

15th Annual Report 1996-97

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15th Annual Report 1996-97







G. P. ELECTRONICS LTD.

15TH ANNUAL REPORT 1996-97

Board of Directors

Mr. Ajay G. Pirmal
Smt. Urvi A. Pirmal
Mr. Shyam Ghia
Mr. Jehangir R. Gagrati
Mr. M. J. Tibrewala
Mr. Gautam B. Doshi
Vice Adml. S. Jain (Retd)
Mr. Ranjan Sanghi
Mr. Shreyas Doshi
Mr. S. N. Somani

Chairman

Executive Director

Bankers

Dena Bank
Allahabad Bank

Auditors

Haribhakti & Co.
Chartered Accountants
Mumbai

Registered Office

Administrative Bldg.
Morarjee Mills Compound,
Dr. Ambedkar Road,
Parel, Mumbai - 400 012

Works

Plot No. B-87, Nashik Indl. Estate,
Ambad, Nashik-422 010

Share Transfer Agent

Amtrac Management Services Limited

Administrative Unit

Administrative Bldg.
Morarjee Mills Compound,
Dr. Ambedkar Road,
Parel, Mumbai - 400 012

Processing Unit

C/o. Arrow Webtex Limited
Plot No.101/102, MIDC
19th Street, Opp. Ceat Tyres Ltd.
Satpur, Nasik-422 007

Annual General Meeting will be held on
Wednesday, 24th September, 1997 at 11.00 a.m. at **Shri Walchand Hirachand Hall**, Indian Merchants' Chamber's Bldg., 76 Veer Nariman Road, Near Churchgate Station, Mumbai 400 020

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NOTICE

NOTICE is hereby given that the Fifteenth Annual General Meeting of the Members of G. P. Electronics Limited will be held at Walchand Hirachand Hall, Indian Merchants Chamber's Building, 76, Veer Nariman Road, Near Churchgate Station, Mumbai-400 020 on Wednesday, the 24th September, 1997 at 11.00 a.m. to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 1997 and Profit & Loss Account for the year ended on that date and Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri Jehangir R. Gagrath, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Shri M.J. Tibrewala, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Shri Gautam B. Doshi, who retires by rotation and is eligible for re-appointment.
6. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

7. **Smt. Urvi A. Piramal - Director**

To consider and if thought fit, to pass, with or without modifications, the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Smt. Urvi A. Piramal, who was appointed as a Director of the Company on 22nd January, 1997 under Article 132 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company."

8. **Shri. S.N. Somani - Director**

To consider and if thought fit, to pass, with or without modifications, the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Shri. S. N. Somani, who was appointed as a Director of the Company on 22nd

January, 1997 under Article 132 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company."

9. **Shri S. N. Somani - Executive Director**

To consider and if thought fit, to pass, with or without modifications, the following Resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force), Shri S. N. Somani be and is hereby appointed as Executive Director of the Company (designated as Chief Executive Officer), not liable to retire by rotation, for a period of 5 years with effect from 22nd January, 1997 upon the following terms and conditions including payment of remuneration and perquisites and benefits payable to him as under, with liberty and powers to the Board of Directors to alter and vary the terms and conditions and remuneration in such manner as the Board may deem fit and is acceptable to Shri S. N. Somani, within the limits specified in Schedule XIII of the Companies Act, ('the Act') or any amendments thereto.

- a) Salary : Rs.46,000/- per month, which may be increased from time to time by the Board of Directors in accordance with Schedule XIII of the Act, as amended from time to time.
- b) Commission: Subject to the overall limits laid down in Sections 198 and 309 of the Act, such percentage of the net profits of the Company or such quantum as may be decided by the Board for each financial year computed in the manner laid down in Section 309 (5) of the Act.
- c) The Executive Director will be entitled to the following perquisites with an authority to the Board to grant, alter or vary from time to time, the amount and type of perquisites payable to him, but within the overall limits prescribed under Schedule XIII of the Companies Act, 1956:
 - i) Housing :
 - a) The expenditure by the Company on hiring unfurnished accommodation will be



subject to a ceiling of 60% of the salary over and above 10% payable by the Executive Director.

