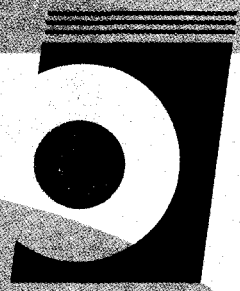


COSMO FERRITES LIMITED

Annual Report 2006-07





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
Mr. B. B. Tandon

Chairman

PRESIDENT

Mr. Natrajan S. Iyer

COMPANY SECRETARY

Ms. Jyoti Verma

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
Export - Import Bank of India

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
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Contents

Contents	
Notice of AGM	
Director's Report	
Management Analysis	
Report on Corporate Governance	8
Auditors Report	18
Balance Sheet	20
Profit and Loss account	21
Cash Flow Statement	22
Schedules	23-27
Note to Accounts	28



NOTICE

Notice is hereby given that the Twenty- First Annual General Meeting of the members of Cosmo Ferrites Limited will be held at its registered office at Jabli, Dist., Solan (HP)-173209 on Wednesday, the 25th day of July, 2007 at 4:00 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, 2007 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 arrears of accumulated dividend @ 15% on unlisted cumulative redeemable preference shares for the year ending 31st March, 2006.
3. To declare dividend on unlisted cumulative redeemable preference shares @ 15% for the year ending 31st March, 2007.
4. To appoint a Director in place of Mr. N.K. Gupta who retires by rotation and being eligible offers himself for reappointment.
5. To appoint a Director in place of Mr. B. D. Gupta who retires by rotation and being eligible offers himself for reappointment.
6. To appoint auditors to hold office from conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

ITEM NO. 7

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

"RESOLVED THAT Mr. B.B. Tandon, who was appointed as Additional Director under section 260 of the Companies Act, 1956 to hold the office only upto the date 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. 8

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

"RESOLVED that in modification of Resolution No. 4 passed by the Members at the 20th Annual General Meeting of the Company held on 28th August, 2006 approving the appointment and terms of remuneration of Shri Ambrish Jaipuria and in accordance with the provisions of Sections

198, 269, 309, 310 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the revision in the remuneration of Shri Ambrish Jaipuria, Executive Director (Business Development) for a period of three years, effective from 1st April, 2007, on the terms & conditions as stated in the explanatory statement and as set out below :

(a) Basic Salary:

Rs. 1,25,000/- (Rupees One Lac Twenty Five thousand only) per month with such annual Increment(s) as the Board may decide from time to time.

The Board of Directors may in its absolute discretion and from time to time, will revise the Salary payable to the Executive Director.

(b) Perquisites & Allowances:

- House Rent Allowance @ 50% of basic salary per month
- Medical allowance / re-imbursement: One month's basic salary or such allowance / re-imbursement as decided by the Board from time to time.
- Leave travel concession / allowance: One month's basic salary or as decided by the Board from time to time.
- Club Fees: Fees payable subject to maximum of two clubs or as may be decided by the Board from time to time.
- Provision for driver / driver's salary allowance: As per rules of the Company

(c) Other Benefits:

- Earned / Privilege leave: As per rules of the Company.
- Company's contribution to provident fund and superannuation fund: As per rules of the Company
- Gratuity: As per rules of the Company.
- Encashment of leave: As per rules of the Company.
- Company car and telephone: Use of company's car and telephone at the residence for official purposes, as per rules of the company.

RESOLVED FURTHER THAT in the event of absence or inadequacy of net profit in any financial year, the Company do pay to Mr. Ambrish Jaipuria 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 save and except the above variations, all other terms and conditions of appointment of Mr. Ambrish Jaipuria as approved earlier by the members, shall remain unchanged.

RESOLVED FURTHER THAT the Board of Directors 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 annexed 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 Wednesday the 25th day of July, 2007 to Thursday the 26th day of July, 2007.
6. Subject to provisions of Section 206A of the Companies Act, 1956 dividend and arrears of dividend on preference shares as recommended by the Board of Directors, if declared at the meeting, will be payable on or after Thursday the 26th day of July, 2007.
7. 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.
8. Members who hold shares in dematerialized form are requested to bring their Client ID and DPID numbers for easy identification of attendance at the meeting.
9. 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.
10. Members / Proxy holders are requested to produce at the entrance of the Auditorium the enclosed admission slip duly completed and signed.
11. 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.
12. 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.
13. Members who have so far not claimed or collected dividends of the previous years, are requested to correspond with Ms. Jyoti Verma, 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.

