
21st

Annual

Report

2002-2003

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A PIRAMAL
ENTERPRISE

G. P. Electronics Ltd.





G. P. ELECTRONICS LIMITED

21ST ANNUAL REPORT 2002-2003

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. 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, Additional Indl. Estate,
 Ambad, Nasik-422 010
 Tel. : (O) 0253-2382238 / 2382267
 E-mail : gpel@vsnl.com
 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
Wednesday, 9th July, 2003 at 11.30 a.m.
 at Walchand Hirachand Hall, Indian
 Merchants' Chambers Building, Churchgate,
 Mumbai - 400 020

Contents

	Pages
Management Discussion & Analysis	2
Corporate Governance	4
Notice	14
Directors' Report	15
Auditors' Report	18
Balance Sheet	20
Profit and Loss Account	21
Schedules	22
Cash Flow	33
Balance Sheet Abstract	34
Proxy Form & Attendance Slip	35



MANAGEMENT DISCUSSION & ANALYSIS

Industry

The hard ferrite industry has primarily three product groups with loud speaker ring magnets, arc segments for auto industry and isotropic products for low power mini motors. Rare earth magnets such as (NdFeB) Neodymium magnet are becoming increasingly popular and likely to replace certain categories of products where hard ferrite is presently being used. The industry is however very capital intensive with low asset turnover issues. Business success, therefore, depends on high volumes and high operating margins.

Opportunities and Threats

There is good growth potential both in arc segments and loud speaker ring magnets due to the auto industry and the colour TV industry growing at a fast pace. However, huge production capacity of Chinese manufacturers, alongwith higher labour productivity and export benefits, has been a major threat to the Indian Ferrite Industry. The nature of industry and its process environment are of such a nature from the working environment point of view, that more developed countries in the West have been progressively vacating the industry. This poses an opportunity despite the threat from Chinese manufacturers.

Product Performance

The falling prices of Loud Speaker Rings have made it imperative to increase the product-mix value of Arc Magnets where the price realization is higher. Therefore, it is prudent to pursue a strategy which makes it possible for an increasing proportion of tonnage sales to come from segments. Keeping this in view, the company has to invest judiciously in moving progressively in this direction.

During the year under consideration, the company has made a breakthrough in the business of arc (segment) magnet. The output of segments has seen an increase of 158% in volume terms and 161% in value terms. This strategic direction must constitute a major factor in the Company's future. The share of the business for different product groups is as follows :-

(1)	LSR	68%
(2)	Segment	27%
(3)	Others	05%

Outlook

A detailed strategic analysis and study was carried out towards the end of last year which has brought out the necessity of rapidly increasing the output of Motor Arc Segments. An investment outlay of approx. Rs. 800 lacs has been estimated in order to switch over completely to segments. Alongwith this change, the Company will find it necessary to focus on rapid development of products and services to counter the competition from China. Increasing output from Chinese ferrite manufacturers would however pose a threat to the current price levels.

Risks and Concerns

Price reduction and hence profitability erosion are the main concerns. The company has to keep a close track of trends in demand/supply.

The arc magnet business is subject to the price threat from Chinese manufacturers. Some customers have already started consuming Chinese material, but are apprehensive about quality. Consistent quality and customer service would have to be therefore given the utmost importance.



Liquidity risk : The Company seeks to achieve a balance between certainty of funding and flexible cost-effective borrowings. Adequate funds are available to meet the liabilities as and when those arise.

Interest risk : The Company does not have any exposure to interest rates fluctuations.

Currency risk : Since the Company does not have overseas exports and no material amount of foreign liabilities remain unpaid at the close of year, the exposure to currency risk is meted out.

Price risk : Our strategic direction is expected to result in progressively improving profitability but is highly dependent on the sustenance of current level of market price.

Internal controls

The company has engaged a reputed firm of Chartered Accountants to carry out the internal audit. The internal audit is being carried out at regular intervals and the frequency is adequate considering the size and nature of the industry. An integrated oracle based system is in place to check proper flow of documents and adherence to laid down procedures.

Financial and operational performance

The company has registered a top line growth of 21% during F2003 and despite severe adverse market conditions, has been able to bring down its borrowings through internal generation.

The increase in debtors from Rs.282 lacs as on 31st March, 2002 to Rs.362 lacs as on 31st March, 2003 is mainly due to increased share of business with OEMs where liquidity is a constraint.

