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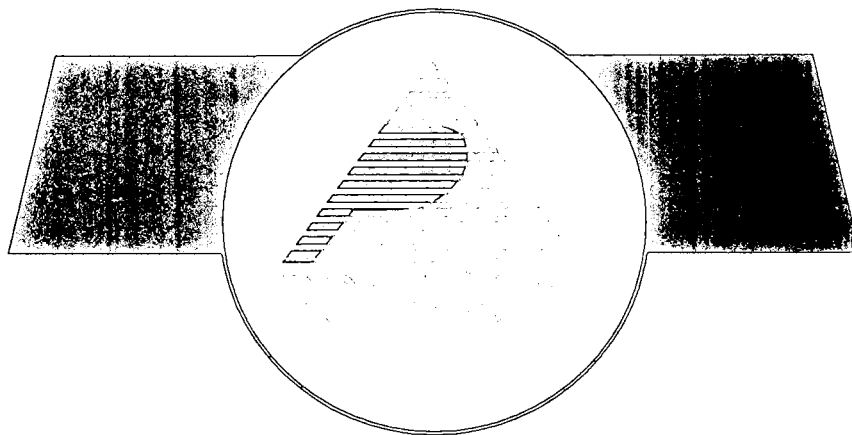
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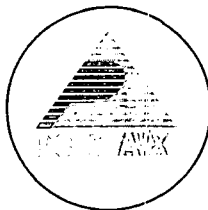
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GUJARAT POLY-AVX

ELECTRONICS LIMITED



GUJARAT POLY-AVX ELECTRONICS LIMITED

NINTH ANNUAL REPORT 1997-98

ANNUAL GENERAL MEETING

On Wednesday, the 30th September, 1998
at B-17/18, Gandhinagar Electronic Estate,
Gandhinagar, Gujarat, at 11.30 A.M.

As a measure of economy, copies of the Annual Report
will not be distributed at the Annual General Meeting.
Shareholders are requested to kindly bring their copies
to the meeting.

BOARD OF DIRECTORS

MR. TANIL R. KILACHAND (*Chairman*)
MR. A. H. MEHTA
BRIG. K. BALASUBRAMANIAM
MR. M. G. SHAH
MR. DONALD CHRISTIANSEN
MR. BENEDICT P. ROSEN
MR. BRUCE LEMOINE
(*Alternate Director to Mr. Benedict Rosen*)
MR. S. G. KHATTAR
(*Alternate Director to Mr. Donald Christiansen*)
MR. P. T. KILACHAND (*Executive Director*)
MR. CHANDRAKANT KUSHALDAS
(*Special Director*)

BANKERS

Bank of Baroda

AUDITORS

Messrs. NANUBHAI & COMPANY
(*Chartered Accountants*)

SOLICITORS AND LEGAL ADVISERS

CRAWFORD BAYLEY & CO.

REGISTERED OFFICE AND WORKS

B-17/18, Gandhinagar Electronic Estate,
Gandhinagar 382 044, Gujarat.

CORPORATE OFFICE SHARE COLLECTION CENTRE

7, Jamshedji Tata Road,
Churchgate Reclamation,
Mumbai 400 020.

REGISTRAR AND SHARE TRANSFER AGENTS

MCS Limited
Sri Venkatesh Bhavan,
Plot No. 27, Road No. 11, MIDC Area, Andheri (East),
Mumbai 400 093.

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NOTICE

NOTICE is hereby given that the Ninth Annual General Meeting of the Members of GUJARAT POLY-AX ELECTRONICS LIMITED will be held at B-17/18 Gandhinagar Electronic Estate, Gandhinagar, Gujarat on Wednesday, the 30th September, 1998, at 11.30 A.M. to transact the following business:

1. To receive and adopt the Directors' Report, Audited Balance Sheet and Profit and Loss Account for the year ended on 31st March, 1998.
2. To appoint a Director in place of Mr. T. R. Kilachand who retires by rotation, but being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. Benedict P. Rosen who retires by rotation, but being eligible, offers himself for reappointment.
4. To consider and, if thought fit, to pass with or without modification/s, the following resolution as an Ordinary Resolution for appointing Auditors for the current year and fixing their remuneration:—

"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, Messrs. Nanubhai & Company, Chartered Accountants, Mumbai, be and are hereby appointed as Auditors of the Company from the conclusion of the next Annual General Meeting of the Company on a remuneration as may be decided by the Board of Directors of the Company."

By Order of the Board of Directors,
A. H. MENTA
DIRECTOR

Registered Office:

Plot No. B-17/18,
Gandhinagar Electronic Estate,
Gandhinagar 382 044,
GUJARAT.

Dated: 21st August, 1998

NOTES

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY/PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER.
- (b) The Register of Members and the Share Transfer Books of the Company will remain close from Tuesday, the 6th October, 1998, to Friday, the 16th October, 1998 (both days inclusive).
- (c) Members are requested to notify any change of their address to the Company's Share Collection Centre at 7, Jamshedji Tata Road, Churchgate Reclamation, Mumbai 400020, or Registrar and Share Transfer Agents, Messrs. MCS LIMITED, Sri Venkatesh Bhavan, Plot No. 27, Road No. 11, MIDC Area, Andheri (East), MUMBAI 400093.