14. 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.
15. 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
16. 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.

PLACE: Registered Office

By order of the Board

Jabli, Distt., Solan (HP)

173209

Jyoti Verma

DATE: 17th April, 2007

Company Secretary

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

ITEM NO. 7

Mr. B.B Tandon was appointed as additional Director on January 25, 2007 in the category of Independent, Non Executive director and would hold office upto the date of this Annual General meeting.

Mr. B.B. Tandon is CAIIB, M. A. (Economics), LLB. He was member of IAS from 1965 to 2001, Election Commissioner of India from June 2001 to May 2005 and also the member of the Delimitation Commission from July 2002 to May 2005. He served as Chief Election Commissioner of India from May 2005 to June 2007. In Government Service he served at all senior level positions. It is desirable to continue his association with the company to avail the benefit of his rich experience. Your Directors are confident that his guidance and participation in the deliberations of the Board would be very beneficial for the Company's business.

Members approval is required for the resolution stated above in Item No. 7 by way of ordinary resolutions



Except Mr. B.B. Tandon, none of the Directors is concerned or interested in the resolution.

ITEM NO. 8

At the 20th Annual General Meeting of the Company held on 28th August, 2006, the members had approved the appointment of Mr. Ambrish Jaipuria as Executive Director (Business Development) (w.e.f. 16.01.2006) for a period of 5 years, on the remuneration as specified in the Explanatory Statement annexed to the Notice of the said meeting. Since then there has been considerable increase in the duties and responsibilities performed by him. The Board of Directors at their meeting held on 17th April, 2007, on a recommendation recommended to Remuneration Committee, to approve the proposal of revision in his remuneration with effect from 1st April, 2007, subject to the approval of the members of the Company by way of special resolution. All other terms and conditions of his appointment except that of his remuneration will remain unchanged. The remuneration committee approved the same.

Remuneration of Mr. Ambrish Jaipuria is revised in the following manner:

PARTICULARS (MONTHLY)	EXISTING REMUNERATION (Amount In Rs.)	PROPOSED REMUNEARTION
BASIC SALARY	60,000	1,25,000
HRA(50% OF BASIC)	30,000	62,500
LTA	5,000	10,417
MEDICAL ALLOWANCE	5,000	10,417
PF CONTRIBUTION	7,200	15,000

Except Mr. Ashok Jaipuria & Mr. Ambrish Jaipuria, none of the Director is concerned or interested in the resolution. Mr. Ambrish Jaipuria is the Son of Mr. Ashok Jaipuria.

Please note that in the abstract sent to the members u/s 302 of the Companies Act, 1956, the period for which his revised remuneration is to be effective was wrongly mentioned as 5 years in place of three years.

INFORMATION AS PER PART II SCHEDULE XIII

GENERAL INFORMATION:

1. Nature of Industry: Manufacturing
2. Date of Commencement of commercial production: N. A.
3. Expected date of commencement of commercial production For Unit II: In the beginning of IInd quarter
4. Financial Performance: Turnover: 33 Crores, Net Profit after Tax: 264 Lacs (Including deferred tax) Foreign Exchange Inflow: Rs. 1829.99 Lacs Foreign Exchange Outflow: Rs. 343.64 Lacs
5. Foreign Exchange & Net Foreign Exchange Collaboration: Nil
6. Foreign Investments: Nil

