



COSMO FERRITES LIMITED

Annual Report 2012-13

BOARD OF DIRECTORS

Mr. Ashok Jaipuria
Mr. Shreekant Somany
Mr. Rakesh Nangia
Mr. A. K. Jain
Mr. N. K. Gupta
Mr. Ambrish Jaipuria

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

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

517, 5th Floor, DLF Tower - A
Jasola District Centre, New Delhi - 110 025 (India)
Ph. : +91 - 11 - 49398800
Fax : +91 - 11 - 49398888
E-mail : sales@cosmoferrites.com

SALES OFFICE

517, 5th Floor, DLF Tower - A
Jasola District Centre, New Delhi - 110 025 (India)
Ph. : +91 - 11 - 49398800
Fax : +91 - 11 - 49398888
E-mail : 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

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NOTICE

Notice is hereby given that the Twenty – Seventh Annual General Meeting of the members of Cosmo Ferrites Limited will be held at its registered office at Jabli, Dist., Solan (HP)- 173209 on Friday The 27th day of September, 2013 at 03.30 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, 2013, 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. N.K. Gupta who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint auditors to hold office from conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

**By order of the Board of Directors
Cosmo Ferrites Limited**

**New Delhi
August 9, 2013**

**L.D Sharma
Compliance Officer**

NOTES:

1. As a measure of economy, copies of Annual Report shall not be distributed at the Meeting, therefore members are requested to bring their own copy at 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 Saturday, the 21st day of September, 2013 to Friday the 27th day of September, 2013 (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 DP ID 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 110055.
8. Members / Proxy holders are requested to produce at the entrance of the Meeting hall 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. 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.

As per 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

1. 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: Head Office By order of the Board of Directors
517, 5th Floor Cosmo Ferrites Limited
DLF Tower A
Jasola District Centre
New Delhi – 110 025
Date: 9th August, 2013

L.D Sharma
Compliance Officer

IMPORTANT COMMUNICATION TO MEMBERS

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/ documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants.

DIRECTORS' REPORT

THE MEMBERS COSMO FERRITES LTD.

The Directors have pleasure in presenting 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 2013**.

	(Rs. in Lacs)	
FINANCIAL RESULT	2012-13	2011-12
Sales	5149	4497
Profit /(Loss) before depreciation & tax	136	378
Depreciation	395	338
Profit/(Loss) before Tax	(259)	40
Provision for current Tax	-	4
Provision for earlier Year	-	-
Profit/(Loss) after current Tax	(259)	36
Provision for deferred tax	(93)	1
Profit/(Loss) after deferred tax	(166)	35
Add:-Mat Credit Entitlement	-	4
	(166)	39
Add:Balance brought forward	488	585
Less:-Transfer to Preference Share Capital Redemption Reserve	-	-
Add:- Transfer from General Reserve	-	-
Profit/(Loss) available for appropriation	322	624
Provision for arrears off Dividend on Cumulative Redeemable Preference Shares	-	136
Proposed Dividend on Cumulative Redeemable Preference Shares	-	-
Corporate Tax on Dividend	-	-
Balance carried to Balance Sheet	322	488
	322	488

DIVIDEND

In view of the company not having profits during this year, the Directors are unable to recommend any dividend on the equity shares for the year ended March 31, 2013.

DEPOSITS

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

REVIEW OF OPERATIONS

- Net Sales are Rs 4862 Lacs for the year ending 31st

March 2013 as compared to Rs. 4280 Lacs for previous year.

- This year was challenging on various fronts, viz upward pressure on key raw materials prices along with increased competition in global ferrites market, down fall in international market.

FUTURE OUTLOOK & EXPANSION

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. N.K. Gupta, Director of the Company is liable to retire by rotation and being eligible offer himself for reappointment at the ensuing Annual General Meeting.

There are no inter-se relationships of all or any of the directors in terms of disclosure requirements of the listing agreement with the stock exchange, except that Mr. Ashok Jaipuria and Mr. Ambrish Jaipuria are relative of each other.

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.

