

***ANNUAL
REPORT
2004-2005***

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GKB Ophthalmics Ltd.



GKB Ophthalmics Ltd.

BOARD OF DIRECTORS :

K.G. Gupta (*Chairman & Managing Director*)

K.M. Gupta

B.K. Gupta

R.K. Gupta

Vikram Gupta (*Wholetime Director*)

Gaurav Gupta

Cesar Menezes

Somnath Priolkar

COMPANY SECRETARY :

Prashanth D. Mallya

AUDITORS :

M/s Borkar & Muzumdar

Chartered Accountants

Panaji - Goa

BANKERS :

State Bank of India,

Commercial Branch,

Panaji - Goa.

REGISTERED OFFICE :

16-A, Tivim Industrial Estate

Mapusa - Goa. 403 526

India.





GKB Ophthalmics Ltd.

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the TWENTY THIRD ANNUAL GENERAL MEETING of the Members of GKB OPHTHALMICS LIMITED will be held at the Registered office of the Company at 16-A, Tivim Industrial Estate, Mapusa - Goa, on Friday, the 30th September, 2005 at 11.00 a.m to transact the following business.

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2005, the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare a dividend, if any for the financial year 2004-05.
3. To appoint a Director in place of Mr. Cesar Menezes who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Somnath Priolkar who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint the Auditors to hold office from the conclusion of this Annual General Meeting, until the conclusion of the next Annual General Meeting and to fix their remuneration.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

A Proxy form, duly completed and stamped must reach the Registered Office of the Company not less than 48 hours before the time of holding the aforesaid meeting.

2. The Register of Members of the Company will remain closed from Monday, the 26th September, 2005 to Friday, the 30th September, 2005 (both days inclusive). The transfer Books of the Company shall also remain closed during the aforesaid period.
3. The dividend as recommended by the Board, if sanctioned at the meeting will be paid on or after 5th day of October, 2005 to those members or their mandates whose names stand registered on the Company's register of the Members: -
 - a) As Beneficial Owners as at the end of business on 24th day of September, 2005 as per the lists to be furnished by National Security Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form, and
 - b) As Members in the Registrar of Members of the Company, after giving effect to valid share transfers in physical form lodged with the Company on or before 24th September, 2005.
4. Members holding shares in identical order of names in more than one folio are requested to write to the Registered Office of the Company enclosing their share certificates to enable the Company to consolidate their holdings in one folio. The Share Certificates will be returned to the members after making requisite change thereon.



GKB Ophthalmics Ltd.

NOTICE OF THE ANNUAL GENERAL MEETING (Contd.)

5. As per the provisions of the amended Companies Act, 1956, facility for making nominations is now available to INDIVIDUALS holding shares in the Company. The Nomination Form 2B prescribed by the Government can be obtained from the Registered Office of the Company.
6. Members / Proxies should bring the Attendance Slip sent herewith, duly filled in, for attending the Meeting. They are also requested to bring their copies of the Annual Report. Copies of the Annual Report would not be distributed at the meeting.

Registered Office :
16-A, Tivim Industrial Estate,
Mapusa - Goa 403 526.

By order of the Board of Directors
For **GKB OPHTHALMICS LIMITED**

Prashanth D. Mallya
Company Secretary

27th, August, 2005

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Details of Directors seeking appointment /re-appointment at the forthcoming Annual General Meeting (In pursuance 49 of the Listing Agreement) .

Name of the Director	Date of Birth	Nationality	Date of appointment on the Board	Qualification	List of Directorship held in other Company.
Mr. Cesar Menezes	14.10.1943	Indian	27.03.2002	B.A.	Three
Mr. Somnath Priolkar	25.04.1932	Indian	27.03.2002	Arts & Law Graduate.	Nil



GKB Ophthalmics Ltd.

DIRECTORS' AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Dear Shareholders,

Your Directors are pleased to present their 23rd Annual Report and the Audited Accounts of the year ended 31st March, 2005.