INFORMATION ABOUT MR. AMBRISH JAIPURIA

1. Background: Mr. Ambrish Jaipuria has a Degree in Business Administration from Ohio State University, USA and is currently involved in a number of business activities of the Cosmo Group. He is Mr. Ashok Jaipuria's Son.
2. Past Remuneration: For 2006-07: 13.55 Lacs
3. Recognition or Award: Nil
4. Job Profile & Suitability: Mr. Ambrish Jaipuria is Executive Director (Business Development). He has a Degree in Business Administration from Ohio State University, USA. He has spearheaded the diversification of Cosmo Group in Bio-Diesel. Your directors are confident that Mr. Ambrish Jaipuria as Executive Director (Business Development) will contribute in the growth & diversification of Cosmo Group.
5. Proposed Remuneration: As Per above Resolution
6. Comparative Remuneration Profile: The remuneration of Mr. Ambrish is Comparable with other Managerial personnel's remuneration in the Industry.
7. Pecuniary Relationship with the Company or Managerial Person: Mr. Ambrish Jaipuria has no other Pecuniary relation with the company apart from the above mentioned remuneration.

III OTHER INFORMATION

1. Reasons for Loss or Inadequacy of Profits: 1. Increase in Input prices 2. Higher repair & Maintenance cost
2. Steps taken or Proposed to be taken for improvement: 1. To increase production capacity to derive the benefits of Economies of Scale
3. Expected Increase in Productivity and Profits: The Board is expecting substantial increase in productivity and profitability.

IV. DISCLOSURE

Disclosure required under this part have already been included in Corporate Governance Report annexed to Director's Report.

Accordingly, Members approval is required by way of special resolution for the above matter.

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

By order of the Board

DATE: 17th April, 2007

Jyoti Verma
Company Secretary



DIRECTORS' REPORT

To the Members,

The Directors have pleasure in submitting the Annual Report on the business and operations of the company along with Audited Balance Sheet and Profit & Loss A/c for the year ended 31st March 2007

(Rs. in Lacs)

FINANCIAL RESULTS

	2006-07	2005-06
Sales	3334	2966
Profit before depreciation & tax	645	365
Depreciation	264	312
Profit before Tax	381	53
Provision for current Tax	150	12
Profit after current Tax	231	41
Provision for deferred tax	(33)	(38)
Profit after deferred tax	264	79
Add:		
(a) Balance brought forward	31	4
(b) Provision for Dividend on cumulative preference shares written back	44	Nil
(c) Provision for Corporate Tax on dividend written back	6	Nil
(d) Transfer from Investment Allowance reserve	Nil	Nil
Profit available for appropriation	345	83
Add/less transfer to / from General Reserve	-	-
Profit available for distribution	345	83
APPROPRIATIONS		
Dividend-		
Interim Dividend on Pref. Shares	-	-
Equity shares	-	-
Proposed dividend on Cumulative Preference shares(Including Arrears)	88	44
Dividend Tax	12	6
Balance carried to Balance Sheet	245	33
	345	83

DIVIDEND

Your Directors have recommended 15% dividend on Cumulative Preference Shares for the financial year 2006-07 out of current year profits available for distribution subject to approval of shareholders at ensuing Annual General Meeting.

Your Directors also recommended declaration of arrears of dividend @ 15 % for financial year 2005-06 on Cumulative Preference Shares out of current year profits available for distribution subject to approval of Shareholders at the ensuing Annual General Meeting.

In view of the profits after appropriation being planned for utilization during this year in the expansion of the Company,

the directors are regretfully unable to recommend dividend on the equity shares for the year ended March 31, 2007 (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.

DEPOSITS

Your Company has not accepted any deposits within the meaning of Section 58 A of Companies Act, 1956.

REVIEW OF OPERATIONS

- Total Sales Revenue is Rs 3334 lacs for the year ending 31st March 2007 (Previous Year Rs. 2966 Lacs). Powder sales volume decreased from 41 MT to 37.05 Mt and Component sales decreased from 1211 MT to 1166 MT.
- Net profit after current tax for the year have increased to Rs. 231.47 lacs compared to Rs 40.61 lacs in the previous year.

FUTURE OUTLOOK

Unit II with a capacity of 450 MT Per annum of soft ferrites component is being set up at Jabli. The commercial production is expected to commence in the beginning of the second quarter of current year.

DIRECTORS

Mr. B.B. Tandon was appointed as an additional director of the Company on 25th day of January, 2007 and he will hold office upto the date of forthcoming Annual General Meeting. The Company has received notice from a member, as required under section 257 of the Companies Act, 1956, expressing his intention to propose the name of Mr. Tandon for office of director of the Company.

