internationally, which may impact your company in the short run.

### DIRECTORS

Mr. O. P. Khaitan, Mr R Mukherjee and Mr. R. M. Bhandari have resigned from the Board. The Board wishes to express their gratitude for the valuable services provided by them during their tenure.

Mr. B. D. Gupta has been inducted on the Board on January 29, 2004 as a director in the casual vacancy caused by the resignation of Mr. O. P. Khaitan.

Mr. N. K. Gupta has been inducted on the Board on January 29, 2004 as a director in the casual vacancy caused by the resignation of Mr. R. Mukherjee

Mr. Ambrish Jaipuria has been inducted on the Board on January 29, 2004 as a director in the casual vacancy caused by the resignation of Mr. R. M. Bhandari.

Mr. Shreekanth Somany and Mr. B. D. Gupta retire by rotation and are eligible for reappointment.

### DELISTING FROM STOCK EXCHANGES

The Company got its shares delisted from the Stock Exchanges at Delhi and Ludhiana.

The Company's shares continue to be listed on the Stock Exchanges in Mumbai and Kolkata.

### 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.

#### DIRECTORS' RESPONSIBILITY STATEMENT

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

- (i) In the preparation of the annual accounts, applicable accounting standards have been followed;
- (ii) 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, 2004 and of the profit of the Company for the year ended on that date;
- (iii) 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; and
- (iv) The annual accounts of the company have been prepared on a going concern basis.

#### CORPORATE GOVERNANCE

A report on compliance of Corporate Governance guidelines

as per Clause 49 of the Listing Agreement is annexed to this report.

#### AUDITORS

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

#### 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 improving the levels of quality and delivery performance during the year.

#### 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

Ashok Jaipuria  
Chairman

Jabli  
14.04.2004



## 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

Fixed charges levied by the HPSEB during peak load hours saved by running own generators. Also contract demand charges were re-negotiated with the HPSEB which led to restricting maximum demand to 80% of contracted demand, saving significant fixed energy charges.

- b) Optimised usage of pumps in the twin Cooling towers led to only one pump running at a time for both the Cooling towers instead of two, reducing energy consumption.
- c) Using energy saving electronic chokes & lower wattage electric bulbs for lighting resulted in reduction in energy consumption.
- d) Additional investments and proposals, if any, being implemented for reduction of consumption of energy - Nil
- e) Total energy consumption and energy consumption per unit of production as per prescribed Form 'A' - Not applicable.

### B) TECHNOLOGY ABSORPTION

#### i) Research & Development

- a) During the year, R&D developed higher realization products, viz., very high permeability material for ISDN applications
  - The prototypes and pilot lots have been approved at the customer end and commercialization at smaller volumes are under stabilization.

- b) New process methods implemented in the material preparation to improve the turnaround time and reduce costs.

#### c) R & D Expenditure

- Capital
- Recurring
- Percentage of Turnover

Nil  
Rs. 45.61 Lacs  
1.85%

#### ii) Technology absorption, adaptation & innovation

- Technical Losses reduced by adopting innovative process methodologies

#### iii) Technology imported

- The company has not imported any technology during the year

### C) FOREIGN EXCHANGE EARNINGS AND OUTGO

#### a) Activities

- New products were developed and supplied to new customers in Europe & China with very competitive lead times.
- Exports during the year aggregated to 64.88 % of total sales.

#### b) Foreign Exchange Earned - Rs. 1441.31 Lacs

#### c) Foreign Exchange Outgo - Rs. 245.75 Lacs

### 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 commencement of Employment	Age	Last Employment Name of the Company	Designation
Mr. Aseem DasGupta	President	29,47,078	B.Tech, PGDM	33	30.09.1998	56	HCL Infosys Ltd.	Executive Director
Mr. Natarajan S Iyer	President*	10,08,591	B.Tech, PGDM	26	27.11.2003	49	Motherson Sumi Systems Limited	Vice-President (Operations)

\* employed for part of the year



## MANAGEMENT DISCUSSION AND ANALYSIS

### (A) Industry Analysis

The world ferrite market is a highly consolidated market with major production facilities concentrated in China. Thousands of tonnes of capacity have been added during the year, resulting in price erosion; consequently our customers in Europe and US have enforced price cuts on our products. Manufacturers in Europe and USA are shifting their facilities to Asian Countries, especially China. The next financial year will continue to witness this trend, but we are countering this by offering unmatched quality, improved customer delivery model, increased outputs, customized products and reduced costs.

### (B) Operations and Financial Performance

#### Sales

Net Sales declined from Rs. 2541 lacs in 2002-03 to Rs. 2471 lacs in 2003-04. This was despite increase in tonnage sold, of components from 820 MT to 951 MT. On a year-to-year comparison total sales revenues have lagged behind mainly on account of reduced customer prices for our products. The average price realization on components suffered a decline of 15% from the previous year.