FINANCIAL RESULTS :

The salient features of the Company's financial results for the year under review are as under:

	2004-2005	2003-2004
a) Profit before Interest, Depreciation & Taxes	3,40,46,920	3,28,51,936
b) Less : Interest and Finance Charges	48,80,788	56,72,086
c) Profit before Depreciation & taxes	2,91,66,132	2,71,79,850
d) Less : Depreciation	74,82,357	63,71,888
e) Profit before Taxes	2,16,83,775	2,08,07,962
f) Profit after taxes	1,49,77,317	1,37,59,934
g) Less : Prior Period Adjustment/Short provision of taxation of earlier years	1,16,305	5,38,439
h) Add : Balance of profit brought forward from previous year.	64,43,911	38,58,097
i) Profit available for appropriation was	2,13,04,923	1,70,79,592
Which your Directors have appropriated as under to:		
i) General Reserve	1,00,00,000	50,00,000
ii) Proposed Dividend on Equity Shares	56,83,344	56,35,681
TOTAL	1,56,83,344	1,06,35,681
Leaving a Balance to be carried forward	56,21,579	64,43,911

Pursuant to provision of Section 217 (2AA) of the Companies Act, 1956, the Directors hereby state and confirm :

- that in preparation of Annual Accounts, applicable accounting standards have been followed;
- that the Directors have applied sound accounting policies and made judgements and estimates, that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of financial year and of the Profit of the Company for the year;
- that the Directors have taken sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company; and
- that the Directors have prepared the Annual Accounts on a " going concern " basis.

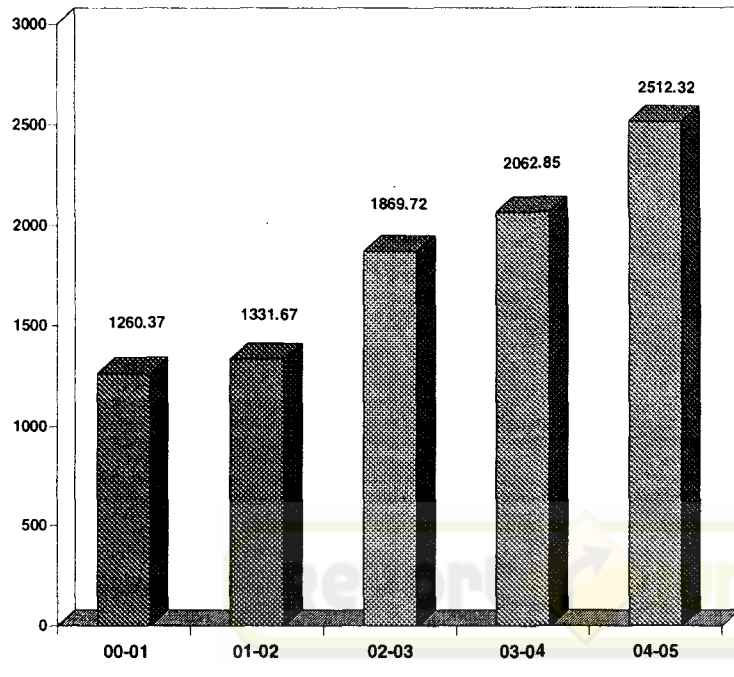


GKB Ophthalmics Ltd.

DIRECTORS' REPORT (Contd.)

SALES

Rs. in Lakhs



DIVIDEND

Your Directors are pleased to recommend a dividend of 12% on 41,53,580 Equity share of Rs. 10/- each for the financial year ended 31st March, 2005 which, if approved at the forthcoming Annual General Meeting, will be paid to all those Equity Shareholders whose names appear in the Register of members as on 24th September, 2005.