REAPPOINTMENT OF DIRECTOR RETIRING BY ROTATION

Mr. N. K. Gupta and Mr. B. D. Gupta are liable to retire by rotation and are eligible for reappointment at the ensuing AGM.

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:

- (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 on 31st March, 2007 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.

RE-APPOINTMENT OF AUDITORS

M/s. B.K. Shroff & Company, Chartered Accountants, Statutory Auditors of the Company will retire at the ensuing AGM and being eligible offers themselves for reappointment. The Company has taken a certificate from the auditors to the effect that their re-appointment if made, would be in accordance with the provisions of section 224(1B) of the Companies Act, 1956.

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

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 others associated with your company. Your company regards them as partners in its journey of growth and progress.

FOR AND ON BEHALF OF THE BOARD

17th April, 2007
New Delhi

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:

CONSERVATION OF ENERGY

- A. Energy conservation measures taken
 - Training, education and Motivation of Plant Personnel in minimizing misuse of Light, fan and running of Plant & Machinery
- B. Additional investments and proposals, if any, being implemented for reduction of consumption of energy
 - Integration of two separate Nitrogen Plants to run as single unit to consume about 90 HP instead of 150 HP
- C. Impact of the measures at A and B for reduction of energy consumption and consequent impact of the cost of production of goods.
 - Power & Fuel costs as % of Turnover improved to 10.1 % in the current year from 11.3 % in the previous year.
- D. Total energy consumption and energy consumption per unit of production as per prescribed Form 'A' - Not Applicable.

TECHNOLOGY ABSORPTION

- (i) Research & Development
 - a) Specific areas in which R & D carried out by the Company
 - Developed and commercialized high permeability material with improved performance over wide frequency Range up to 400kHz, for filter applications.
 - Developed and commercialized medium permeability material with high Q, low relative loss factor and higher curie temperature material for lighting applications
 - Developed low power loss material for higher frequency (> 300 KHZ) power applications Product (geometry) range enhanced.
 - Developed medium permeability power material with high saturation magnetization for high end audio applications which is currently under commercialization.
 - b) Benefits derived as a result of above R&D
 - Entry into new products, new powder business & telecom applications.
 - Opportunity of getting business from major OEM's in EMI market segment.
 - c) Future plan of action
 - Material development for Low power loss for wide temperature application (high end low power loss applications) and high permeability
 - d) R & D Expenditure

- Capital	Nil
- Recurring	Rs. 119.90 Lacs
- Percentage of Turnover	3.60 %



- ii) Technology absorption, adaptation & innovation
Technical Losses reduced by adopting innovative process methodologies.

The company has not imported any technology during the year.

B) FOREIGN EXCHANGE EARNINGS AND OUTGO

a) Activities

- New customers added in Europe and Asia .
- Exports during the year aggregated to 58 % of total sales.

b) Foreign Exchange Earned- Rs. 1829.99 Lacs

Foreign Exchange Outgo- Rs. 343.64 Lacs

On behalf of the Board

17th April, 2007
New Delhi

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, 2007

Mr. N.S. Iyer	President
1. Gross Annual Remuneration	Rs. 30,01,488/-
2. Qualification	B. Tech, PGDM
3. Experience	30 Years
4. Date of Joining	22.11.2005
5. Age	53 Years
6. Last Employment	Motherson Sumi Systems Ltd.
7. Last Designation	Sr. Vice President

Notes:

- (a) Remuneration is as defined under Section 198 of the Companies Act, 1956.
- (b) Mr. Iyer is not related to any director or manager of the Company.
- (c) The conditions of employment are contractual and are terminable as per agreement of employment.
- (d) The designations represent the nature of duties performed by the employee.

