
25th

Annual

Report

2006-2007



G. P. Electronics Limited



G. P. ELECTRONICS LIMITED

25TH ANNUAL REPORT 2006-2007

Board of Directors

Ms Urvi A Piramal Chairperson
 Vice Adml S Jain (*Retd*)
 Mr M J Tibrewala
 Mr Ranjan Sanghi
 Mr S N Somani
 Mr Shreyas Doshi
 Mr Shyam Ghia
 Mr Sunil M Kulkarni

Company Secretary

Ms Rupa D Desai

Bankers

HDFC Bank Ltd

Auditors

Haribhakti & Co.
 Chartered Accountants, Mumbai

Registered Office

Peninsula Spenta
 Mathuradas Mills Compound
 Senapati Bapat 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 : admin@gpelmagnet.com
 Website : www.gpelmagnet.com

Share Transfer Agent

Amtrac Management Services Limited

Administrative Unit

008 Ground Floor
 Peninsula Centre
 Dr. S. S. Rao Road
 Parel, Mumbai - 400 012

Processing Unit

Plot No. 101/102, MIDC,
 19th Street,
 Satpur, Nasik - 422 007.
 E-mail: amtrac_nsk@sancharnet.in

Annual General Meeting will be held on
Friday, 21st September, 2007 at 11.00 a.m.
 at Walchand Hirachand Hall, Indian
 Merchants' Chamber Building, Churchgate,
 Mumbai - 400 020.

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MANAGEMENT DISCUSSION & ANALYSIS

Industry

Hard ferrite magnets are used by consumer electronics and automobile industry. Speaker ring magnets are used by consumer electronics industry and segments are used by automobile industry. Due to lower costs and large production volumes China has become the only country producing speaker ring magnets in the world. India had six ferrite magnet producers but four have closed down in last ten years. The entire Indian requirement of speaker ring magnets is met by imports from China. Now only two Indian producers including GP are in this business. Both the companies produce only segment magnets for Auto industry. Auto industry is growing at the rate of 14%.

Opportunities & Threats

Segment magnets have huge potential because of rapidly growing auto industry in India. China because of volume and Japan due to its high tech quality are leaders in speaker ring and segment magnet respectively. However China is rapidly catching up on segment quality and entering Indian auto industry.

Initially with dumping of speaker ring magnets and ruining the speaker ring industry of India, China is now eyeing upon its segment magnet market as well. Indian auto industry is already importing segments from China.

Most Indian customers prefer to buy 40 % from China and 60 % from Indian suppliers. The demand of segment type magnets are increasing due to substantial growth of two and four wheeler auto sector.

Product Performance

Income from operations has drastically gone down almost by half, because of complete discontinuance of speaker ring production.

Now GP is producing only segments for auto industry. Production volume has increased by 43% in F 07 compared to F 06. Company is on it's way to implement long term strategies. Company is to double the production of segment magnets in F 08.

Outlook

The outlook of the Company three years from now looks better as it aims to capture 50% of the market as against current share of 30%.

Company has reduced its fixed cost substantially and started earning cash profits. To make bottom line even stronger company is taking more initiatives to capture market and for enhancing production. We are expecting drop of price realization in F 08 due to tough price competition from Chinese imports. Company will make efforts to reduce the variable and fixed costs to face this competition.

Risks and Concerns

Increase in imports of magnet from China will lead to further reduction in price realization. Increasing cost of metal and fuel is giving a direct threat to margins. Increase in volumes and reduction in costs are the two strategies company will follow to face this situation.

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. Company is ISO 9001-2000 certified.



Financial and operational performance

The sale of segment magnets registered a growth of 38% in the year F 07.

The interest cost further reduced to Rs.2.27lacs against Rs.2.65 lacs in last year.

Your Company has managed to bring down the working capital level by converting the non-moving stock to moving, optimum utilization of spares and consumables and bringing down the debtors level.

Rigorous collections follow up taken during the year helped to bring down the level of debtors by Rs.105 lacs. Strict adherence to the laid down credit policy has helped us to achieve this.

The company invested Rs.43 lacs in plant & machinery for enhancing segment production. During the year F 08, an amount of Rs.83 lacs is earmarked for 25% rise the segment production compared to F 07.

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G. P. ELECTRONICS LIMITED

ATTENDANCE SLIP

Registered office : Peninsula Spenta, Mathuradas Mills Compound, S.B. Marg, Lower Parel, Mumbai - 400 013.

Share Transfer Agent : Amtrac Management Services Limited, Plot No. 101/102, MIDC, 19th Street, Satpur, Nasik - 422 007.

