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**COSMO FERRITES LIMITED**

**Annual Report 2004-05**



**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. Kushal Saha

**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](mailto: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](mailto:sales@cosmoferrites.com)

**SALES OFFICE**

30, Community Centre, Saket  
New Delhi-110 017  
Ph.: 011-26863968, 26863969  
Fax:011-26862969  
Email : [sales@cosmoferrites.com](mailto: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](mailto:plant@cosmoferrites.com)



## NOTICE

Notice is hereby given that the Nineteenth 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 31<sup>st</sup> day of May, 2005 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, 2005 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. S. K. Mittal who retires by rotation and is eligible for reappointment.
3. To confirm Interim Dividend @ 14% on unlisted cumulative redeemable preference shares already paid during the year ending 31<sup>st</sup> March, 2005.
4. To declare arrears of accumulated dividend on unlisted cumulative redeemable preference shares @ 12.5% for the year ending 31<sup>st</sup> March, 2003 and @ 13% for the year ending 31<sup>st</sup> March, 2004.
5. To appoint auditors and to fix their remuneration.

### SPECIAL BUSINESS:

#### ITEM NO. 6

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

"RESOLVED THAT Mr. N K Gupta, who was appointed as Director under section 262 of the Companies Act, 1956 in the casual vacancy caused by resignation of Mr. R Mukherjee 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. 7

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

"RESOLVED THAT subject to the provisions of the Companies Act, 1956 and the regulations of the Listing agreement entered into with the Stock Exchanges approval of the Company be and is hereby given to pay sitting fees to Independent Non-executive directors for a sum not exceeding Rs. 3,000/- per meeting attended.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to fix the amount of sitting fees payable to Independent Non-executive directors from time to time within the aforesaid limit."

#### ITEM NO. 8

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

"RESOLVED THAT pursuant to the provisions of Section 80 of the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956, ('the Act') and in accordance with the provisions of the memorandum and articles of association of the Company and the listing agreement entered into by the Company with the stock exchanges and all other applicable laws and regulations, the consent and approval of the members be and is hereby accorded to the Board of Directors to redeem 50% of 5,88,500 unlisted cumulative redeemable shares of Rs. 100 each aggregating Rs. 2,94,25,000 out of the profits which would otherwise be available for dividend, before the due date for redemption, by surrender of shares by the shareholders thereof on such terms and conditions and in such manner as the Board may in their absolute discretion think fit.

RESOLVED FURTHER THAT the Board be and is hereby authorized to redeem the balance 50 % of said preference shares on such terms and conditions and in such manner, duration and parts as the Board may in their absolute discretion think fit.

RESOLVED FURTHER THAT the Board be and is hereby authorized to decide and approve the terms and conditions of the redemption of preference shares with mutual consent of the preference shareholders of the company.

RESOLVED FURTHER THAT for the purpose of redemption of preference shares, the Board be and is hereby authorized to take all actions and to all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable or expedient in relation to all matter concerning this redemption of preference shares, without being required to seek any further consent or approval of the members or otherwise to the end and intent that shareholders shall be deemed to have given their approval thereto expressly by the authority of 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.

14. 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.

15. Corporate Members intending to send their authorized representatives are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
16. 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.cosmoferrites.com](http://www.cosmoferrites.com)
17. 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 Report.

Registered Office: By order of the Board  
Jabli, Distt., Solan (HP) 73209

Place: Jabli, H.P. Nitin Mittal  
Date: 15 April, 2005 Company Secretary

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

Item No. 6

Mr. N. K. Gupta was appointed Director on January 29, 2004

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 31<sup>st</sup> day of May, 2005 to Wednesday the 1<sup>st</sup> day of June, 2005.
6. Subject to provisions of Section 206A of the Companies Act, 1956 arrears of dividend on preference shares as recommended by the Board of Directors, if declared at the meeting, will be payable on or after Tuesday the 31<sup>st</sup> day of May, 2005.
7. Subject to the provisions of Section 80 of the Companies Act, 1956 redemption of 50 % of 5,88,500 unlisted cumulative redeemable preference shares of Rs. 100 each, if approved at the meeting, will be payable on or after Tuesday, the 31<sup>st</sup> day of May, 2005.
8. 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.
9. 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.
10. 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.
11. Members / Proxy holders are requested to produce at the entrance of the Auditorium the enclosed admission slip duly completed and signed.
12. 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.
13. 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.



on the resignation of Mr. R. Mukherjee and would hold office upto the conclusion of this Annual General meeting.