MANAGEMENT DISCUSSION AND ANALYSIS

Sales Performance

The company's net sales increased from Rs 2786 Lacs in FY 2005-06, to Rs 3118 lacs in the current financial year 2006-07, a growth of 12 %. Powder sales declined by Rs 6 Lacs, domestic component sales increased by Rs 281 Lacs, export component sales increased by 24 Lacs and traded product sales increased by 33 Lacs. Despite hardly any increase in sales tonnages, increase in revenues was achieved on account of significantly improved realisations per ton, by virtue of improved product mix, i.e. higher value added products being included in the sales. There was an overall 16 % improvement in the price realisation on component sales. Export and Deemed Export revenue remained at around 58 % of the total revenue.

Costs

Price of zinc oxide, a major ingredient in the raw material mix for ferrites, continued upward trend. After a 65% increase last year, the prices further increased by 27 % during FY 06-07. This was a significant factor in the increase in input costs by 11 %. Other than this factor and a 10 % increase in employee costs, all other costs were contained at previous year's levels. Conversion ratios were improved resulting in overall production cost increase being contained at 6 %.

Growth Strategy

Our strategies for the current year include:

- ✗ Increase material usage efficiencies by improving input-output ratios, improving energy consumption efficiencies and productivity of all assets.
- ✗ Improving sales realizations of existing products.
- ✗ Introducing newer and higher value-added products.
- ✗ The expansion project is expected to go on stream in phased manner over course of this financial year. This will yield not only higher capacity for current products but also, in the latter part of the year, the capability for products in higher material grades heretofore not possible with existing equipment.

We expect the above strategies to yield significant growth in sales and profitability during the current year.

Risk and Concerns

The company is exposed to various business risk from time to time. Some of the anticipated risks & strategies are outlined below:

- **Competition Risk:** The ferrite industry in capital intensive industry. New Capacities are created depending upon demand supply situation and return on investment. The industry is also cyclical in nature and at times there is over supply situation leading to decline in operating margins. We are mitigating the above risk by increasing our export presence, developing niche products, exploring new markets and new customers. The domestic market caters to the lower end segment of the ferrite market and poses no threat to the company. The company has a good image with local customers.



- **Customer Attrition Risk:** All customers are sensitive to quality, delivery and price.

The above risk is mitigated by developing value added niche products, customer schedule adherence and improved quality standards. This enables us to build long term relationship with various customers by providing them good value proposition.

- **Raw Material Price Risk:** Raw material prices have a significant impact on operating margins since scope for increase in selling prices has reduced.

Since, raw materials prices are increasing continuously, especially Zinc Oxide, the company is in the process of removing lower realization products & customers, increasing sales realization and exploring new markets where realizations are high.

- **People Risk Management:** High quality human resources are vital to the success of our business.

The company follows good HR practices, which include various schemes for employee welfare and motivation. The company has strong appraisal system and offers good compensation policy. By our sound HR policies and satisfactory track record we are able to attract and retain people for growth of our business.

- **Security Risk Management:** The company's operations could be disrupted due to natural, political and economic disturbances.

The company has taken adequate insurance cover on its insurable interests. There include Fire Risk, Marine Risk, Burglary Risk, Group Personal Accident Policy, Other Miscellaneous Policies.

- **Foreign Exchange Risk:** The company is exposed to foreign exchange risk on account of export of products, imports of raw materials, foreign currency loans and interest thereof. However, the company continues to be net foreign exchange earner. There is a risk of Indian rupee appreciating against other foreign currencies.

Internal control systems and their adequacy

The Statutory Auditors assess the adequacy of internal control every quarter and report to the Board of Directors accordingly. The company has adequate internal control procedures commensurate with the size of the company and nature of its business.

OPERATIONS AND FINANCIAL PERFORMANCE

Preparation of Accounts

The financial Statements have been prepared in compliance with the requirements of provisions of Companies Act, 1956 and the Generally Accepted Accounting principles (GAAP) of India.

Sales

Net Sales was Rs. 3118 lacs as on 31st March, 2007 (Previous Year Rs. 2786 lacs).

Exports during the year aggregated to 58.25 % of total sales. R & D

- a) Developed High permeability with improved performance upto 400kHz for high end EMI applications & new customer added with this powder material.
- b) Low power loss material upto (<300kHz) applications Product range enhanced.
- c) Product basket in 10K permeability ferrites enhanced.
- d) Future directions in Power ferrites & High permeability ferrites (with improved performance)
- e) Factors over Temperature, Frequencies etc is clearly understood and taken up for the year 2007-08 development plans.