Concerted efforts are being directed towards reduction in inventory. However, during the month of March 2003 the Management has taken a conscious decision to build up stocks necessary to undertake trials on energy saving activities.

The Company has had to invest an amount of Rs. 20 Lacs on account of the project for enhancing segment production.

It has also entered into annual supply contracts with parties to avail of price benefits.

Human Resources and Industrial Relations

Your company has already signed a long term wage settlement for a period of 3½ years expiring on May 2004 with the Union. The industrial relations are cordial with proactive support for productivity improvement. We have 49 staff members and 94 skilled permanent workers. We constantly endeavour to enhance knowledge and skill of our executives. Towards these objectives, we have conducted a series of training programs – both internally and through external faculty.



CORPORATE GOVERNANCE

Introduction

Your Company has complied in all material respects with the features of Corporate Governance Code as per Clause 49 of the Listing Agreement with the Stock Exchanges.

A report on the implementation of the Corporate Governance Code of the Listing Agreement by the Company is furnished below.

A. MANDATORY REQUIREMENTS

1. Company's Philosophy on Corporate Governance

Corporate Governance is the combination of voluntary practices and compliance with laws and regulations leading to effective control and management of the organisation. Good Corporate Governance leads to long term shareholder value and enhances interest of other stake holders. It brings into focus the fiduciary and the trusteeship role of the Board to align and direct the actions of the organisation towards creating wealth and shareholder value.

2. Board of Directors

The Board presently consists of all non-executive directors and a majority of independent directors, comprising three (3) non-executive directors and six (6) independent directors.

The constitution of the Board is given below :

Director	Executive / Non-Executive / Independent *	No. of other Directorships #	Membership of other Board Committees
Ajay G.Piramal	Chairman, Non-executive	12	1
Urvi A.Piramal	Non-executive	13	3
Gautam B. Doshi	Independent	8	6
Shyam B. Ghia	Independent	9	8
Shreyas.K.Doshi	Independent	4	—
Ranjan Sanghi	Independent	8	—
M.J.Tibrewala	Independent	6	—
Vice Adml.S. Jain (Retd)	Independent	1	—
S.M. Kulkarni	Non-executive	2	—
S.N.Somani ⊕	Non-executive	1	—

* An Independent Director is a director who apart from receiving directors remuneration, does not have any material pecuniary relationship or transactions with the Company, its promoters or its management or its subsidiaries, which in the judgement of the Board may affect their independence of judgement.

This includes directorships held in Public Limited Companies and subsidiaries of Public Limited Companies and excludes directorships held in Private Limited Companies and Overseas Companies.

⊕ Mr. S. N. Somani has resigned as Director w.e.f. 20th January, 2003.



Attendance of Directors at Board Meetings and Annual General Meeting

The Board of the Company met five times during the last financial year, on the following dates:

29th June, 2002 29th July, 2002 6th August, 2002 28th October, 2002 20th January, 2003

The Company placed before the Board the annual operating plans, budgets, performance of the Company and various other information, including those specified under Annexure 1 of the Listing Agreement, from time to time.

The attendance at the Board Meetings and Annual General Meeting were as under:

Director	Attendance	
	Board Meeting	AGM
Ajay G. Piramal	5	✓
Urvi A. Piramal	5	✓
Gautam B. Doshi	4	✓
Shyam B. Ghia	3	✓
Shreyas K.Doshi	4	✓
Ranjan Sanghi	4	✓
M.J.Tibrewala	5	✓
Vice Adml.S. Jain (<i>Retd</i>)	4	✓
S.M. Kulkarni	5	✓
S.N.Somani #	4	✓

3. Remuneration of Directors

Details of remuneration paid / payable to directors for the year ended March 31, 2003 are as follows :

(Rupees)