To counter the continuing downturn in prices, your company has responded by aggressively marketing its products in both represented and unrepresented territories. This year has been especially challenging on many fronts – pressure on prices, reduction in import duties and export incentives. We have accepted the challenges by increasing operational efficiency, removing bottlenecks and reducing costs in all areas.

Ratio of export revenues to total net sales remained at 64% in 2002-03 as well as in 2003-04.

#### R & D

New/ improved material development efforts have continued at a steady pace. Material grades satisfying rigid performance requirements of specific customers have been developed in short turnaround cycles.

Besides this, we are continuing efforts towards process modifications to achieve improved productivity and / or yields from existing manufacturing processes. There are also ongoing projects jointly with production departments targeted at reducing costs on consumables and utilities usage in the various operations.

Efforts are on to develop & market higher value added products.

#### Finance Costs

Finance costs are lower by 33 % as compared with the previous year. This was mainly on account of reduction of term debts on repayment. In addition, the company restructured part of its working capital facilities and thereby saved interest on working capital.

#### Provision of Tax

The company has made a provision of Rs.8.99 lacs towards income tax under the MAT provisions. A provision of 278 lacs which had been made as deferred tax, arising mainly from depreciation (on W.D.V) on the new furnace last year, has been written back to the extent of Rs. 142 lacs, during the year.

#### Receivables

Total receivables as on 31.03.2004 are higher at Rs. 322 lacs compared to Rs. 224 lacs as on 31.03.2003, due to increased credit periods allowed to customers in new competitive scenario, and the need to maintain consignment stocks at customers' end to retain the customers.

#### Manufacturing Costs

Manufacturing costs have reduced 8% in comparison to the previous year on account of reduction of costs at various levels and increased operational efficiencies.

#### Inventories

Inventories have declined from Rs. 441 lacs on 31.03.2003 to Rs. 320 lacs on 31.03.2004. Raw material lead times have reduced considerably and also tighter controls have been imposed on finished goods and work-in-progress.





## CORPORATE GOVERNANCE REPORT

Corporate governance is the system by which corporate entities are directed and controlled. It encompasses the entire mechanism of the functioning of a company and attempts to put in place a system of checks and balances between the shareholders, directors, auditors and the management. Your Company is committed to adopting the best global practices of Corporate Governance. The philosophy of Corporate Governance as manifested in the Company's functioning is to achieve business excellence by enhancing long-term shareholders' value and interest of its entire shareholders. Efficient conduct of the business of the Company through commitment to transparency and business ethics in discharging its corporate responsibilities are hallmarks of the best practices already followed by the company.

The Board of Directors of the company have developed and adopted Corporate Governance guidelines in addition to the

compliance imposed by the Listing agreement. The Board ensures that the company has necessary regulatory mechanism so that timely and accurate disclosure of information regarding the financial situation, performance, ownership and governance of the company is disclosed.

The Company's compliance of Corporate Governance guidelines of the listing agreement is as follows:

### A. COMPOSITION OF THE BOARD AND RECORD OF OTHER DIRECTORSHIPS HELD

The board of directors of the company comprises of an optimum combination of Executive and Non-executive directors headed by a Non-executive Chairman and more than fifty percent independent directors. The independent directors do not have any pecuniary relationship or transactions with the company, promoters, and management, which may affect their judgement in any manner.

Name	Executive /Non-executive / Independent	No. of outside Directorships Held	No. of Chairmanships/Memberships of other Board Committees	
			Chairmanship	Membership
Mr. Ashok Jaipuria	Non-executive – Chairman	3	2	1
Mr. S. K. Mittal	Non-executive	3	-	3
Mr. Shreekant Somany	Non-executive, Independent	11	2	1
Mr. Rakesh Nangia	Non-executive, Independent	-	-	-
Mr. B. D. Gupta*	Non-executive, Independent	1	1	-
Mr. N. K. Gupta**	Non-executive, Independent	3	-	1
Mr. Ambrish Jaipuria***	Non-executive	3	-	-

\* Mr. B. D. Gupta joined as Director on 29.01.04 in the casual vacancy caused by the resignation of Mr. O.P. Khaitan

\*\* Mr. N. K. Gupta joined as Director on 29.01.04 in the casual vacancy caused by the resignation of Mr. R. Mukherjee

\*\*\* Mr. Ambrish Jaipuria joined as Director on 29.01.04 in the casual vacancy caused by the resignation of Mr. R. M. Bhandari.

Note: 1) Mr. R. M. Bhandari resigned from the Board on 3.12.03 2) Mr. O.P. Khaitan resigned from the Board on .24.12.03  
3) Mr. R. Mukherjee resigned from the Board on 15.07.03

### B. BOARD MEETINGS :

#### 1. Scheduling and selection of agenda items for board meetings

Months for the board meetings in the ensuing year are decided in advance and most board meetings are held at the company's corporate office at 30, Community Center, Saket, New Delhi. The Company secretary drafts the agenda for each meeting, along with explanatory notes, and distributes these in advance to the directors. The board meets at least once in a quarter to review the quarterly results and other items on the agenda.

