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Annual

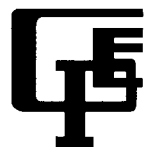
Report

2003-2004

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G. P. Electronics Ltd.





G. P. ELECTRONICS LIMITED

22ND ANNUAL REPORT 2003-2004

Board of Directors

Mr. Ajay G. Piramal Chairman

Mr. Gautam B. Doshi

Mr. Shreyas Doshi

Mr. Shyam Ghia

Vice Adml. S. Jain (Retd)

Mr. S. M. Kulkarni

Mrs. Urvi A. Piramal

Mr. Ranjan Sanghi

Mr. M. J. Tibrewala

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

Annual General Meeting will be held on
**Thursday, 16th September, 2004 at
2.30 p.m.** at Walchand Hirachand Hall, Indian
Merchants' Chambers Building, Churchgate,
Mumbai - 400 020.

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,
Satpur, Nasik - 422 007.

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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 ratios. Business success, therefore, depends on high volumes and high operating margins.

Opportunities & Threats

Growth potential is now limited to arc segments alone. Due to heavy import of loud speaker ring magnets from China inflicting pressure on prices, not much growth could be expected in this sector. Huge production capacities coupled with higher labour productivity enable the Chinese to reap the benefits of economies of scale and become very low price supplier. Although efforts were taken to curb the imports by way of levying the anti-dumping duty, the traders maneuvered to circumvent the same.

Arc magnets find the primary usage in two and four wheelers sectors, which are growing at an average rate exceeding 20%. With only two arc magnet manufacturers in India, this business has good potential for growth.

Product Performance

During the year under consideration, the company has made a marginal growth in the business of arc (segment) magnet. The output of segments has seen a growth of 19% in volume terms and 14% in value terms. The share of arc magnet in the business grew from 27% in the previous year to 32% in the current year. Prices of loud speaker rings fell down by 6% as compared to the previous year. As compared to previous year, higher sales volume in arc magnet positively impacted the profit but was offset by unfavorable rates of loud speaker magnets.

Share for different product groups is as follows :-

(1)	LSR	61%
(2)	Segment	32%
(3)	Others	07%

Outlook

We ended the year with confidence that the momentum gathered in 2003 will carry into 2004. We now expect sales and revenues to increase about 11% in 2004-05 over 2003-04. With this, we will continue to focus on cost management and expect 2004-05 profit before interest and depreciation to be up by about 30% compared to 2003-04. The year will benefit from higher volumes and favourable impact of our strategies. We anticipate a fall in the price realization of arc magnets as well as loud speaker magnets, which we expect to offset with lower core operating costs.

The two-wheeler industry has registered good growth and we expect it to further strengthen. The growth is expected to be above 20%. Lower interest rates initiated economic recoveries and we expect the interest rates to remain low in this year. This should benefit our business further.

The growth envisaged in 2005 is combination of volumes and product mix. The higher volume shall contribute 3% whereas the product mix optimisation is expected to contribute by 13%.



Risks and Concerns

As mentioned in the last years' report, price reduction remains the main concern area, as with increase in the capacity, your company may not enjoy the advantage of current prices. To mitigate the situation, we shall be selective in manufacturing the arc magnets. More focus shall be on motor arc magnets where there is low price competition and higher margins. Equally we would concentrate on curtailing the cost of operations.

The prices of raw materials have more than doubled towards end of last year. This is due to increased demand from China for iron ore from India. We however expect it to be a short term scenario affecting first 6 months of the year F-2005. This would adversely affect the profitability for F-2005

Consistent rise in prices of steel shall adversely affect the profitability as majority cost of stores and spares are likely to increase.

Although some of the customers have imported and started consuming Chinese material, they are apprehensive about quality. Consistent quality and customer service would have to be therefore given the utmost importance.

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 did not reflect growth in the top line during F2004. This is primarily on account of fall in the prices of loud speaker rings. The sale of arc magnet registered a growth of 14% in value terms over the year F2003.

Interest costs were lower by Rs. 28 lakhs as we benefited from surplus cash flow from operations and lower rate of interest.

Efforts taken during the year helped to bring down the level of inventory by Rs. 66 lakhs. The company has committed credit facilities in place to support its commercial programmes.

The company had to invest an amount of Rs.143 lakhs on account of the project for enhancing segment production. This strategy shall continue in the ensuing year to boost the growth.



CORPORATE GOVERNANCE

Introduction

Your Company has complied in all material respects with the requirements 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, a majority of them being 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	
			Chairperson	Member
Ajay G.Piramal	Chairman, Non-executive	13	2	2
Urvi A.Piramal	Non-executive	13	3	1
Gautam B. Doshi	Independent	9	4	6
Shyam B. Ghia	Independent	8	4	4
Shreyas.K.Doshi	Independent	4	—	—
Ranjan Sanghi	Independent	7	3	1
M.J.Tibrewala	Independent	5	—	—
Vice Adml.S. Jain (Retd)	Independent	1	—	—
S.M. Kulkarni	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.