Director	Relationship with other directors	Business relationship with the Company	Loans and advances from the Company	Sitting fees*	Salary & Perquisites	Commission	Total
Ajay G. Piramal	Brother-in-law of Mrs. Urvi A. Piramal	Promoter	Nil	10000	Nil	Nil	10000
Urvi A. Piramal	Sister-in-law of Mr. Ajay G.Piramal	Promoters' family	Nil	16000*	Nil	Nil	16000*
Gautam B. Doshi	None	None	Nil	14000*	Nil	Nil	14000*
Shyam B. Ghia	None	None	Nil	6000	Nil	Nil	6000
Shreyas K.Doshi	None	None	Nil	8000	Nil	Nil	8000
Ranjan Sanghi	None	None	Nil	12000*	Nil	Nil	12000*
M.J.Tibrewala	None	None	Nil	10000	Nil	Nil	10000
Vice Adm. S. Jain (<i>Retd.</i>)	None	None	Nil	8000	Nil	Nil	8000
S.M. Kulkarni	None	None	Nil	10000	Nil	Nil	10000
S.N.Somani ⊕	None	None	Nil	8000	Nil	Nil	8000

* includes sitting fees paid for Committee Meetings

⊕ Mr. S. N. Somani has resigned as Director w.e.f. 20th January, 2003.



4. Audit Committee

During the financial year 2002-03, three Audit Committee Meetings were held, all of which were before adoption of the Quarterly Financial Results by the Board. The dates on which the said meetings were held are as follows :

29th July, 2002; 28th October, 2002; 20th January, 2003

The constitution of the Committee and the attendance of each member of the Committee is given below :

Name	Designation	Non-executive/ Independent	Committee Meetings Attended
Gautam B. Doshi	Chairman	Independent Director	3
Urvi A. Piramal	Member	Non-executive Director	3
Ranjan Sanghi	Member	Independent Director	2

The terms of reference of the Audit Committee include the following :

- To hold periodic discussions with the Statutory Auditors and Internal Auditors of the Company concerning the accounts of the Company, internal control systems, scope of audit and observations of the Auditors / Internal Auditors;
- To review compliance with internal control systems;
- To review the quarterly, half-yearly and annual financial results of the Company before submission to the Board;
- To investigate into any matter in relation to items specified in Section 292A of the Companies Act, 1956 or as may be referred to it by the Board and for this purpose to seek any relevant information contained in the records of the Company and also seek external professional advice, if necessary;
- To make recommendations to the Board on any matter relating to the financial management of the Company, including the Audit Report.

5. Investors Grievance Committee

The 'Investors Grievance Committee' looks into shareholders and investors grievances. The following are the members of the Committee :

Name	Designation	Executive/Non-executive/ Independent
M. J. Tibrewala	Chairman	Independent
S. M. Kulkarni	Member	Non-Executive

Prashant Mistry, the Company Secretary, is the Compliance Officer.

Share Transfers (Physical Form)

- All shares have been transferred and returned within 10 days from the date of receipt of complete documents.
- The Share Transfer Committee meets approximately once a week.
- Total number of shares (physical form) transferred during the year 2002-2003 was 13,583 compared to 1,12,697 during 2001-2002.
- As at 31st March 2003, no Equity Shares were pending for transfer.



Investor Relations

- The following table shows the nature of complaints received from shareholders during 2001-2002 and 2002-2003, which have been resolved during the year.

Nature of Complaints	2002-03	2001-02
Dividend / Debenture Interest	1	1
Non-receipt of Shares	0	0
Others	0	0

- The complaints are generally replied to within 5 days from their lodgment with the Company.
- No court cases are filed against the Company so there is no liability which is likely to devolve on the Company.

6. General Body Meetings

The location and time of the Annual General Meetings held during the last 3 years are as follows :

Annual General Meeting (AGM)	Date	Time	Venue	No. of Special Resolutions passed
18th AGM	9th August, 2000	12.00 noon	Yashwantrao Chavan Pratishthan, Next to Sachivalaya Gymkhana, Opposite Mantralaya, Mumbai 400 021	1
19th AGM	13 th September, 2001	11.00 a.m.	M. C. Ghia Hall, Bhogilal Hargovindas Building, 2 nd Floor, Kala Ghoda, Mumbai 400 001	1
20 th AGM	6 th August, 2002	11.00 a.m.	Indian Merchants' Chambers Building, Churchgate, Mumbai 400 020	—

The special resolutions were passed on show of hands.

Presently, the Company does not have any proposal for postal ballot.