#### 2. Number of board meetings

The Cosmo Ferrites Board met four times – on April 10, July 15, October 31, and January 29 during the year. The maximum time gap between two meetings was not more than four months.

#### 3. Record of the director's attendance at board meetings and AGM

Name of the Director	No. of Board Meetings attended	Attended last AGM
Mr. Ashok Jaipuria	4	Yes
Mr. S. K. Mittal	Nil	No
Mr. R. M. Bhandari*	3	No
Mr. O. P. Khaitan**	2	No
Mr. Shreekant Somany	3	Yes
Mr. Ranbir Mukherjee***	Nil	No
Mr. Rakesh Nangia	3	Yes
Mr. N. K. Gupta#	1	-
Mr. B. D. Gupta##	1	-
Mr. Ambrish Jaipuria###	1	-

\* Resigned on 3-12-03 \*\*Resigned on 24-12-03

\*\*\* Resigned on 15-7-03

# Mr. B. D. Gupta joined as a Director in the casual vacancy caused by the resignation of Mr. O. P. Khaitan

## Mr. N. K. Gupta joined as a Director in the casual vacancy caused by the resignation of Mr. R. Mukherjee



### Mr. Ambrish Jaipuria joined as Director in the casual vacancy caused by the resignation of Mr. R. M. Bhandari.

#### 4. Disclosure regarding appointment or re-appointment of directors

During the year Mr. B. D. Gupta, Mr. N.K. Gupta and Mr. Ambrish Jaipuria were appointed as Director w.e.f. January 29, 2004.

The following directors retire by rotation and being eligible offer themselves for re-appointment at the ensuing Annual General Meeting:

- a) Mr. Shreekanth Somany
- b) Mr. B. D. Gupta

Pursuant to the requirements of the Listing agreement of Stock Exchanges, on Corporate Governance, the information about the Directors proposed to be appointed/ re-appointed is given in Annexure to this Report on Page. 14

#### 5. Availability of information to the board

The board has unfettered and complete access to any information within the company and to any employee of the company. Among others, the information regularly supplied to the board includes:

- Annual operating plans and budgets, capital budgets, updates.
- Quarterly audited results of the company.
- Minutes of meetings of audit committee and other committees of the board.
- Information on recruitment and removal of senior officers just below the board level.
- Declaration of dividend.
- Materially important litigation, show cause, demand, prosecution and penalty notices.
- Fatal or serious accidents or dangerous occurrences, any material effluent or pollution problems.
- Details of any joint venture or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property. Significant sale of investments, subsidiaries, assets which are not in the normal course of business.
- Significant labour problems and their proposed solutions.
- Quarterly details of foreign exchange exposure and the steps taken by management to limit the risks of adverse exchange rate movements.
- Non-compliance of any regulatory, statutory nature or listing requirements as well as share holder services such as non-payment of dividend and delays in share transfer.

#### 6. Materially significant related party transactions

There have been no materially significant related party transactions, pecuniary transactions or relationships

between Cosmo Ferrites and its Directors for the year ended March 31, 2004 other than those listed in Note No. 14 in Schedule 20 to the annual accounts on page 29.

#### C. BOARD COMMITTEES

Committees appointed by the board focus on specific areas, and take decisions within the authority delegated to them by the board. The committees also make specific recommendations to the board on various matters from time to time. All decisions and recommendations of the committees are placed before the board for information or approval. Cosmo Ferrites has three board-level committees:

- Audit Committee.
- Share Transfer and Investor Grievance Committee.
- Operations Review Committee.

#### 1. AUDIT COMMITTEE

##### Terms of reference

The management is primarily responsible for the Company's internal controls and the financial processes. The statutory auditors are responsible for performing independent audits of the company's financial statements and for issuing the reports on the basis of such audits.

The Audit Committee was constituted on October 30, 2000 and has been entrusted by the board of directors to supervise these processes and thus, ensure accurate and timely disclosures that maintain the transparency, integrity and quality of financial control and reporting.

Terms of reference of the Audit Committee are as per the guidelines set out in the listing agreements with the Stock Exchanges that interalia includes:

- a) The overview of the Company's financial reporting processes and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b) Review with the management the quarterly, half yearly and annual financial statements before submission to the Board, focussing primarily on:
  - Any changes in accounting policies and practices.
  - Major accounting entries based on exercise of judgement by management.
  - Qualifications in Audit report
  - Significant adjustments arising out of audit.
  - The going concern assumption.
  - Compliance with Accounting Standards
  - Compliance with Stock Exchange and legal requirements concerning financial statements.
  - Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with interest of the company at large.
- c) Reviewing with the management and external