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE HALL

I/We hereby record my/our presence at the 25th Annual General Meeting of the Company held at Walchand Hirachand Hall, Indian Merchants' Chamber Building, Churchgate, Mumbai - 400 020 at **11.00 a.m. on Friday, 21st September, 2007.**

Name and Address of the Shareholder(s)		
If Shareholder(s), please sign here	If Proxy, please mention name and sign here	
	Name of Proxy	Signature

Note :

Members are requested to advise the change of their address, if any, to Amtrac Management Services Limited at the above address.

G. P. ELECTRONICS LIMITED

FORM OF PROXY

Registered office : Peninsula Spenta, Mathuradas Mills Compound, S.B. Marg, Lower Parel, Mumbai - 400 013.

Share Transfer Agent : Amtrac Management Services Limited, Plot No. 101/102, MIDC, 19th Street, Satpur, Nasik - 422 007.

DP ID No. *	L. F. No.
Client ID No.*	No. of shares held

I/We of

being a Member / Members of the above named Company hereby appoint

of or failing him/her

of as my/our proxy/proxies to vote for me/us on my/our behalf at the 25th Annual General Meeting of the Company to be held on **Friday, 21st September, 2007 at 11.00 a.m.** and at any adjournment thereof.

Dated this day of 2007.

Signature

Affix a
15 paise
Revenue
Stamp

Notes :

- If you intend to appoint a proxy to attend the Meeting instead of yourself, the proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.
- A proxy need not be a Member.

* Applicable for Investors holding shares in electronic form.

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 organization. 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 organization towards creating wealth and shareholder value.

2. Board of Directors

The Board of Directors of your Company presently consists of all Non-Executive Directors, a majority of them being Independent Directors, comprising three (3) Non-Executive Directors and five (5) Independent Directors :

The constitution of the Board is given below :

Director	Non-Executive / Independent	No. of other Directorships #	Membership of other Board Committees	
			Chairperson/ Chairman	Member
Urvi A Piramal	Non-Executive	8	2	1
Vice Adml S Jain (Retd)	Independent	—	—	—
M J Tibrewala	Independent	5	—	—
Ranjan Sanghi	Independent	7	—	3
S N Somani	Non-Executive	—	—	—
Shreyas K Doshi	Independent	2	—	—
Shyam B Ghia	Independent	5	—	—
Sunil M Kulkarni (appointed on 18.05.2007)	Non-Executive	—	—	—

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

8th June 2006, 21st July 2006, 16th October 2006 and 24th January 2007

The Company placed before the Board the annual operating plans, budgets, performance of the Company and various other information, including those specified under Annexure 1A of Clause 49 of the Listing Agreement from time to time.



The attendance at the Board Meetings and the last Annual General Meeting held on 23rd August, 2006 were as under:

Director	Attendance	
	Board Meeting	Annual General Meeting
Urvi A Piramal	4	Yes
Vice Adml S Jain (Retd)	1	No
M J Tibrewala	4	Yes
Ranjan Sanghi	3	Yes
S N Somani	3	Yes
Shreyas K Doshi	2	No
Shyam B Ghia	2	Yes
Sunil M Kulkarni (appointed on 18.05.2007)	NA	NA

3. Remuneration of Directors

Details of remuneration paid / payable to directors for the year ended 31st March, 2007 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
Urvi A Piramal	None	Promoter	—	10000	—	—	10000
Vice Adml S Jain (Retd)	None	None	—	2000	—	—	2000
M J Tibrewala	None	None	—	16000	—	—	16000
Ranjan Sanghi	None	None	—	12000	—	—	12000
S N Somani	None	None	—	6000	—	—	6000
Shreyas K Doshi	None	None	—	4000	—	—	4000
Shyam B Ghia	None	None	—	4000	—	—	4000
Sunil M Kulkarni **	None	None	—	—	—	—	—

* includes sitting fees paid for Committee Meetings

** appointed on 18.05.2007

Details of shares of the Company held by the Non-Executive Director is as given below :

Name	No. of Equity Shares held
M J Tibrewala	104

4. Code of Conduct

The Company has formulated and implemented a Code of Conduct for the Board Members and Senior Management of the Company. Requisite annual affirmation of the compliance with the respective Code has been made by the Directors and Senior Management of the Company.