7. Note on Directors appointment / re-appointment

Mr. Gautam B. Doshi, Mrs. Urvi A. Piramal and Mr. S. M. Kulkarni, Directors of the Company, are retiring by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

- (a) **Mr. Gautam Doshi** is the senior partner of RSM & Co., the leading firm of Chartered Accountants. He held various positions in the Institute of Chartered Accountants of India, including as member of the Central Council from 1991 to 1998 and Chairman of the Western India Regional Council in 1982-83. He also was the Chairman of the Indirect Taxation Committee of the Indian Merchants Chambers from 1999 to 2001. He is a



visiting faculty at various colleges and institutions. Presently he is on the Board of the following other public limited companies:

Sr.No.	Name of the Company	Designation/Membership of Board Committees
1.	Marigold Capital Mangement Limited	Director
2.	Piramal Enterprises Limited	Director
3.	Sterlite Optical Technologies Limited	Director / Chairman-Audit Committee
4.	Sterlite Industries (India) Limited	Director / Member - Audit Committee
5.	MIRC Electronics Limited	Director / Chairman-Audit Committee
6.	BSES Limited	Director
7.	Ambuja Cement Rajasthan Limited	Director / Member-Audit Committee / Member-Remuneration Committee
8.	Melstar Information Technologies Limited	Director/ Member-Audit Committee

(b) **Mrs. Urvi A. Piramal** is a Science graduate and has completed her Advanced Management Programme from the Harvard University, U.S.A. Presently, she is on the Board of the following other public limited companies:

Sr.No.	Name of the Company	Designation/Membership of Board Committees
1	The Morarjee Goculdas Spg. & Wvg.Co. Ltd.	Vice Chairperson / Member-Audit Committee / Chairperson - Investor Grievance Committee
2	Piramal Enterprises Ltd.	Vice Chairperson
3	Nicholas Piramal India Ltd.	Director / Chairperson-Investor Grievance Committee
4	Piramal Holdings Ltd.	Executive Vice Chairperson
5	The Swastik Safe Deposit & Investments Ltd.	Director
6	Urvi Chemicals & Allied Industries Ltd.	Director
7	Piramal Polymers Ltd.	Director
8	Savoy Finance & Investments Pvt.Ltd.	Director
9	PMP Components Pvt. Ltd.	Director
10	PEL Finance & Investments Pvt. Ltd.	Director
11	Pyramid Retail and Merchandising Pvt. Ltd.	Director
12	Nandini Piramal Investments Pvt. Ltd.	Director
13	Gujarat Glass Pvt. Ltd.	Director

(c) **Mr. S. M. Kulkarni** is an alumnus of the National Defence Academy. He has to his credit a degree in B.E. (Mechanical and Marine) and M.E. (Design). He is also a Chartered Engineer certified by the Council of Engineering



Institutions, London. In his 24 years in the Indian Navy, he served in various warships, design and repair organisations. He was awarded the Vishista Seva Medal by the President of India in 1990 in recognition of establishing the Indian Naval Ship Maintenance Authority. Mr. Kulkarni is also a Director in the following other public limited companies:

Sr.No.	Name of the Company	Designation/Membership of Board Committees
1.	PMP Components Private Limited	Director
2.	Nandini Piramal Investments Pvt. Ltd.	Director

8. Disclosures

- No transaction of material nature has been entered into by the Company with its Directors or Management and their relatives, etc. that may have a potential conflict with the interests of the Company. The Register of Contracts containing transactions in which directors are interested, is placed before the Board regularly.
- Transactions with the related parties are disclosed in Note No. 1(L) of Schedule XIV to the Accounts in the Annual Report.
- There has been no instance of non-compliance by the Company on any matter related to capital markets. Hence, the question of penalties or strictures being imposed by SEBI or the Stock Exchanges does not arise

9. Means of Communication

- The annual, half-yearly and quarterly results are regularly posted by the Company on its website www.gpelmagnet.com. These are also submitted to the Stock Exchanges in accordance with the Listing Agreement and published in newspapers like Financial Express.
- Management Discussion & Analysis forms part of this Annual Report.

10. General Shareholder Information

a) Annual General Meeting

- Date and Time: 9th July, 2003 at 11.30 a.m.
- Venue: Walchand Hirachand Hall, Indian Merchants' Chamber's Building, Churchgate, Mumbai- 400 020

b) Financial Calendar

Financial reporting for

- Quarter ending June 30, 2003: By 31st July, 2003
- Half year ending September 30, 2003: By 31st October, 2003
- Quarter ending December 31, 2003: By 31st January, 2004