



**COSMO FERRITES LIMITED**

**Annual Report 2008-09**



## BOARD OF DIRECTORS

Mr. Ashok Jaipuria  
Mr. Shreekant Saomany  
Mr. Rakesh Nangia  
Mr. B. D. Gupta  
Mr. N. K. Gupta  
Mr. B. B. Tandon  
Mr. Ambrish Jaipuria

Chairman  
Non- Executive Director  
Non- Executive Director  
Non- Executive Director  
Non- Executive Director  
Non- Executive Director  
Executive Director & CEO

## COMPANY SECRETARY

Ms. Jyoti Verma  
(wef 26/05/08 to 22/04/09)

## 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  
Export - Import Bank of India

## CORPORATE OFFICE

30, Community Centre, Saket  
New Delhi - 110 017  
Ph. : 011-26863968, 26863969  
Fax : 011-26528225  
Email : [sales@cosmoferrites.com](mailto:sales@cosmoferrites.com)

## SALES OFFICE

30, Community Centre, Saket  
New Delhi - 110 017  
Ph. : 011-26863968, 26863969  
Fax : 011-26528225  
Email : [sales@cosmoferrites.com](mailto:sales@cosmoferrites.com)

## MFG. PLANT

P.O. Jabli, Distt. Solan  
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## Contents

Contents	1
Notice of AGM	3
Director's Report	5
Management Analysis	7
Report on Corporate Governance	17
Auditors Report	19
Balance Sheet	20
Profit and Loss account	21
Cash Flow Statement	22
Schedules	23
Note to Accounts	28



## COSMO FERRITES LTD.

## NOTICE

Notice is hereby given that the Twenty - Third 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 23<sup>rd</sup> day of September, 2009 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, 2009, the Balance Sheet as at that date, the report of the Board of Directors and the Auditors of the Company thereon.
2. To appoint a Director in place of Mr. B. B. Tandon who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Rakesh Nangia who retires by rotation and being eligible offers himself for re-appointment.
4. 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

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

"RESOLVED THAT in accordance with the provision of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, or any statutory modification(s) or re-enactment thereof, Mr H. L. Paranjpe, who was appointed as an Additional Director pursuant to the provisions section 260 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company whose term of office shall be liable to determination by retirement by rotation."

## NOTES:

1. Shareholders are requested to bring their copy of Annual Report to the Meeting.
2. 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.

3. 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.
4. The Register of Members and share Transfer Books of the Company will be closed from Thursday, 17<sup>th</sup> day of September 2009 to Wednesday, the 23<sup>rd</sup> day of September 2009 (Both days inclusive).
5. 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.
6. 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.
7. 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, Alankit House, 2E/21, Jhandewalan Extension, New Delhi 110 055.
8. Members / Proxy holders are requested to produce at the entrance of the Auditorium the enclosed admission slip duly completed and signed.
9. 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.
10. 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.
11. Members who have so far not claimed or collected dividends of the previous years, are requested to correspond with Mr. L. D. Sharma at Regd. 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
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.

12. 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.
13. 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)
14. 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.

Explanatory Statement under Section 173(2) of the Companies Act, 1956.

#### ITEM NO. 5

Mr. H. L. Paranjpe was appointed as an Additional Director on July 29, 2009 in the category of independent, Non Executive director and would hold office upto the date of this Annual General Meeting.

A notice in terms of section 257(1) of the Companies Act, 1956 has been received from a member signifying his intention to propose the candidature of Mr. H. L. Paranjpe for office of a director of the Company.

Mr. H. L. Paranjpe is a polymer technologist and has immense exposure in the relevant field. 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 5 by way of ordinary resolutions.

Except Mr. H. L. Paranjpe, none of the Directors are concerned or interested in the resolution.

Place: Head Office:  
30, Community Centre  
Saket, New Delhi

By order of the Board

Date: 29th July 2009

Anas Ahmad Khan  
Company Secretary



## COSMO FERRITES LTD.

## DIRECTORS' REPORT

## THE MEMBERS

## COSMO FERRITES LTD.

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 31<sup>st</sup> March 2009.

(Rs. in Lacs)

FINANCIAL RESULTS	2008-09	2007-08
Sales	3087	3333
Profit/(Loss) before depreciation & tax	148	383
Depreciation	271	251
Profit/(Loss) before Tax	(123)	132
Provision for current Tax	9	24
Profit/(Loss) after current Tax	(132)	108
Provision for deferred tax	8	33
Profit/(Loss) after deferred tax	(140)	75
Add : Mat Credit Entitlement (for earlier year)	3	-
	(137)	75
Add:		
Balance brought forward	185	245
Less: Transfer to Preference Share		
Capital Redemption Reserve	98	98
Add Transfer from General reserve	37	147
Profit/(Loss) available for appropriation	(13)	222
Provision for Proposed Dividend on Cumulative		(29)
Preference Share		
Corporate Tax on Dividend		(8)
Balance carried to Balance Sheet	(13)	185
	(13)	185

## DIVIDEND

Due to non availability of distributable profits for current year, dividend on Cumulative Preference Share have not recommended.