OPERATIONS

The Company's performance during the year under review was better. The Company's factory in Tivim Industrial Estate produced 34,67,772 pieces of Ophthalmic lenses during the year in comparison to 27,20,157 Lenses produced in the year 2003-04 showing a steady increase of 22 %. However the pressure in prices and fluctuations of USD and Euro still continues to be the main concern which has made the sales figure to be restricted to Rs. 2,512.32 lacs.

The General business scenario is encouraging. However the slow decline in demand of glass lenses is a major concern. But the fact, that in all major economies, the glass lenses still has a fixed market in comparison to the plastic lenses which has not come down after reaching its lowest ever levels.

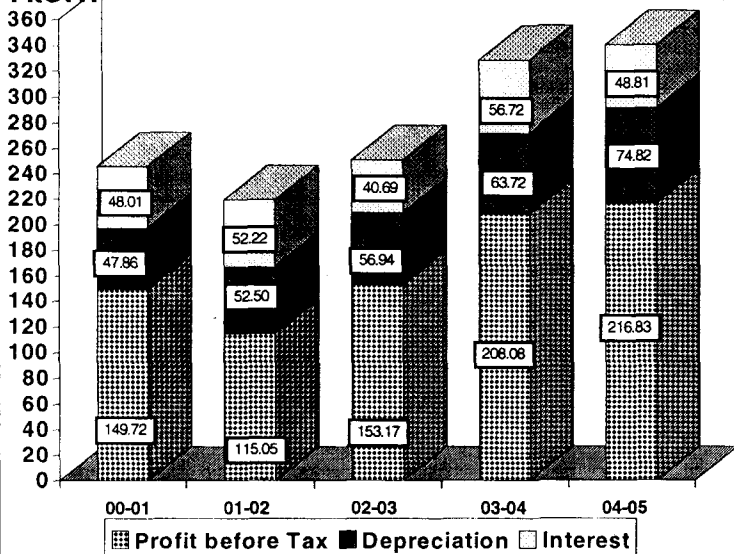
The Company also is in process of exploring new export markets in new destinations due to the closure of some Industries there and also in Middle East where the prospects of the Company still looks good due to the Wholly Owned establishment GKB Ophthalmics Product FZE, the sales of which during the last financial year was Dhs. 11,68,566.

QUALITY

The Company as a matter of policy has followed a Total Quality Management and other Operations. However the Quality Control Department of the Company keeps on upgrading its tools and techniques at its disposal whereby setting and achieving new quality standards.

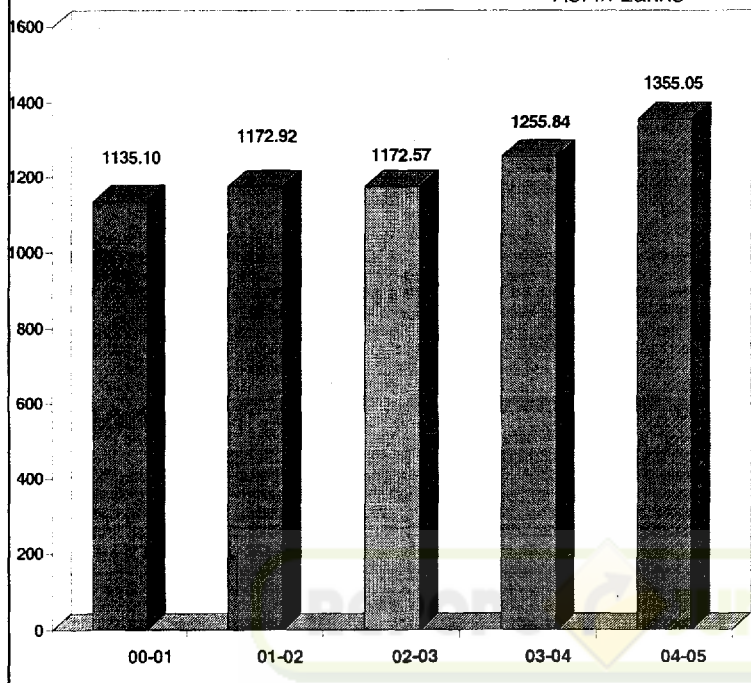
PROFIT

Rs. in Lakhs




GKB Ophthalmics Ltd.
DIRECTORS' REPORT (Contd.)
SHAREHOLDERS' FUNDS

Rs. in Lakhs


SOCIAL RESPONSIBILITY :

The Company is in General Responsible towards the society apart from its business promotion goals. In this, ensuring a better quality environment for the neighborhood is also a major point. The Company on its own has put up water re-cycling Plant to conserve the water and reduce the discharge of effluents/pollutants to the environment.