Mr. N. K. Gupta is a B.E (Electrical) Graduate and has extensive experience in the areas of General Corporate Management & Strategic Management. He has served as Managing Director of SICPA (India) Limited. As per the requirements of the Stock exchange listing agreement, details of Directors seeking re-appointment are set out in the Annexure thereto. It is desirable to continue their association with the Company and avail of the benefit of their rich experience. Accordingly the respective resolution in the above item of the Notice is recommended for your acceptance.

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. N. K. Gupta, none of the Directors are concerned or interested in the resolution.

The Board recommends the resolution set forth in Item No. 6 for approval of shareholders.

Item No. 7

The company had allotted 5,88,500 unlisted cumulative redeemable preference shares of Rs. 100 each to ICICI Bank Limited at fixed rates of dividend in the year 1999, redeemable in the year 2007, 2008 and 2009 in equal parts at a premium of 20% on face value.

Since, the cost of servicing the cumulative dividend at prevailing interest rates is very high, the Board of Directors recommend pre-redemption of 50 % of 5,88,500 unlisted cumulative preference shares of Rs. 100 each after the general meeting and the balance 50 % to be redeemed as and when profits available for distribution are sufficient to do so.

The company has sufficient reserves to pre-redeem the preference shares as per the provisions of the Companies Act, 1956.

None of the Directors of the Company are deemed to be concerned or interested in the passing of this resolution except to the extent of equity shareholding held by them.

The Board recommends the resolution set forth in Item No.7 for approval of shareholders.

Item No. 8

Clause 49 of the Listing agreement entered into with the stock exchange(s), provides payment of fees/compensation to non-executive directors, including independent directors, subject to previous approval of shareholders in the general meeting.

The proposed resolution would allow the Company to make payment by way of sitting fees to the Independent Non-executive Directors subject to a maximum limit of Rs. 3,000 for each meeting attended. All the Independent Non-executive directors of the Company are deemed to be interested in the

resolution to the extent of the sitting fees payable to them in accordance with the proposed resolution.

The Board recommends the resolution set forth in Item No. 8 for approval of shareholders.

Copies of the resolution passed by the Board at the meeting held on 15<sup>th</sup> April, 2005 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 (HP) 173209

By order of the Board

Place: Jabli, H.P.

Date: 15 April, 2005

Nitin Mittal

Company Secretary



## DIRECTORS' REPORT

To the Members,

The Directors present the Annual Report and the audited accounts for the year ended 31<sup>st</sup> March 2005.

### FINANCIAL RESULTS (Rs. in Lacs)

	2004-05	2003-04
Sales	2957	2603
Profit before depreciation & tax	653	484
Depreciation	327	343
Profit before Tax	326	141
Provision for current Tax	22	6
Profit after current Tax	304	135
Provision for deferred tax	119	(142)
Profit after deferred tax	185	277
Add:		
(a) Balance brought forward	41	169
(b) Dividend tax written back	Nil	Nil
(c) Transfer from Investment Allowance Reserve	Nil	Nil
(d) Less: Amortization of intangible assets for the period upto 31-3-2004	Nil 41 (34)	135
Profit available for appropriation	226	412
Add/less transfer to / from General Reserve	40	371
Profit available for distribution	266	41
APPROPRIATIONS		
Dividend-		
Interim Dividend on Pref. Shares	82	Nil
Provision for arrears of dividend on Cumulative Redeemable Preference Shares	150	Nil
Equity shares	Nil	Nil
Dividend Tax	30	Nil
Balance carried to Balance Sheet	4	412
	266	412

Your company has recorded a better performance this year. Turnover, Gross Profit and Net Profit, have all registered increases.

As part of its initiative to increase shareholder value, your company had initiated a number of measures to drive profitability and growth. These have translated into better performance.

It was categorized by three major factors:

- First, growth in volumes.
- Secondly, savings in operating costs and increased operational efficiencies.
- Thirdly, new product development and enhanced customer satisfaction.

### DIVIDEND

Your company had allotted 5,88,500 cumulative redeemable preference shares of Rs. 100 each during the year 1999. However, dividend on these shares was not paid from the financial year 2002-03 due to inadequate profits available for distribution. Since, the dividend are cumulative in nature your directors approved interim dividend @ 14% (fixed rate) for the profits earned during financial year 2004-05. Your directors recommend that this dividend be confirmed as final dividend.

Your directors also recommend declaration of arrears of accumulated dividends for the years 2002-03 & 2003-04 from profits available for distribution.