- b) in case the accommodation is owned by the Company, 10% of the salary of the Executive Director shall be deducted by the Company.
- c) in case no accommodation is provided by the Company, the Executive Director shall be entitled to receive as house rent allowance such amount as the Board may approve subject to the ceiling laid down in (a) above.

The expenditure incurred by the Company on gas, electricity, water and furnishings will be valued as per Income-tax Rules, 1962. This shall, however be limited to such amount as the Board may approve.

- ii) Medical Reimbursement: Expenses incurred for self and his family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years, in accordance with the Company's rules.
- iii) Leave Travel Concession: For self and family once in a year subject to such limit as may be decided by the Board of Directors from time to time. The present limit will be Rs.46,000/-.
- iv) Club Fees as may be decided by the Board: This will not include admission and life membership.
- v) Personal Accident Insurance: Reimbursement of premium as may be decided by the Board.
- vi) The Executive Director shall be eligible to the following perquisites which shall not be included in the computation of the ceiling on remuneration specified above.
 - a) Company's contributions to Provident Fund, Superannuation Fund or Annuity Fund as per the Company's Rules to the extent either singly or put together are not taxable under the Income Tax Act.
 - b) Gratuity : As per Rules of the Company's Gratuity Trust Fund.
 - c) Leave with full pay as per the Company's Rules. Encashment of Leave at the end of

tenure is permitted.

- vii) The Company shall provide a car for use on Company's business and telephone at the residence of the Executive Director. The Executive Director shall be billed by the Company for personal long distance calls on telephone and use of car for private purposes.
- viii) The Executive Director shall be entitled to such other benefits or amounts as may be approved by the Board and permissible under Schedule XIII of the Companies Act, 1956, or otherwise.

In the event of loss or inadequacy of profits, the Executive Director shall be entitled to receive the same remuneration, perquisites and benefits as above.

Notice of Termination: Three months' notice on either side.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to grant increment/s and other perquisites to the Executive Director and to alter and vary the terms and conditions of the said appointment so as not to exceed the maximum limits for payment of remuneration specified in Schedule XIII of the Companies Act, 1956 or any amendments thereto, as may be agreed to between the Board of Directors and Shri S. N. Somani."

10. Alteration of Articles:

To consider and if thought fit, to pass, with or without modifications, the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 31 and other applicable provisions of the Companies Act, 1956, the Articles of Association of the Company be and is hereby altered by substituting Clause (1) of Article 70 by the following:

70.(1) The Company shall have the power, subject to and in accordance with all applicable provisions of the Act to purchase any of its own shares whether or not they are redeemable, at such rate(s) and on such terms and conditions as the Board may deem fit and appropriate and make the payment for such purchase(s) and to keep them alive and/or reissue from time to time such number(s) of shares so purchased at such rate(s) and on such terms and conditions as the Board may deem fit and appropriate."

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. Explanatory Statement under Section 173 of the Companies Act, 1956 is annexed hereto.
3. The Register of Members of the Company will remain closed from Tuesday, the 16th September, 1997 to Wednesday, the 24th September, 1997 (both days inclusive).
4. Dividend, if declared at the Annual General Meeting will be paid on or after 3rd October, 1997 to those members whose names will stand on the Register of Members on 24th September, 1997
5. The Company has appointed Amtrac Management Services Ltd., having its Administrative Office at Administrative Bldg, Morarjee Mills, Dr. Ambedkar Road, Parel, Mumbai- 400 012 and processing unit at C/o Arrow Webtex Ltd., Plot No.101/102 M.I.D.C., 19th Street, Opp. Ceat Tyres Ltd., Satpur, Nasik-422007, as their Share Transfer Agents. The members are requested to notify immediately the change, if any, in their address specifying full address with Pin Code giving their Registered Folio Number, to the Share Transfer Agent at their Nasik address.
6. (a) Those members who have so far not encashed their dividend warrants for the below mentioned financial years may claim or approach the Company for the payment as the same will be transferred to the General Revenue Account of the Central Government on the respective dates mentioned there against.