ASSOCIATE COMPANY

Our Directors are pleased to inform you that our associate Company GKB Vision Limited has done exceptionally well. The Company's stake in this Company has increased after selling of stake of 25% held by Mr. H. C. Rahn, Germany.

The Company's Wholly Owned Subsidiary in Germany is instrumental in creating its strong market base in Europe. The Company has outlived its utility and is in process of closing its business and liquidating its balance inventory.

The Company's Wholly Owned establishment in UAE has started with the normal growth in operations. The Company is expected to retain the expected growth in the Middle East market.

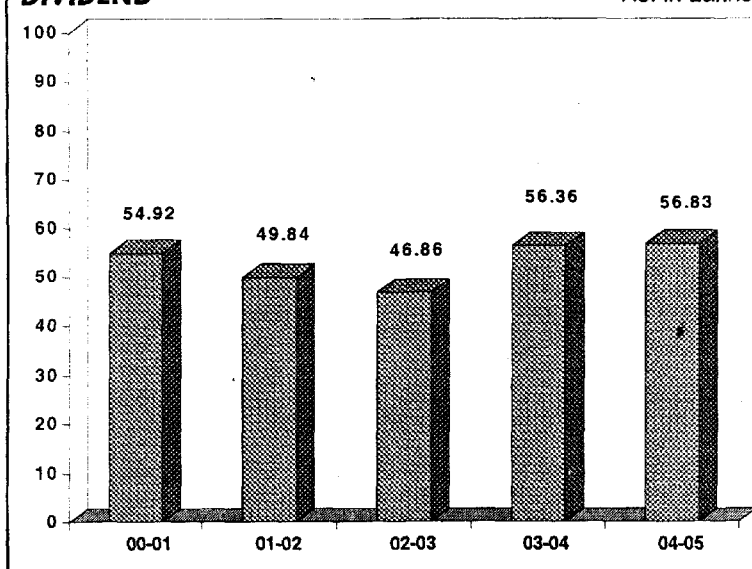
The Company's new associate Prime Ophthalmic Products (P) Limited, for the manufacture and sale of prescription lenses in India has become fully operational during the year and started its Commercial Operations from February, 2005. The Company's Laboratories in Noida, Chennai and Kolkata have started rendering its services to the customers in their respective regions.

FUTURE PROSPECTS :

The Company has realised that to survive in the present day environment, Company needs to diversify and it is concentrating all its efforts in this diversification and also have achieved success in some of the diversified area.

DIVIDEND

Rs. in Lakhs





GKB Ophthalmics Ltd.

DIRECTORS' REPORT (Contd.)

CORPORATE GOVERNANCE :

The requirement of compliance with the Code of Corporate Governance as per the clause 49 of the Listing Agreement forms a part of this Annual Report as per the following :

- i) Management Discussion and Analysis Report
- ii) Report on the Corporate Governance.
- iii) Practising Company Secretary's certificate regarding Compliances of conditions of Corporate Governance.

DIRECTORS :

Mr. Cesar Menzes and Mr. Somnath Priolkar retire from the Board of Directors by rotation in accordance with the provisions of the Articles of Association of the Company and being eligible offer themselves for re-appointment.

Mr. Cesar Menezes who is the Managing Director of Wallace Pharmaceuticals Ltd, is a leading Industrialist of Goa. He has wide range of expertise in all departments of the organization. He has also traveled worldwide and this has added to this marketing skills which will be of immense help to any exporting Company.