In view of the profits after appropriation being low during this year due to payment of arrears of accumulated dividend on unlisted cumulative preference shares, the directors are regretfully unable to recommend dividend on the equity shares for the year ended March 31, 2005 (previous year Nil)

### 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 authorized depository participants.

### OPERATIONS

- Sales Revenue increased to Rs. 2957 lacs for the year ending 31<sup>st</sup> March 2005 as compared to Rs. 2603 lacs the previous year. Powder sales volume decreased from 110 MT to 103 MT, while component sales increased from 960 MT to 1189 MT. This was achieved through improved operational efficiencies.
- Costs remained within control and have been rationalized across all strata of the organization.
- Net profit after current tax for the year is Rs. 304 lacs compared to Rs 135 lacs in the previous year. This increase in PAT has been due to increased sales revenues of the company this year.
- This year was challenging on various fronts, viz- downward pressure on selling prices, reduction in export incentives and upward pressure on key raw material prices along with increased competition in global ferrite market.

### OUTLOOK

- During the last year, the company has been able to



establish an image of being a customized solution provider to some major European OEM's. This focus will support your Company's future product mix, which is likely to be commercialized in the year ending March, 2006

- The company has an established customer base in all major markets across Europe, USA and Asia-Pacific and is exploring new markets in other countries.
- Selling prices will be under pressure globally, which will be countered by increased volumes and new product mix.
- The near future could witness prices of Raw materials firming up internationally, which may impact your company.

#### DIRECTORS

Mr. S. K. Mittal and Mr. N. K. Gupta 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.

- 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 31<sup>st</sup> March, 2005 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;
- (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

15<sup>th</sup> April, 2005

Jabli, H. P.

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)

#### A) CONSERVATION OF ENERGY

##### (a) Energy conservation measures taken

- Some high-energy using equipment were rescheduled to be used only during normal / lower tariff periods.
- Nitrogen storage tanks are fully filled and two main compressors and two booster compressors are switched off during peak load hour.
- Energy audit was conducted by Confederation of Indian Industry (CII) to chalk out ways and means to reduced energy cost substantially. The proposal given by CII is under review and is expected to be implemented in the next fiscal.

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

(c) Impact of the measures at (a) and (b) for reduction of energy consumption and consequent impact of the cost of production of goods.

The above measures have enabled the Company to decrease its energy consumption and also to utilize its energy needs efficiently, thereby saving costs.

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

#### B) TECHNOLOGY ABSORPTION

##### i) Research & Development

- a) Specific areas in which R & D carried out by the Company





- Developed high permeability (10 Kµi) material for ISDN and filter applications.
  - Developed medium permeability material with high Q, low relative loss factor material for high end EMI filter application.
  - Developed low power loss material for higher frequency (> 300 KHZ) power applications.
  - Developed low loss, high saturation material for high DC bias current applications.
  - b) Benefits derived as a result of above R&D
    - Entry into new products & new business in telecom applications.
    - Opportunity of getting business from major OEM's in EMI market segment.
  - c) Future plan of action
    - Material & Product development in new areas of ferrite catering to automotive segment.
    - Development of very high permeability material in the range of 12 Kµi permeability for filter applications.
  - d) R & D Expenditure
 

- Capital	Rs. 0.41 Lacs
- Recurring	Rs. 76.56 Lacs
- Percentage of Turnover	2.60%
  - ii) Technology absorption, adaptation & innovation.
    - Technical Losses reduced by adopting innovative process methodologies
    - 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 57.87 % of total sales.
  - b) Foreign Exchange Earned-Rs. 1674.36 Lacs
  - c) Foreign Exchange Outgo-Rs. 295.73 Lacs

On behalf of the Board

15<sup>th</sup> April, 2005  
Jabli, H.P.Ashok Jaipuria  
Chairman

PARTICULARS OF EMPLOYEES IN TERMS OF SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED MARCH 31, 2005

Name	Designation / Nature of Duties	Gross Annual Remuneration	Qualification	Experience (Years)	Date of Commencement of Employment	Age- (Years)	Last Employment (Name of the Company)	Designation
Persons employed for a part of the financial year, and in receipt of remuneration for any part of the year, at a rate which, in aggregate, was not less than Rs. 2,00,000 per month.								
Mr. Aseem DasGupta	CEO	Rs.15,72,611	B.Tech, PGDM	34	30.09.1998	57	HCL Infosys Ltd.,	Executive Director
Mr. Natarajan S Iyer	President	Rs. 13,56,439	B. Tech, PGDM	27	27.11.2003	50	Motherson Sumi Systems Limited	Vice President (Operations)
Mr. Kushal Saha	President & Chief Operating Officer	Rs.2,18,720	B.Tech, PGDBM	23	28.02.2005	45	Minda Group	Vice President

**Notes:**

- 1) Remuneration is as defined under Section 198 of the Companies Act, 1956.
- 2) None of the employees mentioned above is related to any director or manager of the Company.
- 3) The conditions of employment to all employees are non-contractual and terminable by one/three month's notice on either side.
- 4) The designations represent the nature of duties performed by the employees.
- 5) There is no employee in respect of whom details are required to be given under sub-clause a(iii) of Section 217(2A) of the Companies Act, 1956.

