

Annual Report 2004-2005

Report  Junction.com



G. P. Electronics Limited



G. P. ELECTRONICS LIMITED

23RD ANNUAL REPORT 2004-2005

Board of Directors

Mr. Ajay G. Piramal Chairman

Mrs. Urvi A. Piramal

Mr. Gautam B. Doshi

Mr. M. J. Tibrewala

Mr. Ranjan Sanghi

Vice Adml. S. Jain (Retd)

Mr. S. N. Somani

Mr. Shreyas Doshi

Mr. Shyam Ghia

Mr. Prashant J. Mistry Company Secretary

Bankers

HDFC Bank Ltd.

Auditors

Haribhakti & Co.

Chartered Accountants, Mumbai.

Registered Office

3rd Floor, Nicholas Piramal Tower,

Peninsula Corporate Park,

Ganpatrao Kadam Marg,

Lower Parel, Mumbai - 400 013.

Works

Plot No. B-87, M. I. D. C.,

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
**Wednesday, 31st August, 2005 at
11.30 a.m.** at Walchand Hirachand Hall,
Indian Merchants' Chamber Building,
Churchgate, Mumbai - 400 020.

Contents

Pages

Management Discussion & Analysis	1-2
Corporate Governance	3-11
Notice	12
Directors' Report	13-15
Auditors' Report	16-17
Balance Sheet	18
Profit and Loss Account	19
Schedules	20-30
Cash Flow	31
Balance Sheet Abstract	32

Share Transfer Agent

Amtrac Management Services Limited

Administrative Unit

106, Peninsula Centre,

Dr. S. S. Rao Road,

Parel, Mumbai - 400 012.

Processing Unit

Plot No. 101/102, MIDC,

19th Street,

Satpur, Nasik - 422 007.

MANAGEMENT DISCUSSION & ANALYSIS

Industry

The hard ferrite industry consists of primarily two categories of products. The **Speaker Ring Magnets** used in the consumer electronics industry and the **Segment magnets** for the automobile industry. China with its low cost and high labour productivity has taken over the entire world market in Speaker Ring magnets and the Japanese dominate the high tech Segment Magnet business. Indian hard ferrite industry is passing through a very tough stage where direct price threat is there from China. The industry as such is highly capital and energy intensive.

Opportunities & Threats

Due to limited growth in the consumer electronic industry and cheap imports from China, there are no opportunities what so ever in Speaker Ring Magnet business. All Indian manufacturers have stopped manufacturing these magnets, not being able to compete with China.

However, the Segment Magnet business provides excellent growth potential due to booming auto sector, which is growing at a rate exceeding 20%. Moreover this product is technology driven and customer specific, thereby becomes less prone to Chinese threat.

With zero customs duty, withdrawal of various export benefits and no protection by way of anti dumping duty etc, the ferrite industry as a whole is facing intense competition from China.

Product Performance

Though the income from operations for the year was 97 lacs more than the previous year, the PBIDT has declined. This is due to steep rise in various input costs and fall in prices of Speaker Ring Magnets.

With our dogged determination to grow in the Segment Magnet business, we could register a growth of 26% in value terms and 24% in volume terms over last year. Higher sales volume in Segment Magnet positively impacted the profit but was offset by unfavourable rates of Speaker Ring magnets. The share of segment magnet in the business has grown from 32% in the previous year to 39% in the current year, which in the coming year is targeted to cover more than 90% of business.

Share for different product groups is as follows:

- | | |
|-------------------|-----|
| (1) Speaker Rings | 57% |
| (2) Segments | 39% |
| (3) Others | 04% |

Outlook

The short-term outlook for your Company will not improve as there will be a de-growth due to stoppage of Speaker Ring Magnets, which constituted 57% of our business. However the long-term outlook of your Company is bright as it is focusing in the high value and high tech Segment Magnet business, which is likely to grow at a faster rate. We anticipate a fall in the price realization of segment magnets, which we plan to offset by lowering operating costs. The two-wheeler industry has registered good growth last year and we expect it to register growth around 20%.

You Company aims at utilizing entire manufacturing facilities for segment magnets and capture 50% share of the domestic market by 2010 as against current share of 12%. A year-by-year plan with investment details has been worked out and is being implemented.



Risks and Concerns

There is likelihood of rise in imports of segment magnets from China thereby enforcing reduction in sales prices.

Any further increase in fuel and steel prices shall squeeze the margin badly. Due to sales de-growth all expense, as percentage to sales will show a rise.