For Financial Year ended	Due date of transfer
31.3.1994	14.09.1997
31.3.1995	07.09.1998
31.3.1996	01.09.1999

- (b) Pursuant to Section 205A of the Companies Act, 1956 unclaimed dividend for the financial years upto 31st March, 1993 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrants for the said period/s are requested to claim the amount from

the Registrar of Companies, Maharashtra, Mumbai by submitting an application in prescribed form.

7. With a view to provide protection against fraudulent encashment of Dividend Warrants & Debenture Interest Warrants, Shareholders/Debentureholders were requested by the Company to provide their bank account number, name and address of the Bank Branch to enable the Company to incorporate the said details on the Dividend Interest Warrants. Although several Shareholders/Debenture-holders have responded to this request, a large number have yet to provide such information. These members are once again requested in their own interest to provide the above mentioned details quoting their folio numbers. Members will appreciate that the Company will not be responsible for any loss arising out of fraudulent encashments of the Dividend /Interest Warrants.

By Order of the Board

S.N. Somani
Executive Director

Registered Office:
Administrative Building
Morarjee Mills Compound
Dr.Ambedkar Road
Parel, Mumbai 400 012
Dated : 30th June, 1997

EXPLANATORY STATEMENT

Explanatory Statement under Section 173 of the Companies Act, 1956

ITEM NOS.7& 8

In accordance with Article 132 of the Company's Articles of Association, Smt. Urvi A.Piramal and Shri S.N. Somani were appointed as Directors of the Company with effect from 22nd January, 1997 Accordingly Smt. Urvi A.Piramal and Shri S.N.Somani hold office upto the date of this Annual General Meeting. Notice is received from a member under Section 257 of the Companies Act, 1956 of the intention to propose them as Directors at this meeting.

Your Directors therefore, recommend adoption of the resolutions set out at Item Nos.7 & 8 of the accompanying Notice.

**ITEM NO.9**

Shri. S. N. Somani has been looking after the day to day management and operations of the Company for quite sometime. The Board of Directors of the Company has therefore, inducted Shri. S. N. Somani on the Board effective from 22nd January, 1997. He has also been appointed as Executive Director of the Company for a period of 5 years from 22nd January, 1997 upon the remuneration and terms and conditions as set out in the resolution at Item No.9 of the accompanying Notice.

The remuneration and perquisites as set out in the said resolution shall be payable to the Executive Director notwithstanding that in any financial year, the Company makes no profits or makes inadequate profits. This may be treated as an abstract as required u/s. 302 of the Companies Act, 1956.

As it concerns him Shri S.N.Somani is deemed to be concerned or interested in this resolution.

Your Directors, recommend the said resolution.

ITEM NO.10

The alteration of existing Clause (1) of Article 70 as set out at Item No.10 of the Notice is to enable the Company to purchase any of its shares in accordance with the law as

may be then prevailing, in the event, the Company is permitted by law to purchase its own shares. It is to be clearly noted that the power to acquire/purchase of the shares of the Company under the proposed Article should not be construed as reduction of capital. The Resolution confers authority on the Board through the Article for the purpose.

A copy of the Articles of Association with the proposed alteration is available for inspection of members from Monday to Friday upto 24th September, 1997 between 11.00 a.m. to 1.00 p.m. at the Registered Office of the Company.

By Order of the Board

S. N. Somani
Executive Director

Registered Office:
Administrative Building
Morarjee Mills Compound
Dr.Ambedkar Road
Parel, Mumbai 400 012
Dated : 30th June, 1997



DIRECTORS' REPORT

To the members,

Your Directors present their Fifteenth Annual Report on the business and operations of the Company together with the Audited Accounts for the year ended 31st March 1997.