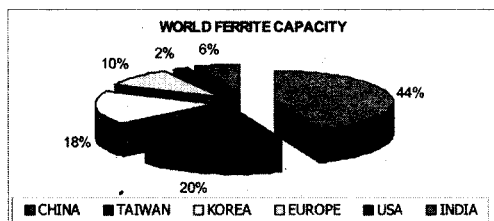




## MANAGEMENT DISCUSSION AND ANALYSIS

### (A) Industry Analysis

Cosmo Ferrites is in the business of manufacture and sale of soft ferrite components.



World ferrite capacity last year was approx. 150 K Tons. The total demand in comparison is around 100 K Tons, which is expected to grow at around 4% p.a.

The previous year witnessed transfer of manufacturing facilities from Europe to Asian countries. This will further increase capacity in Asia and will also augment demand in these low cost countries.

Cosmo, EPCOS, DGP and MMG lead Indian domestic market with capacity of 1.5 K Tons, 5 K Tons, 9 K Tons and 0.5 K Tons respectively. The domestic demand for soft ferrites is around 2 K Tons.

We expect the domestic market to be further segregated with increased imports from China leading to reduced prices. Exports have been growing and we expect to leverage our position in exports by exploring new markets, offering niche products to existing customers and focusing on new product development. Greater customer orientation and consistent quality will require increased emphasis in the coming year.

### SWOT Analysis

#### STRENGTHS

- Customized Cores
- Short Response Time range
- Jumbo Cores
- Wide Distribution network
- In house R&D

#### OPPORTUNITIES

- Manufacturing facilities being shutdown in Europe.
- Increased usage in Automotive segment
- Opening up markets (East Europe/ CIS)

#### WEAKNESSES

- Order to warehouse lead time
- Limited material
- Parylene coating

#### THREATS

- Chinese competition
- Global pricing
- Short product life cycle.
- Locational disadvantage

### (B) Operations and Financial Performance

#### Sales

Net Sales increased from Rs. 2471 lacs in 2003-2004 to Rs. 2781 lacs in 2004-05. Components production increased from 951 MT to 1172 MT. Sales revenues have increased despite average price realization on components suffering a decline of around 8% from the previous year on account of increased volumes.

This year the company was faced with tremendous downward pressure on selling prices of its products in the domestic and international market. This was countered by increasing volume, changing product mix, adding new customers and moreover reducing operational costs.

Exports during the year aggregated to 57.87 % of total sales.

#### R & D

Developed high permeability (10K $\mu$ i) material for ISDN and filter applications and efforts are on to further develop very high permeability material in the range of 12 K $\mu$ i permeability for filter applications.

Additional efforts towards process modifications are being made to achieve improved productivity and / or yields from existing manufacturing processes.

#### Finance Costs

Finance costs are lower by 25 % as compared with the previous year. This was mainly on account of reduction of term debts on repayment and also pre-payment of a Term Loan.

#### Provision of Tax

The company has made a provision of Rs24.26 lacs towards income tax under the MAT provisions. A provision of Rs. 119 lacs, has been made for deferred tax as on 31.03.2005.

#### Receivables

Percentage of Receivable to turnover improved from 12.4% the previous year to 10.3% the current year on account of efficient receivable management and strict control on customer credits.

#### Manufacturing costs

Percentage of Manufacturing costs to turnover have reduced by 2% in comparison to the previous year on account of reduction of costs at various levels and increased operational efficiencies.

#### Inventories

Percentage of inventories to turnover improved from 12.3% the previous year to 10%. Better inventory management has enabled the Company to reduce inventory and raw material lead times 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 other Directorships Held	No. of Chairmanships / Memberships of other Board Committees	
			Committee membership	Committee Chairmanship
Mr. Ashok Jaipuria	Non-executive Chairman	3	2	2
Mr. S. K. Mittal	Non-executive	2	3	-
Mr. Shreekanth Somany	Non-executive, Independent	12	1	-
Mr. Rakesh Nangia	Non-executive, Independent	2	2	-
Mr. B. D. Gupta	Non-executive, Independent	1	1	1
Mr. N. K. Gupta	Non-executive, Independent	3	-	-
Mr. Ambrish Jaipuria	Non-executive	2	-	-

### 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 six times on April 14, July 15, October 14, November 25, January 14 and March 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	6	Yes
Mr. S. K. Mittal	5	No
Mr. Shreekanth Somany	3	No
Mr. Rakesh Nangia	5	No
Mr. N. K. Gupta	4	Yes
Mr. B. D. Gupta	5	Yes
Mr. Ambrish Jaipuria	5	-

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

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

- Mr. S. K. Mittal
- N. K. Gupta