20th Annual Report 2001-2002

A PIRAMAL ENTERPRISE

G. P. Electronics Ltd.

G. P. ELECTRONICS LIMITED

20TH ANNUAL REPORT 2001-2002

Board of Directors
Mr. Ajay G. Piramal *Chairman*
Mrs. Urvi A. Piramal
Mr. Shyam Ghia
Mr. M. J. Tibrewala
Mr. Gautam B. Doshi
Vice Adml. S. Jain (Retd)
Mr. Ranjan Sanghi
Mr. Shreyas Doshi
Mr. S. M. Kulkarni
Mr. S. N. Somani

Mr. Prashant J Mistry Company Secretary

Bankers
Oriental Bank of Commerce

Auditors
Haribhakti & Co.
Chartered Accountants
Mumbai

Registered Office
Administrative Building,
Morarjee Mills Compound,
Dr. Ambedkar Road,
Parel, Mumbai - 400 012

Works
Plot No. B-87, Nasik Indl. Estate,
Ambad, Nasik-422 010
Tel. : 0253-382238/382267
E-mail : gpel@giasbm01.vsnl.net.in
Website : www.gpelmagnet.com

Share Transfer Agent
Amtrac Management Services Limited

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

Processing Unit
Plot No. 101/102, MIDC,
19th Street, Opp. Ceat Tyres Ltd.,
Satpur, Nasik - 422 007.

Annual General Meeting will be held on Tuesday, 6th August, 2002 at 11.00 a.m. at Walchand Hirachand Hall, Indian Merchants' Chambers Building, Churchgate, Mumbai - 400 020

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NOTICE

NOTICE is hereby given that the 20th Annual General Meeting of the members of G.P. Electronics Limited will be held on Tuesday, the **6th** day of **August, 2002** at **11.00 a.m** at **Walchand Hirachand Hall, Indian Merchants' Chambers Building, Churchgate, Mumbai - 400 020** to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2002 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Vice Adm.S.Jain (retd.), who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. Ranjan Sanghi, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. S. N. Somani, who retires by rotation and is eligible for re-appointment.
5. 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.

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. The Register of Members of the Company will remain closed from **Friday, the 2nd day of August, 2002** to **Tuesday, the 6th day of August, 2002,** (both days inclusive).
3. Securities and Exchange Board of India, has made trading in the shares of the Company **compulsory** in dematarialised form for all investors with effect from **24th July, 2000**. Shareholders are requested to open an Account with Depository Participants, if not done so far.
4. 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 Investor Education and Protection Fund of the Central Government, pursuant to the introduction of Section 205C by Companies (Amendment) Act, 1999 on the respective dates mentioned thereagainst.

Financial Year ended	Due date of transfer
31.03.1996	01.09.2003
31.03.1997	15.12.2004
31.03.1998	02.09.2005
31.03.1999	15.09.2006
31.03.2000	11.10.2007
31.03.2001	18.10.2008

5. Pursuant to Section 205A of the Companies Act, 1956 all unclaimed dividend upto the financial year 31st March, 1995 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 same from the Central Government in the prescribed form.
6. The introduction of Section 109A by the Companies (Amendment) Act, 1999 provides for Nomination by the shareholders/debentureholders of the Company in the prescribed Form No. 2B. The shareholders are requested to avail of this facility. The duly filled in and signed Form No. 2B should be sent to the Share Transfer Agents of the Company at their Nasik address.
7. In order to render better and efficient services, we request you to consolidate the multiple folios which are in the same names and in identical order. Consolidation of folios does not amount to transfer of shares and therefore, no stamp duty or other expenses are payable by you. In case you decide to consolidate your folios, you are requested to forward your share certificates to the Share Transfer Agents of the Company at their Nasik address.

By Order of the Board

Prashant Mistry
Company Secretary

Registered Office:
Administrative Building
Morarjee Mills Compound
Dr. Ambedkar Road
Parel, Mumbai 400 012

Dated: 29th June, 2002

DIRECTORS' REPORT

To the Members,

The Directors present their 20th Annual Report on the business and operations of the Company togetherwith the audited accounts for the year ended on 31st March, 2002.

OPERATIONS AND FINANCIAL SUMMARY

The financial year 2001-2002 was distinctly different in terms of operations in the first half and the second half. In the first half of the year, we posted a profit before tax of Rs. 16.45 lacs; in the second half the profit before tax plunged down resulting in a loss for the year of Rs. 25.57 lacs. The erosion in the profits is attributed to steep fall in prices of loudspeaker rings, a marked downturn in the market, higher depreciation charge and increase in employee costs.