- Particulars of employees pursuant to section 217(2A) of the Companies Act, 1956
- Energy conservation, technology absorption and foreign exchange inflow/outgo pursuant to section 217(1)(e) 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 judgments 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, 2013 and of the profit of the Company for the year ended on that date.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act,



1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- (iv) The annual accounts of the company have been prepared on a going concern basis.

CORPORATE GOVERNANCE

A Management Discussion and Analysis Report is annexed and form part of this report.

A separate report on Corporate Governance along with Auditors certificate on compliance of conditions of Corporate Governance as stipulated in clause 49 of the listing agreement with the stock exchange form part on 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 over all 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

New Delhi
9th August, 2013

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:

I. CONSERVATION OF ENERGY

a) Energy conservation measures taken:

- Decided not to run N2 plant, Attritors and Ball Mills in peak load hours.
- Frequency Drive provided on Erich Mixer.
- Minimized diesel consumption by taking peak load exemption from HPSEB.
- Switching of lights and fans to save consumption of electricity when not required.

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

- Wind power Operation Exhaust fan installed in production for better environment.
- Energy efficient and waste heat recovery system incorporated in running expansion capital equipment.

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

1. Research & Development

(a) Specific areas in which R&D carried out by the company:

- Quality improvement and cost reduction initiatives taken in all operations areas.
- Concentrated on increasing the production throughput.
- Carried out New Material developments activities to cater the demand of Renewable energy segments. Improvement in existing product portfolios remained the major thrust area.

(b) Benefits Derived as a result of Above R&D:

- Significant improvement in quality, as experienced and acknowledged by esteemed customers. Notable reduction in rejection



percentage is evident.

- De-bottlenecking and increased production as evident.
- Cosmo Ferrites got included into the supply chain of major Solar PV inverter manufacturers in Europe. New Materials replaced FXC & EPCOS at Global level.

(c) Future Plan of Action:

- Development activities will be continued vertically to match the upcoming demands in emerging applications.

2. Technology absorption, adaptation & innovations:

- (a) Company has not imported any technology during this year.

markets for products and services and export plans.

- New customers developed in Europe and Asia.
- Exports during the year aggregated to 45 % of total sales.

2. Foreign Exchange Earned- Rs 2632.23 Lacs

Foreign Exchange Outgo- Rs. 974.66 Lacs

For and on behalf of the Board

New Delhi
9th August, 2013

Ashok Jaipuria
Chairman

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities relating to export incentives taken to increase exports, development of new export

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, 2012

Name	Designation	Gross annual Remuneration	Qualification	Year of Appointment	Age
Mr. Ambrish Jaipuria	Director & CEO	33,29,096	MBA from Ohio state, USA	29 th Jan. 2004	34 years

Note:- Remuneration including salary, company contribution to provident fund, superannuation scheme, expenses incurred on medical re-imbursement, leave travel allowance, house rent allowance, and payments as per income tax rule.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Industry Structure & Developments:

The Company is in the business of manufacturing soft ferrites cores. Major applications of ferrites are inverter transformers, Domestic Lighting, Energy Meter, Mobile Charger, SMPS, Transformer Manufacturers current transformers, pulse transformers, line filters, choke, noise suppressors etc. The industry is witnessing a decent growth rate and it is expected to grow at a similar rate in the near future as well, in both Domestic and Exports industry. The rapid urbanization and increase in usage of products using soft ferrites has given this industry a big fillip in the recent years.

Opportunities & threats:

The continuous shift of manufacturing facilities from high cost locations like US & European countries to low cost countries like India & China has provided a lucrative opportunity to the manufacturers in these countries.

However, unlike hard ferrite, soft ferrite is more complicated both in terms of manufacturing process and characteristic requirements. Further the continuous technological advancements pose a threat to the companies unable to cope with these changes.

Segment Wise or Product Wise Performance

The Company deals in only one product i.e. Soft Ferrites Core

Outlook

The outlook for the industry and the company looks bright and new markets in the global arena are being developed by the company. The Company is also focusing on cost cutting and increased productivity to enhance its competitiveness.