Mr. Somnath Priolkar is a Arts and Law graduate from Mumbai University. He has worked as the head of Accounts and Finance in the Company for about 13 years. He has wide range of experience and expertise of service in different departments of Government of Goa and the Economic Development Corporation, Goa.

AUDITORS :

M/s. Borkar & Muzumdar, the Auditors of the Company, retire, are eligible for re-appointment and have expressed their willingness to serve if re-appointed.

PARTICULARS OF EMPLOYEES :

The statutory statement regarding the employees of the Company as required by the provisions of Section 217 (2A) of the Companies Act, 1956 read with Companies Particulars of (Employees) Rules 1975 and as amended in from time to time forms an integral part of this report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all shareholders of the Company excluding the information relating to the statement of particulars of employees. Any shareholder interested in obtaining the particulars may inspect the same at the registered office of the Company or write to Company Secretary for a copy.

The Employee relations continue to be very cordial.

INDUSTRY STRUCTURE :

The Ophthalmic Industry as a whole is classified under the "Chemical and Allied Products" CAPEXIL. However, the Industry can be classified as Health Care as it involves Eye rectification process which is a part of Health Care/ Pharmaceutical Industry.



GKB Ophthalmics Ltd.

DIRECTORS' REPORT (Contd.)

The Ophthalmic Glass Industry is very small compared to other Industries, has only limited players in the world. Globally the Industry is based in Europe who are the prime suppliers of raw material for the lenses, though China has picked up marketable share in the recent time due to its manufacturing advantages. In India, market is full of small and tiny unorganised players and is mostly concentrated in North India.

THREATS AND OPPORTUNITES:

With the advent of China as a major manufacturing source, the threats is from cheaper imports from China. But these products have its disadvantages also in quality compared to very high quality precision Optics being manufactured by the Company and marketed in Europe.

Though the glass market is shrinking while compared to plastic, the balance demand is getting concentrated with a few low cost players in developing countries. This is also aggravated due to the explosion of cost of manufacturing in Europe. This trend has started and will continue in the forcible future. Big Optical Companies in Europe and USA are depending more on your Company for requirement of mineral lenses.

RISKS AND CONCERNS:

The Company is exposed to risks from market fluctuations, foreign exchange fluctuations and interest rates. The Company's revenues are mostly in foreign exchange. Changes in the exchange rates of the important currencies in the world will have an impact in the earnings of the Company.

Though the Company's imports are in Euro, the Company's exports are primarily in Euro and Dollar and the Company has natural hedge of 70% to 80% foreign currency risk. The other risks faced by the Company are due to changes in fashion, eye-rectification surgery and very cheap light weight Plastic lenses.

OUTLOOK

The immediate prospect in the Company are bright but with continued efforts in reducing manufacturing cost and concentrating on high value items, the Company was able to survive in the highly competitive Industry. To increase its revenue, the Company also floated an associate Company through which it will be disposing its non exportable surplus of high quality lenses in the domestic market.

INTERNAL CONTROL SYSTEMS AND ITS ADEQUACY :

The Company has appropriate internal control system for business processes, with regard to efficiency of operations, financial reporting, compliance with applicable laws and regulations etc. Clearly defined roles and responsibilities down the line for all managerial positions have been institutionalised. All operating parameters are monitored and controlled. Regular internal audits and checks ensure that responsibilities are executed effectively. The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of internal control systems and suggests improvement for strengthening them, from time to time.

CAUTIONARY STATEMENT:

Estimates and expectations stated in this Management Discussion and Analysis may be forward-looking statements within the meaning of securities laws and regulations. Actual results could differ materially from those expresses or implied. Important factors that could make a difference to your Company's operations include economic conditions, affecting demand /supply and price conditions in the domestic and International markets, changes in the government regulations, tax laws, other statutes and other incidental factors.