The loud speaker ring market saw heavy imports from China, exerting pressures on prices and volumes. Although, in the first half of the year 13.7 million pieces were sold vis-à-vis 15.4 million pieces in the second half, prices fell by 12% in the latter period and the benefits of increased sale could not be availed. In the past, this kind of downturn would have meant huge losses for the Company. We are a different Company today than we were a year ago, and therefore we expect to emerge in future with improved performance because of cost reductions and product strategies that are in hand.

Let us now review the business operations with you. The financial highlights for the year are summarized as under.

Rs. Lakhs

Particulars	**Year ended 31.03.2002**	Year ended 31.03.2001
Income from operations	**1564.78**	1763.68
Profit before depreciation and tax	**235.99**	331.01
Less : Depreciation	**261.56**	243.82
Profit / (Loss) before tax	**(25.57)**	87.19
Less : Provision for taxation	—	11.50
Add : Deferred Tax	**23.76**	—
Profit / (Loss) after tax	**(1.81)**	75.69
Less : Prior period items	**11.97**	Nil
Net Profit / (Loss)	**(13.78)**	75.69
Add : Profit brought forward	**59.01**	49.62
Profits available for appropriations	**45.23**	125.31
Appropriations		
Proposed dividend	—	58.33
Income tax on proposed dividend	—	5.97
Transfer to General Reserve	—	2.00
Balance carried forward	**45.23**	59.01

During the year production and sales (in quantity terms) reflected a dip of 4.76% and 9.57% respectively over the previous year. Main reasons for this are (1) downward trend in off-take from Original Equipment Manufacturers (OEMs) compared to previous year; (2) fall in export business owing competition from China with substantial price reductions. During the year, our exports did not reflect any growth, mainly due to the capture of European markets by Chinese manufacturers and we were short by 84.39% compared to the previous year.

Thus, at the end of the second half of the year we set out specific milestones with a clearly defined turnaround timeframe. We have focused on arc magnet business and aim to make it a major proportion of our operations. Thus, by end of next financial year, the Company hopes to report reasonably good profits.

DIVIDEND

In view of the losses suffered by the Company during the year under report, your directors do not recommend any dividend for this year.

STRATEGIC THRUST

Building on the theme proposed in the last year, the Company embarked upon making investments in building infrastructure facilities for the manufacture of arc magnets on a higher scale. During the year the arc magnet business reflected a growth of 29%, most of which has been in the last quarter of the year. In the years to come, the Company would like to emerge as a major producer of arc magnets.

We have professional people and have invested in the development of our human resources so that we are able to efficaciously ensure the successful realization of our operating strategies.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Energy cost with a 33% share finds a prominent place for reduction. The main ingredient – gas, is highly price sensitive and fluctuates widely over the year. Efforts are on to reduce input cost through substitute fuel. These would bring benefits in the years to come. Plant operations are also staggered to draw benefits of power incentives offered by the State. 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' RESPONSIBILITY

As required u/s 217(2AA) of the Companies Act, 1956 ("the Act") we hereby state:-

a. that in the preparation of the annual accounts, the applicable accounting standards have been followed with proper explanation relating to material departures, if any

b. that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company as at 31st March, 2002 and its loss for the year ended on that date.

c. that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and preventing and detecting frauds and other irregularities.

d. that the Directors have prepared the annual accounts on a going concern basis.

DIRECTORS

Vice Adml. S. Jain (Retd), Mr. Ranjan Sanghi and Mr. S. N. Somani Directors of Company, retire by rotation at this Annual General Meeting and are eligible for re-appointment, which the Board recommends.

The Board has constituted an Audit Committee which consist of Mr. Gautam B. Doshi, Mrs. Urvi A. Piramal and Mr. Ranjan Sanghi.

PARTICULARS OF EMPLOYEES

There are no employees, particulars of whom are to be given under the provision of section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

AUDITORS

The auditors, M/s Haribhakti and Company, retire at this Annual General Meeting and are eligible for re-appointment. The Board recommends their appointment.

ACKNOWLEDGEMENT

The challenges before us have been assessed and clearly addressed with responses defined. The Management together with employees are committed towards implementing the solutions. We owe all our employees, bankers, customers and vendors our gratitude for their co-operation and continued support.