Your Company is taking necessary steps to improve customer service and to control cost in order to meet the above challenges.

Internal controls

The company has engaged a 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 F2005. This is primarily on account of fall in the prices of speaker rings. The sale of segment magnets registered a growth of 26% in the year F2005.

In continuation of previous years' trend, the interest cost was lower in this year too and it stood at Rs.24 lacs lower than last year. Rather there was a net interest income as against net expenses in past couple of years

Efforts taken during the year helped to bring down the level of debtors by Rs.145 lacs. Strict adherence to the laid down credit policy has helped us to achieve this.

The company invested Rs.67 lacs in plant & machinery for enhancing segment production. During the year 2005-06 an amount of Rs.148 lacs has been earmarked for investment for the same purpose. This strategy shall continue in the ensuing years to boost the growth.

Cautionary Statement

Certain statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities, laws and regulations. Although we believe our expectations are based on reasonable assumptions, the actual results could materially differ from those expressed or implied. Some of these risks and uncertainties have been discussed in the section on risk factors.

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	12	1	3
Urvi A Piramal	Non-executive	12	3	5
Gautam B Doshi	Independent	7	4	7
M J Tibrewala	Independent	6	-	5
Ranjan Sanghi	Independent	7	-	5
Vice Adml S Jain (Retd)	Independent	1	-	-
S M Kulkarni (**)	Non-executive	5	-	-
S N Somani (**)	Non-executive	1	-	-
Shreyas K Doshi	Independent	6	-	-
Shyam B Ghia	Independent	7	5	10

* 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. M. Kulkarni ceased to be the Director w.e.f. 27th July, 2004

** Mr. S. N. Somani has been appointed as Director w.e.f. 27th July, 2004



Attendance of Directors at Board Meetings and Annual General Meeting

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

3rd June 2004, 27th July 2004, 18th October 2004 and 22nd January 2005

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	Annual General Meeting
Ajay G Piramal	4	Yes
Urvi A Piramal	2	Yes
Gautam B Doshi	4	Yes
M J Tibrewala	4	No
Ranjan Sanghi	4	No
Vice Adml S Jain (Retd)	4	Yes
S M Kulkarni (**)	1	Not applicable
S N Somani (**)	2	Yes
Shreyas K Doshi	1	Yes
Shyam B Ghia	2	No

3. Remuneration of Directors

Details of remuneration paid / payable to directors for the year ended 31st March 2005 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	—	8000	—	—	8000
Urvi A Piramal	Sister-in-law of Mr Ajay G Piramal	Promoter's family	—	8000	—	—	8000
Gautam B Doshi	None	None	—	14000	—	—	14000
M J Tibrewala	None	None	—	16000	—	—	16000
Ranjan Sanghi	None	None	—	14000	—	—	14000
Vice Adml S Jain (Retd)	None	None	—	8000	—	—	8000
S M Kulkarni (**)	None	None	—	2000	—	—	2000
S N Somani (**)	None	None	—	8000	—	—	8000
Shreyas K Doshi	None	None	—	2000	—	—	2000
Shyam B Ghia	None	None	—	4000	—	—	4000

* includes sitting fees paid for Committee Meetings

** Part of the year

4. Audit Committee

During the financial year 2004-2005, four Audit Committee Meetings were held, one of which was before finalisation of accounts. The dates on which the said meetings were held are as follows :

3rd June 2004, 27th July 2004, 18th October 2004 and 22nd January 2005

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	2
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
S N Somani *	Member	Non-Executive

* part of the year

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

Share Transfers (Physical Form)

- All shares have been transferred and returned within 10-12 days from the date of receipt of complete documents.
- The Share Transfer Committee considers share transfer approvals once a week.
- Total number of shares (physical form) transferred during the year 2004-2005 were 8,425 shares compared to 21,667 shares during 2003-2004.
- As at 31st March 2005 there were no equity shares pending for transfer or for demat as lodged with the Company till 29th March, 2005. Demat requests received on 30th and 31st March, 2005 were processed in the First week of April, 2005 leaving Nil pending Demat requests.



- The Company conducts a Secretarial Audit on a quarterly basis in accordance with SEBI requirements. M/s Haribhakti & Co., Chartered Accountants, have been appointed by the Company to conduct such audit. The Secretarial Audit Reports of M/s Haribhakti & Co., which have been submitted to the Stock Exchanges within the stipulated period, inter alia confirm that the equity shares of the Company held in dematerialised form and in physical form tally with the issued and paid-up equity share capital of the Company

Investor Relations

- The following table shows the nature of complaints received from shareholders during 2003-2004 and 2004-2005.