Risks & Concerns

The management cautions readers that the risks outlined below are not exhaustive and are for information purposes only. Investors are requested to exercise their own judgment in assessing various risks associated with the company.

The Competition Risk

Ferrites industry is capital intensive industry. In a free market environment, new capacities are created depending upon demand supply situation and return on investment. Industry is 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 exports presence, developing niche products, exploring new markets

and new customers. The domestic market caters to the lower end segment of the ferrites 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 built long term relationship with various customers by providing them good value proposition.

Raw Material Price Risk

Raw material price 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 and 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.

People are valuable assets of the company.

The company has been working towards providing challenging high growth environment for its employees. The company follows good HR practices, which include various schemes for employee welfare and motivation.

The company has strong appraisal system. It has successfully worked its compensation policy to team and individual performances. The company provides good opportunity to deserving candidates. The company believes in growth of its managers to leaders and has structured training programs to that effect.

With excellent performance track record as well as best HR practices we are able to attract and retain people for growth of our business.

Security Risk Management

Operations could be disrupted due to natural, political and economic disturbances.

Running a business exposes the company to a number of risks.

The company has taken adequate insurance cover on its insurable interests. These include:



1. Fire Risk
2. Marine risk
3. Burglary risk
4. Group Personal Accident Policy
5. Other Miscellaneous Policies.

The company has also taken steps to strengthen IT security system as well as physical security system at all our locations.

Foreign Exchange Risk

The Company is exposed to foreign exchange risk mainly due to imported raw materials and finished products.

Since we are a net foreign exchange earner on an over all basis it may be stated that there is an exposure to the risk of Indian rupee appreciating against other foreign currencies.

Operational & Financial performance

The details of the financial performance are appearing in the financial statements appearing separately. The highlights of the same are also mentioned in the Directors' Report.

Internal Control Systems & 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 size of the company and nature of its business.

Human Resources /Industrial Relations front

Human resource is considered as vital strength of the company. There was unity of purpose among all level of employees i.e. to continuously strive for the improvement in work practices & productivity.

Cautionary statement

Certain statements in the Management Discussion & Analysis describing the company's views about the Industry's expectations/ predictions objectives etc. may be forward looking within the applicable laws and regulations. Actual results may differ materially from those expressed in the statements. Company's operations may be affected with the demand and supply situations, input prices and their availability, changes in Government regulations, tax laws and other factors such as industrial relations and economic developments etc. Investors should bear the above, in mind.



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 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 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 judgment in any manner. The structure of the Board and record of other directorships and Committee Memberships and Chairmanships as on 31st March, 2013.

Name	Executive / Non Executive/ Independent	No. of other Directorships Held		No. of Chairmanships / Memberships of Other Board Level Committees	
		Public Ltd.	Pvt. Ltd.	Membership	Chairmanship
Mr. Ashok Jaipuria	Non-executive – Chairman (Promoter)	2	-	-	-
Mr. Shreekant Somany	Non-executive, Independent	5	1	-	-
Mr. Rakesh Nangia	Non-executive, Independent	-	4	-	1
Mr. N. K. Gupta	Non-executive, Independent	1	2	-	-
Mr. H.L. Paranjpe*	Non-executive, Independent	-	-	-	-
Mr. Ambrish Jaipuria	Executive	-	2	-	-
Mr. A. K. Jain	Non-executive, Independent	2	1	2	1

* Ceased to be a Director w.e.f. 8th August, 2012

NOTE:

- The Directorship held by Directors as mention above; do not include alternate Directorship, Directorship of Foreign Companies, Section 25 companies and Private Ltd. Company.
- As per clause 49, Membership(s) / Chairmanship(s) of any of the Audit Committee and Shareholder / Investor Grievances Committee have been considered.
- 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 AND SELECTION OF AGENDA FOR BOARD MEETINGS

The months for holding the Board Meetings in the ensuing

year are usually decided in advance and mostly the Board Meetings are held at 302, "BAANI" , Corporate One Building, Jasola District Centre, New Delhi- 110 025 . The Company Secretary drafts the agenda for each meeting, along with explanatory notes, and is distributed 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.