By order of Board of Directors,

Ajay G. Piramal
Chairman

Mumbai, June 29, 2002

Annexure "A"

FORM - B

(See Rule 2)

I. *FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION*

1. Specific area in which R & D is carried out by company	:	Research continues to be carried out in areas of high power strontium arc magnets with varied application technology.
2. Benefits derived as a result of above.	:	Improvement in yield and development of new customers.
3. Future plan of action	:	Development of new customers to enhance *product variety.*
4. Expenditure on R & D		
a) Capital	:	Nil
b) Recurring	:	Approx. Rs. 95,000 per month.
c) Total	:	Rs. 11.40 lacs per annum
d) R & D expenditure as % to total turnover	:	0.85%

Technology absorption, adoption and innovation.

1. Efforts were made to enhance output by improvement in efficiency and business process re-engineering.
2. As a result of above activities, the output has increased by 20% in the current year without any addition of equipment.
3. Others

a) Technology imported	:	Manufacture of hard ferrites through wet process.
b) Year of import	:	*1998-99.*
c) Has technology been fully absorbed	:	Yes.
d) If not full absorbed, areas where this has not taken place, reasons thereof and future plans.	:	Not applicable.

Foreign exchange earnings and outgo :

1. Export activities Reduction in the benefits conferred by the Government of India through Finance Bills and extreme low prices being offered by Chinese manufacturers, this area seems not very profitable and lucrative.

3. Foreign exchange earned and used

a. Foreign exchange earned	:	Rs. 6.49 lacs
b. Foreign exchange used	:	Rs. 75.27 lacs

Auditors Report to the Members of G. P. ELECTRONICS LIMITED

We have audited the attached Balance Sheet of **G.P. Electronics Limited**, as at 31st March 2002 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

I. As required by the Manufacturing and other Companies (Auditors Report) Order, 1988 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to the company.

II. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:

a) We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of our audit;

b) In our opinion, the Company, as required by Law, has kept proper books of account, so far as it appears from our examination of the books;

c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;

d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report are prepared in compliance of the applicable Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956

e) On the basis of written representation received from the directors, as on 31st March 2002, and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March 2002 from being appointed as a director in terms of Clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2002 and

ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date.

For HARIBHAKTI & CO.
Chartered Accountants

Sushil Shah
Partner

Mumbai, June 29, 2002

Annexure referred to in paragraph I of our report of even date to the members of G. P. ELECTRONICS LIMITED

1. The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets. As per the phased program designed by the Company, the fixed assets have been physically verified by the Management at reasonable intervals and no material discrepancies between the book records and the physical inventory were noticed.
2. None of the fixed assets have been re-valued during the year.
3. The stocks of finished goods, spare parts and raw materials have been physically verified by the Management. In our opinion, the frequency of verification is reasonable.
4. The procedures and methods of physical verification of stocks followed by the Management are reasonable and adequate in relation to size of the Company and nature of its business.
5. The discrepancies noticed on physical verification of stock as compared to book records, which in our opinion were not material, have been, properly dealt with in the books of account.
6. In our opinion and on the basis of our examination, the valuation of stock is fair and proper and in accordance with normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company had not taken any loan from any Company listed in the register maintained under section 301 of the Companies Act, 1956.
8. The Company had not given any loan to any Company listed in the register maintained under Section 301 of the Companies Act, 1956 or Company under same management listed under section 370 of Companies Act, 1956, except for loan given to a company listed under section 301 of the Companies Act, 1956, terms and conditions of which are, prima-facie, not prejudicial to the interest of the Company.
9. In respect of Interest free loans and advances in the nature of loans given by the Company to its employees and others, they are repaying the principal amount as stipulated.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw-materials including other assets and with regard to the sale of goods.
11. There were no transactions of purchase of goods and materials or sale of goods, materials and services in pursuance of contracts or arrangements entered in the register maintained under Section 301 and aggregating during the year to Rs.50,000/- or more in respect of each party.
12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, spares, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
13. The Company has not accepted any deposits during the year as defined under Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap. The Company does not have any realisable by-product.
15. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
16. We are informed that the Central Government has not prescribed maintenance of cost records under section 209 (1) (d) under the Act, 1956 for any of the products manufactured by the Company.
17. The Company has generally regularly deposited during the year, Provident Fund & Employees State Insurance dues with the appropriate authorities. There are no arrears of such dues at the end of the year.
18. According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, wealth-tax, sales-tax, customs duty and excise duty were outstanding as on 31st March, 2002 for a period of more than six months from the date they became payable.
19. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The Company is not a sick industrial company within the meaning of clause (0) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For HARIBHAKTI & CO.
Chartered Accountants

Sushil Shah
Partner

Mumbai, June 29, 2002