## 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 58A of Companies Act, 1956.

## REVIEW OF OPERATIONS

- Total Sales Revenue is Rs 3087 lacs for the year ending 31<sup>st</sup> March 2009 (Previous Year Rs. 3333 Lacs).
- Net Loss after current tax for the year is Rs. 137 Lacs as compared to Net Profit of Rs. 75 lacs in the previous year due to global recession.

## FUTURE OUTLOOK

Various cost cutting measures are being taken in a structured manner. Besides, different market segments are being explored to increase the order book and thereby better capacity utilization. It is expected that performance in current year will be much better.

## DIRECTORS

Mr. S. K. Mittal, Independent Director resigned from the Board on 8<sup>th</sup> April 2009. Apart from the above there was no change in the Directorship during the year.

## REAPPOINTMENT OF DIRECTOR RETIRING BY ROTATION

Mr. B.B. Tandon and Mr. Rakesh Nangia, Directors of the Company 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:

- In the preparation of the annual accounts, applicable accounting standards have been followed;
- Accounting policies selected were applied consistently. Reasonable and prudent judgements and estimates are made so as to give a true and fair view of the state of affairs of the Company as on 31<sup>st</sup> March, 2009 and of the profit or loss of the Company for the year ended on that date.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The annual accounts of the company have been prepared on a going concern basis.

## CORPORATE GOVERNANCE

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 offer 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

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

For and on behalf of the Board

Ashok Jaipuria  
Chairman

New Delhi  
20<sup>th</sup> April, 2009

#### 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:

##### I. CONSERVATION OF ENERGY

- A. Energy conservation measures taken:
  - Decided not to run N2 plant in peak load hours.
  - Decided to run two kilns only with full load capacity by better production plan.
  - Switching off was done to save consumption of electricity when not required.
  - Decided to run the river pump in night time only
- B. Additional investments and proposals, if any, being implemented for reduction of consumption of energy:
  - Connected 380 K.V.A D.G set parallel of 1010 KVA D.G. Set to run according to production plan..
  - Old river pump replaced with new one.
- C. Impact of the measures at A and B for reduction of energy consumption and consequent impact of the cost of production of goods:
  - Contract demand reduced to 750 KVA instead of 1100 KVA in unit II.
- D. Total energy consumption and energy consumption per unit of production as per prescribed Form 'A' - Not Applicable.

##### II. TECHNOLOGY ABSORPTION

###### (i) Research & Development

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

- Special projects taken up in all the operation areas to reduce the energy cost keeping in view to realise the low margin domestic orders taken up to fill up the plant capacity due to paucity of export orders in Q-2 and Q-3 because of global market contraction .
- The Top hat kiln made operational & product portfolio and material upgradation by virtue of the tighter sintering controls in the top hat had been realised .

###### b) Benefits derived as a result of above R&D:

- Capacity of the value added products like – Coated torroids for EMI/EMC application has been enhanced without any additional capital investment .
- Introduction of Narrow band width inductance in the lighting segment torroids capacity has been increased to offer a better product for lighting industry and as a part of strategy to increase the Cosmo Ferrites Limited share in this segment

###### c) Future plan of action:

To get competitive edge through world class material range and to achieve shortest lead time for product development.



- (ii) Technology absorption, adaptation & innovation  
Technical Losses reduced by adopting innovative process methodologies.  
The company has not imported any technology during the year.

### III. FOREIGN EXCHANGE EARNINGS AND OUTGO

- a) Activities  
New customers developed in Europe and Asia.  
Exports during the year aggregated to 56% of total sales.
- b) Foreign Exchange Earned- Rs. 1748.10 Lacs  
Foreign Exchange Outgo- Rs. 440.76 Lacs

On behalf of the Board

New Delhi  
20<sup>th</sup> April, 2009

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, 2009

During the financial year 2008-09 no employee of the Company has been paid remuneration of Rs.24 Lacs per annum or Rs.2 lacs per month and hence particulars under Section 217(2A) of the Companies Act, 1956 is not required to be given in this report.

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Sales Performance

The company's net sales decreased to 2934 Lacs in FY 2008-09 from Rs 3130 Lacs in FY 2007-08. The above decrease is due to overall recession in global market. Export and Deemed Export revenue remained at around 56% of the total revenue.

#### Costs

Price of ferric oxide, a major ingredient in the raw material mix for ferrites, has showed increase in price by 11.26% during FY. 2008-09. Where price of Zinc oxide has shown decline by 19%. Other than this there was 2% increase in employee costs.

#### Growth Strategy

Our strategies for the current year include:

- Special projects taken up in all the operation areas to reduce the energy cost keeping in view to realise the low margin domestic orders taken up to fill up the plant capacity due to paucity of export orders in Q-2 and Q-3 because of global market contraction.
- The Top hat kiln made operational & product portfolio and material upgradation by virtue of the tighter sintering controls in the top hat had been realised.