25th Annual Report 2006-07**5. Audit Committee**

During the financial year 2006-2007, four Audit Committee Meetings were held. The dates on which the said meetings were held are as follows :

31st May, 2006, 21st July, 2006, 16th October, 2006 and 24th January, 2007

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
Ranjan Sanghi	Chairman	Independent	3
Vice Adml S Jain (**)	Member	Independent	—
M J Tibrewala	Member	Independent	4
Urvi A Piramal (**)	Member	Non-Executive	1

** part of the year

Mr Ranjan Sanghi, the Chairman of the Audit Committee was present at the last Annual General Meeting of the Company.

The Company Secretary is the Secretary to the Committee.

The necessary quorum was present at all Audit Committee meetings.

The terms of reference of the Audit Committee includes those specified under Clause 49 of the Listing Agreement as well as under Section 292A of the Companies Act, 1956, such as :

1. To hold periodic discussions with the Statutory Auditors and Internal Auditors of the Company concerning the accounts of the Company, internal control systems and observations of the Auditors / Internal Auditors.
2. To review compliance with internal control systems.
3. To review the quarterly, half-yearly and annual financial results of the Company before submission to the Board.
4. 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.

6. Investors Grievance Committee

The Investors Grievance Committee was constituted in terms of the mandatory requirement of Clause 49 of the Listing Agreement to look into the redressal of grievances of investors like non receipt of share certificates, non receipt of balance sheet, non receipt of dividend warrants, etc. During the financial year 2006-2007, four Investors Grievance Committee Meetings were held. The dates on which the said meetings were held are as follows :-

8th June 2006, 21st July 2006, 16th October 2006 and 22nd January 2007

The following are the members of the Committee :

Name	Designation	Non-Executive/ Independent	Committee Meetings Attended
M J Tibrewala	Chairman	Independent	4
S N Somani	Member	Non-Executive	4

Ms. Rupa Desai, the Company Secretary, is the Compliance Officer.

Investor Relations

The Company had no investor complaints pending at the beginning of the year and had received 3 complaints during the year. All the complaints has been resolved and there are no pending complaints at the year end.

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.

7. 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
22 nd AGM	16 th September, 2004	2.30 p.m.	Walchand Hirachand Hall, Indian Merchants' Chambers Building, Churchgate, Mumbai - 400 020	—
23 rd AGM	31 st August, 2005	11.30 a.m.		—
24 th AGM	23 rd August, 2006	11.00 a.m.		—

Postal Ballot

During the year under review, no resolution was passed through postal ballot.

8. Note on Directors reappointment / appointment

Brief resume, experience and the details of other directorships in public companies and subsidiaries of public companies in respect of the directors being reappointed and appointed are given below :

Reappointment:

a) Mr M J Tibrewala

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.

He is on the Board of following other public limited companies and private limited companies which are subsidiary of public limited companies :-

Sr No	Name of the Company	Designation / Membership of Board Committee*
1.	DGP Securities	Director
2.	Liqua Pharma Limited	Director
3.	Medpro Laboratories Limited	Director
4.	Natura Laboratories Limited	Director
5.	Super Pharma Limited	Director

Mr M J Tibrewala holds 104 shares in the Company.

* He is not a member of any Committee of the Board in which he is a Director.

b) Mr Shreyas K Doshi

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.

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He is on the Board of following other public limited companies and private limited companies which are subsidiary of public limited companies :-

Sr No	Name of the Company	Designation / Membership of Board Committee*
1.	Shrenuj & Company Limited	Managing Director
2.	Lume Jewellery Limited	Director

Mr Shreyas K Doshi does not hold any shares in the Company.

* He is not a member of any Committee of the Board in which he is a Director.

Appointment

a) Mr Sunil Kulkarni

Mr Sunil Kulkarni is a B.E. in Mechanical & Marine from Naval College Engineering, Lonavala, M.E. in Design from the Institute of Armament Technology.

Mr Kulkarni having joined the Indian Navy way back in 1967, took early retirement to pursue a career in the Industry. At the time of his retirement, he was holding the rank of Commodore. He has over 16 years experience in the Engineering Industry having hold the position of Managing Director of a leading manufacturer of glass bottles and vials.

Mr Sunil Kulkarni does not hold any shares in the Company.

He is not on the Board of any other public limited companies and subsidiaries of public limited companies.

9. 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(l) to Schedule XIII - 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.
- The Company is fully compliant with the applicable mandatory requirements of the Clause 49 of the Listing Agreement.

10. 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.

11. General Shareholder Information

a) Annual General Meeting

- Date and Time Friday, 21st September, 2007 at 11.00 a.m.
- Venue Walchand Hirachand Hall, Indian Merchants' Chamber Building, Churchgate, Mumbai 400 020

b) Financial Calendar

Financial reporting for

- Quarter ending 30th June, 2007 By 31st July, 2007