Finance Costs

Finance costs are more or less same as compared to previous year (109.94 Lac in FY 2006-07 Compare to 110.70 Lac last year). Expected reduction in finance cost could not be achieved mainly due to increased borrowing for the expansion project of unit-II.

Provision of Tax

The company has made a provision of Rs 151.24 lacs towards income tax.

Reserves & Surplus

The reserves & surplus of the Company are Rs. 628.19 Lacs as on 31st March, 2007 (Previous Year Rs 414.13 Lacs)

Debt Profile

Total secured debts has gone up from Rs 940.55 lacs as on March 2006 to Rs. 1335.50 lacs as on March 2007.

Receivables

Percentage of Receivable to turnover improved to 10.04% in the current year from 12.14% the previous year.

Manufacturing costs

Percentage of manufacturing costs to turnover has decreased by 4% in comparison to the previous year in spite of increase in prices of raw materials like Zinc Oxide & Ferric Oxide. Moreover, power & fuel cost has also decreased by 1.3% to the previous year.

Inventories

Percentage of inventories to turnover increased to 13.80 % the previous year of 12.4 %. This is mainly due to increased of stores and spares, kiln refractory for refurbish of Double channel old redhammer kiln. However, Raw material inventories to turnover decreased to 2.5 % from 3.1% of previous year.

Human Resources Development

The number of regular workers employed were 249 (Previous Year 247). The number of staff employed was 94 (Previous Year 81).



CORPORATE GOVERNANCE REPORT

Corporate governance implies the method or measures taken to govern the Company in such a manner so as to ensure more accountability of Board of Directors towards the Shareholders and other stakeholders. It have been drawn up defining the role of Board of Directors, establishing director's accountability to the Shareholders, investors and other interest group setting out guidelines for more effective and new quality of performance, changing the face of relation between the board and executive officers. 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.

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.

Name	Executive / Non-executive / Independent	No. of other Directorships Held	No. of Chairmanships / Memberships of other Board Committees
			Membership Chairmanship
Mr. Ashok Jaipuria	Non-executive Chairman	3	- 2
Mr. S. K. Mittal	Non-executive- Non independent	2	3 -
Mr. Shreekant Somany	Non-executive, Independent	10	1 -
Mr. Rakesh Nangia	Non-executive, Independent	2	- -
Mr. B. D. Gupta	Non-executive, Independent	3	- 1
Mr. N. K. Gupta	Non-executive, Independent	1	- -
Mr. Ambrish Jaipuria	Executive Director, Non Independent	3	- -
Mr. B.B. Tandon	Non-executive, Independent	6	3 1

NOTE:

- (i) 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.
- (ii) Mr. B.B. Tandon has been appointed as Additional Director w.e.f. 25th January, 2007.
- (iii) None of the Directors is a member of more than 10 Board-level committees of public ltd. companies in which they are Directors, nor is a Chairman of more than 5 such committees.

B. BOARD MEETINGS:

1. SCHEDULING THE MEETINGS AND AGENDA FOR THE MEETING

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. BOARD MEETING HELD DURING THE F.Y 2006-07 AND ATTENDANCE OF DIRECTORS

DIRECTOR	12TH APRIL, 2006	20TH JULY, 2006	25TH OCT., 2006	25TH JAN. 2007
MR. ASHOK JAIPURIA	YES	YES	YES	YES
MR. S.K.MITTAL	NO	NO	YES	YES
MR. SHREEKANT SOMANY	YES	NO	NO	YES
MR. B.D. GUPTA	YES	YES	NO	YES
MR. N.K.GUPTA	YES	NO	YES	YES
MR. RAKESH NANGIA	YES	YES	YES	YES
MR. AMBRISH JAIPURIA	YES	YES	YES	YES
MR. B.B. TANDON	N.A	N.A	N.A	YES

ATTENDANCE AT AGM

Following Directors attended the AGM held on 28th August, 2006 at JABLI

Mr. Ambrish Jaipuria
Mr. Rakesh Nangia