FINANCIAL HIGHLIGHTS

	(Rs. in lacs)	
	Year Ended	Year Ended
	31.03.97	31.03.96
Income from Operations (net of Excise)	1028.41	1154.90
Profit before Depreciation and Tax	283.98	446.19
Depreciation	216.39	161.25
Profit before tax	67.59	284.94
Provision for taxation	10.00	-
Profit after tax	57.59	284.94
Add : Profit brought forward	128.77	128.31
Less : Short Provision for tax of earlier years	—	82.26
Profits available for appropriation	186.36	330.99
APPROPRIATIONS :		
Debenture Redemption Reserve	14.88	14.88
Proposed Dividend	48.61	87.34
Tax on Proposed Dividend	4.86	—
General Reserve	10.00	100.00
Balance carried forward	108.01	128.77
	186.36	330.99

DIVIDEND

Your Directors are pleased to recommend a dividend of 10%. The dividend will absorb Rs. 53.47 lakhs compared to Rs. 87.34 lakhs of the last year.

OPERATIONS

1996 - 97 the year under review was a difficult year for the Company. The general recessionary trend in the economy led to depressed market conditions in the consumer electronics industry - a major user industry for your Company's products. In addition, speaker ring magnets, faced severe price competition due to the onslaught of the low priced imports from China. The situation was exacerbated by the reduction in import duties resulting in the price realisation for these magnets declining by 26 % during the course of the year.

In international markets too, China and CIS countries adopted a strategy of aggressive pricing. We were compelled to reduce our prices to match those of competition, due to the price elasticity of the product. Higher costs, particularly those of power - a major input, has put further pressure on our profitability. The management continues to put in efforts to contain costs through stringent cost control measures.

The labor strike which started in January 1996 continued till mid June 1996. Even after the strike was called off, it took a few months to reach normal levels of operations. This also affected the company's profitability during the year.



The prices of speaker ring magnets have continued to fall during the current year due to large scale imports of low price magnets from China. Despite the quality of our magnets being superior to that of Chinese imports, the Company continues to face difficult market conditions on account of the extreme price elasticity of demand for this product.

FUTURE OUTLOOK

In view of the above scenario the management has formulated a long term strategy to shift the product mix towards speciality high value added magnets. A first step in this direction was taken by entering into a collaboration arrangement with M/s. TDK Corporation, of Japan the global market leader in hard ferrites.

With TDK technology, we have initiated a Rs. 15 crore modernisation - cum - expansion project which will double our existing capacity. This project will -

- a) enable the change in product mix towards high value added Arc Magnets vis - a vis the Speaker Ring Magnets. Due to the proprietary nature of sophisticated technology required for production of Arc Magnets, this product range is not exposed to price competition. Competition in this high value added segment of the market revolves around factors such as quality of product, proximity to the market and technical support services - in which the Company (in collaboration with TDK) will have an edge.
- b) enable our Company to reap the benefits of economies of scale. This will help substantially in the Speaker Ring Magnets segment, as the cost of production of Speaker Ring Magnets will be reduced on completion of this Project. The expansion Project is based on gas fired kilns as opposed to our current electric fired kilns. This will allow us to optimize energy efficiency and reduce power costs - which as already noted are a significant component in the Company's cost structure.
- c) enable our Company to deepen its penetration of export markets due to the access provided to the distribution channels of TDK. In this context it will be worth noting that TDK Japan has greater than 50% market share globally for Arc Magnets.

A related trend reveals a shift in global production of magnets from developed nations to developing countries like China and India, in view of the low costs of production. We anticipate that this expansion - cum - modernisation project will be completed by April 1998 and its full impact will be felt from the financial year 1998 - 99 onwards.

EXPORTS

In spite of severe competition in the international market, the company achieved a 14% growth in its export turnover compared to previous year. The company continues its export thrust.

INSURANCE

All the properties and insurable interests of the company including buildings, plant and machinery and stocks wherever necessary and to the extent required, have been adequately insured.

CONSERVATION OF ENERGY, TECHNOLOGICAL ABSORPTION

Conservation of energy continues to be a priority area for the Company and efforts were directed to reduce the energy costs.

Particulars required by section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are given in Annexure 'A'.

DIRECTORS

Smt. Urvi A. Piramal who was appointed as Additional Director during the year holds office upto the Annual General Meeting and is proposed to be appointed as Director.

Mr. S. N. Somani was appointed as Executive Director with effect from 22nd January, 1997. Your approval to the said appointment and the remuneration payable to him is being sought at this Annual General Meeting.