Nature of Complaints	2004-2005	2003-2004
Dividend	—	—
Non receipt of shares	—	—
Others	—	—
Total	—	—

- The complaints are generally replied to within 7 days from their lodgement 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
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.		—
22 nd AGM	16 th September 2004	2.30 p.m.		—

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

7. Note on Directors appointment / re-appointment

Vice Adml S Jain (Retd), Mr Ranjan Sanghi and Mrs Urvi A Piramal; Directors of the Company, are retiring by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

Re-appointment of :

a) Vice Adml S Jain (Retd)

Vice Adml S Jain (Retd), had joined the Indian navy in 1951 and retired in December, 1990. He has acted as the Chief Executive Officer of the Company for 3 years and thereafter joined the Board of Directors of the Company. He is also a Director on the Board of The Swastik Safe Deposit and Investments Ltd.

b) Mr Ranjan Sanghi

Mr Ranjan Sanghi is a Law Graduate and has been associated with the automobile industry since over 25 years. He is the Director of Sah & Sanghi Group of Companies and manages the trading, manufacturing and investment

operations of the entire Sah & Sanghi Group having a turnover of over Rs 400 crores. His other directorships in public limited companies are :

Sr No	Name of the Company	Designation / Membership of Board Committees
1.	Suraj Sanghi Finance Limited	Director
2.	Kemp and Company Limited	Director
3.	Amzel Automotive Limited	Director
4.	Bajaj Auto Finance Limited	Director / Audit Committee – Member / Shareholders Grievance Committee – Member / Remuneration Committee – Member
5.	Urvi Chemicals & Allied Industries Limited	Director
6.	HDFC Trustee Company Limited	Director / Audit Committee – Member / Investor Grievance Committee - Member
7.	Morarjee Textiles Limited	Director

c) Mrs Urvi A Piramal

Mrs Urvi A Piramal is a Science Graduate and has completed Advanced Management Program from the Harvard University, USA. She has been the Director of the Company since 1997. Her other directorships in public limited companies are :

Sr. No.	Name of the Company	Designation/Membership of Board Committees
1	Morarjee Realities Limited	Vice Chairperson / Audit Committee – Member / Investor Grievance Committee - Chairperson
2	Nicholas Piramal India Limited	Director / Investor Grievance Committee - Chairperson
3	Morarjee Textiles Limited	Vice Chairperson / Investor Grievance Committee - Chairperson
4	Piramal Holdings Limited	Executive Vice Chairperson
5	Urvi Chemicals & Allied Industries Limited	Director
6	Piramal Polymers Limited	Director
7	Gujarat Glass Private Limited	Director
8	PMP Components Private Limited	Director
9	Piramyd Retail & Merchandising Private Limited	Director / Audit Committee – Member
10	Charlie Capital Services Limited	Director
11	Piramyd Retail Limited	Director



Appointment of Mr S N Somani

Mr.S.N.Somani, who has done his Masters in Business Management from IIM, Ahmedabad, and his degree in Mechanical Engineering from IIT, Kanpur, has been instrumental in bringing TDK, Japan to India. He has 25 years of experience with multinational companies and the Piramal group, He is also a Director on the Board of PMP Components Pvt. Ltd.

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(j) to 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 Exchange 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.
- Management Discussion and Analysis forms a part of this Annual Report.

10. General Shareholder Information

a) Annual General Meeting

- Date and Time Wednesday, 31st August 2005 at 11.30 a.m.
- Venue Walchand Hirachand Hall, Indian Merchants' Chamber Building, Churchgate, Mumbai 400 020

b) Financial Calendar

Financial reporting for

- Quarter ending 30th June 2005 By 31st July 2005
- Half year ending 30th September 2005 By 31st October 2005
- Quarter ending 31st December 2005 By 31st January 2006
- Year ending 31st March 2006 By 31st May 2006
- Annual General Meeting for the year ending 31st March 2006 By September 2006

c) Date of book closure

Tuesday, 23rd August 2005 to Wednesday, 31st August 2005

d) Registered Office

3rd Floor, Nicholas Piramal Tower,
Peninsula Corporate Park, Ganpatrao Kadam Marg
Lower Parel, Mumbai 400 013

e) Listing of Equity Shares on Stock Exchanges

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