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 risks from time to time. Some of the anticipated risks & strategies are outlined below:

- **Competition Risk:** The ferrite industry is 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 Ferric Oxide, the company is in the process of removing lower realization products & customers, increasing





## COSMO FERRITES LTD.

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. 2934 lacs as on 31<sup>st</sup> March, 2009 (Previous Year Rs. 3130 lacs). Exports during the year aggregated to 56% of total sales.

#### R & D

- 1) New material developed in the lab – Wide temperature low power loss material and ultra low power loss materials are under commercialization process.
- 2) New big size core shapes are consistently added in the product portfolio to cater the customized big powersupply market segment
- 3) UL approved coating for all the EMI/EMC application introduced for all the OEMs

#### Finance Costs.

Finance costs has gone up to Rs. 182.89 Lacs as compared to Rs. 135.01 Lacs in previous year. The increase is due to increase in Term Loan for Unit II.

#### Provision of Tax

The company has made a provision of Rs 17.36 lacs (including deferred tax) towards income tax.

#### Reserves & Surplus

The reserves & surplus of the Company are Rs. 529.57 Lacs as on 31<sup>st</sup> March, 2009 (Previous Year Rs 666.06 Lacs)

#### Debt Profile

Total secured debts has gone down from Rs. 1709.25 lacs as on March 2008 to Rs. 1576.37 lacs as on March 2009.

#### Receivables

Percentage of Receivable to turnover is 11.50% as compared to 12.39 % in the previous year.

#### Manufacturing costs

Percentage of manufacturing costs to turnover has increased by 6.57% in comparison to the previous year.

#### Inventories

Percentage of inventories to turnover has decreased to 15.65% in comparison to the previous year of 18.94%. This is mainly due to decrease of stores and spares, kiln refractory for refurbish of Double channel old red-hammer kiln.





## 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 has been drawn up defining the role of Board of Directors, establishing director's accountability to the Shareholders, investors and 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 adopt 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.

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 /	No. of other Directorships Independent		No. of Chairmanships / Memberships of other Board level Committees	
		Pub.Ltd	Pvt. Ltd	Membership	Chairmanship
Mr. Ashok Jaipuria	Non-executive – Chairman(Promoter)	2	-	-	-
Mr. S. K. Mittal*	Non-executive, Independent	-	1	-	-
Mr. Shreekant Somany	Non-executive, Independent	5	1	-	-
Mr. Rakesh Nangia	Non-executive, Independent	-	7	-	-
Mr. B. D. Gupta	Non-executive, Independent	2	-	-	2
Mr. N. K. Gupta	Non-executive, Independent	-	1	-	-
Mr. B.B. Tandon	Non-executive, Independent	13	1	6	-
Mr. Ambrish Jaipuria	Executive	2	1	-	-

\* Since resigned on 8th April 2009

## NOTE:

- (i) For Board Level committees only Audit Committee and STIGC have been considered.
- (ii) None of the Directors is a member of more than 10 Board-level committees of public 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 of the 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 MEETINGS HELD DURING THE FINANCIAL YEAR 2008-09 AND ATTENDANCE OF DIRECTORS

DIRECTOR	18 <sup>TH</sup> APRIL 2008	21 <sup>ST</sup> JULY 2008	21 <sup>TH</sup> OCT 2008	30 <sup>TH</sup> JAN 2009
MR. ASHOK JAIPURIA	YES	YES	YES	NO
MR. S.K. MITTAL	YES	YES	YES	YES
MR. SHREEKANT SOMANY	YES	NO	YES	YES
MR. B.D. GUPTA	YES	YES	YES	YES
MR. N.K. GUPTA	YES	YES	YES	YES
MR. RAKESH NANGIA	NO	YES	YES	YES
MR. AMBRISH JAIPURIA	YES	YES	YES	YES
MR. B.B. TANDON	YES	YES	YES	YES



### 3. ATTENDANCE AT AGM

Following Directors attended the AGM held on 24<sup>th</sup> September, 2008, at Company's registered office at Pajabli, Dist-Solan, H.P. - 173209

Mr. Ambrish Jaipuria

Mr. N. K. Gupta

### 4. DISCLOSURE REGARDING APPOINTMENT AND RE-APPOINTMENT OF DIRECTORS

Mr. Rakesh Nangia and Mr. Brij Behari Tandon, Directors of the Company are liable to retire by rotation and being eligible offer themselves for reappointment at the ensuing Annual General Meeting.

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

### 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.
- Risk Assessment & Minimization procedures.

### 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, 2009 other than those listed in Note No. 13 in Schedule 19 to the annual accounts.

### 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.
- Remuneration 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.

The role and terms of reference of the Audit Committee are as per the guidelines set out in the listing agreement with the Stock Exchange that inter-alia includes:

- a) The oversight 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) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditors and the fixation of the audit fees.
- c) Approval of the payment to statutory auditors for any other services rendered by the statutory auditors.
- d) Review with the management the annual financial statements before submission to the Board, with particular reference to:
  - Matters required to be included in the Director's responsibility statement to be included in the Board's