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:

5th May, 2003 9th July, 2003 31st July, 2003 31st October, 2003 30th January, 2004

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 the last 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	1	—
Shreyas K.Doshi	1	✓
Ranjan Sanghi	4	✓
M.J.Tibrewala	5	✓
Vice Adml.S. Jain (Retd)	4	✓
S.M. Kulkarni	4	✓

3. Remuneration of Directors

Details of remuneration paid / payable to directors for the year ended March 31, 2004 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	—	10,000	—	—	10,000
Urvi A. Piramal	Sister -in-law of Mr. Ajay G.Piramal	Promoter's family	—	18,000	—	—	18,000
Gautam B. Doshi	None	None	—	16,000	—	—	16,000
Shyam B. Ghia	None	None	—	2,000	—	—	2,000
Shreyas.K.Doshi	None	None	—	2,000	—	—	2,000
Ranjan Sanghi	None	None	—	14,000	—	—	14,000
M.J.Tibrewala	None	None	—	16,000	—	—	16,000
Vice Adm. S. Jain (Retd.)	None	None	—	8,000	—	—	8,000
S. M. Kulkarni	None	None	—	14,000	—	—	14,000

* includes sitting fees paid for Committee Meetings



4. Audit Committee

During the financial year 2003-04, four Audit Committee Meetings were held, one of which was before finalisation of account. The dates on which the said meetings were held are as follows :

5th May, 2003; 31st July, 2003; 31st October, 2003; 30th January, 2004

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	4
Urvi A. Piramal	Member	Non-executive Director	4
Ranjan Sanghi	Member	Independent Director	3

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

Mr. 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 considers share transfer approvals approximately once a week.
- Total number of shares (physical form) transferred during the year 2003-2004 was 21,667 compared to 13,583 during 2002-2003.
- As at 31st March 2004, no Equity Shares were pending for transfer.
- As at 31st March, 2004, no demat requests were pending for more than 21 days.



Investor Relations

- The following table shows the nature of complaints received from shareholders during 2002-2003 and 2003 - 2004 :

Nature of Complaints	2003-04	2002-03
Dividend	—	—
Non-receipt of Shares	—	—
Others	—	1
Total	—	1

- The complaints are generally replied to within 5 days from their lodgment with the Company.
- No court cases are filed against the Company relating to shareholder / investors complaints.

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
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.	Walchand Hirachand Hall, Indian Merchants' Chambers Building, Churchgate, Mumbai 400 020	—
21 st AGM	9 th July, 2003	11.30 a.m.	Walchand Hirachand Hall, 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. M.J.Tibrewala, Mr. Shyam Ghia and Mr. Shreyas Doshi, Directors of the Company, are retiring by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.



- (a) **Mr. M.J. Tibrewala** is a Science Graduate and has wide business experience. He has been on the Board of prominent companies for the last 25 years. 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.	Blow Plast Limited	Director
2.	DGP Securities Limited	Director
3.	Liqua Pharma Limited	Director
4.	Medpro Laboratories Limited	Director
5.	Natura Laboratories Limited	Director

- (b) **Mr. Shyam Ghia** is a management graduate from Bowling Green University, USA and is currently the Chairman and Managing Director of Futura Polyesters Ltd. and Chairman of Sonata Software Limited. Presently he is on the Board of the following other public limited companies, namely:

Sr. No.	Name of the Company	Designation/Membership of Board Committees
1.	Futura Polyesters Limited	Chairman and Managing Director/ Member-Investor Grievance Committee
2.	Sonata Software Limited	Chairman / Chairman - Remuneration Committee/ Chairman - Investor Grievances Committee/ Chairman - Audit Committee
3.	AVT Natural Products Limited	Director/ Member - Audit Committee/ Member - Remuneration Committee
4.	Innovasynth Technologies Limited	Chairman
5.	H K Finechem Limited	Director
6.	Standard Industries Limited	Director
7.	Novacell Life Science Limited	Director
8.	Alkyl Amines Limited	Director/ Member- Investor Grievance Committee/ Chairman- Remuneration Committee

- (c) **Mr. Shreyas K. Doshi** is in the business of Gem & Jewellery since last 34 years. He was the youngest Chairman of the Gem & Jewellery Export Promotion Council. 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.	Shrenuj & Company Limited	Managing Director
2.	Lavanya Jewels Limited	Director
3.	Moon Diamonds Limited	Director
4.	Daily Jewellery Limited (Hongkong)	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 related parties are disclosed in Note No. 1(k) of Schedule XIV-Notes 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 Thursday 16th September, 2004 at 2.30 p.m.
- Venue Walchand Hirachand Hall, Indian Merchants' Chamber's Building, Churchgate, Mumbai- 400 020.

b) Financial Calendar

Financial reporting for

- Quarter ending June 30, 2004 By 30th July, 2004
- Half year ending September 30, 2004 By 31st October, 2004
- Quarter ending December 31, 2004 By 31st January, 2005
- Year ending March 31, 2005 By 31st May, 2005
- Annual General Meeting for the year ending March 31, 2005 By September, 2005

c) Date of book closure

10th September, 2004 to 16th September, 2004

d) Registered Office

Administrative Building, Morarjee Mills Compound,
Dr. Ambedkar Road, Parel, Mumbai 400012.

e) Listing of Equity Shares on Stock Exchanges

The Stock Exchange, Mumbai
(code : 504286);
The National Stock Exchange of India Limited
(code : GPELECT);