GUJARAT POLY-AVX ELECTRONICS LIMITED**DIRECTORS' REPORT TO THE MEMBERS**

Your Directors present the Ninth Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 1998.

1. PRODUCTION ACTIVITIES

During the year the commercial production of full range of Single Layer Ceramic Capacitors have increased at our plant, utilising existing plant and machinery and other equipments. The total production for the year is 241.36 lac pieces which is higher by 85% compared to production in previous year which was 129.85 lac pieces. The increase in the production figures are mainly due to increase in production of SLCCs although MLCC sales have also increased marginally.

The new samples of SLCCs submitted to various Government authorities and OEMs are approved. Orders for the full range of SLCCs have been received from Colour T.V. manufacturers and industrial electronics as well telecommunication sectors. The actual effect of the new Telecom Policy is yet to make a significant impact to demand of our products.

Meanwhile, the sales turnover have improved considerably for the year in comparison with the sales turnover for the previous year. The sales during the year was Rs.284.64 lacs in comparison to the sales of Rs.225.72 lacs in the previous year. The order booking during the first quarter (April 1998 to June 1998) has increased by around 12% and the sales turnover during this period has increased by 40% over the last year's quarter, despite deep recession in the market. The order booking and sales turnover is expected to improve further with Telecom Policy being implemented. The quarterly results for the period ended June 30, 1998 show a cash profit of Rs. 11 lacs before interest and depreciation.

The Company continued the job work of assembly of Printed Circuit Boards for Push Button Telephone Instruments from a leading telecom equipment manufacturer located in Gandhinagar. The Company is exploring the possibility of assembly of Thermistors, MOVs, Transient Voltage Suppressors (TVS).

With the above possibilities, the Directors are hopeful of increasing the sales turnover of the Company.

2. FINANCIAL RESULTS

The Company's operations for the year has resulted into loss of Rs.391.24 lacs. There is a marginal surplus of Rs.18.30 lacs before interest and depreciation. In absence of any profit during the year, your Directors regret their inability to pay any dividend for the year under review.

3. FINANCE

The Company has not received any additional loans from the financial institutions during the year ended 31st March, 1998.

4. FIXED DEPOSITS

The Company has not received any deposit from Public during the year.

5. PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and the Accounts is being sent to all Shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Registered Office of the Company.

6. REFERENCE TO THE BOARD OF BIFR

As mentioned in the Eighth Directors' Report, the BIFR has declared our company as a sick company and has appointed ICICI as an operating agency. The Rehabilitation Scheme submitted to the Operating Agency on June 27, 1997 was reviewed by the Operating Agency and the same was not approved by them. The report dated December 31, 1997

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prepared by the Operating Agency was sent to the BIFR Board. The BIFR Board has passed an order on April 20, 1998 informing the operating agency (ICICI) to release an advertisement so that interested parties can submit their revival proposal. The advertisement was released by the operating agency in the Economic Times (Ahmedabad & Mumbai edition) on July 1, 1998. Few parties have responded to this advertisement and they are considering possibilities of investment in the company. Once these parties proposals are passed, then the unit can be turn around.

7. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO ETC.

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1968, the Report of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo etc. is given in Annexure I forming part of this report.

8. DIRECTORS

Mr. T. R. Kilachand and Mr. Benedict Rosen retire from office by rotation but being eligible, offer themselves for reappointment.

9. APPOINTMENT OF AUDITOR

You are requested to appoint Auditors and fix their remuneration. The retiring Auditors M/s. Nanubhai & Co., Chartered Accountants, Mumbai are eligible for re-appointment.

10. ACKNOWLEDGEMENT

Your Directors express their sincere thanks to the Central and State Government authorities, including Gujarat Industrial Investment Corporation Ltd., Bank and Financial Institutions.

A word of thanks is due to AVX Corporation for their support to the Company in raw material supplies and technical help.

Sincere thanks are also due to the management team, the staff and workers for their valuable contribution during this critical period for the Company.

On behalf of the Board of Directors,

T. R. Kilachand
Chairman

Registered Office:

Plot No. B-17/18,
Gandhinagar Electronic Estate,
Gandhinagar 382 044,
GUJARAT.

Dated: 21st August, 1998

GUJARAT POLY-AVX ELECTRONICS LIMITED**ANNEXURE I****A. CONSERVATION OF ENERGY**

a) Energy conservation steps taken :

- i) Handler for Radial Laser Marker installed which increased productivity and help in conservation of Energy.
- ii) Effective supervision of Energy usage in the Plant.

b) Additional investment & proposals being implemented :

- i) A separate cooling water system is being developed to reduce energy consumption.
- ii) To utilise every equipment installed at the plant to conserve energy usage.

c) Impact of measures at (a) & (b) above :

The above steps have resulted in cost saving by way of reduced energy consumption.

POWER & FUEL CONSUMPTION**FORM - A****1. ELECTRICITY**

a) Purchased	: April 1997 to March 1998
Units (Kwh)	: 305060
Total Amount	: Rs. 12,15,105/-
(Rate/Unit Rs./Kwh)	: Rs. 3.98

2. TECHNOLOGY ABSORPTION**FORM - B****1. SPECIFIC AREAS IN WHICH R & D CARRIED OUT BY THE COMPANY**

- i) The process of indigenisation of raw material & imported equipments are continuing.
- ii) Further enhanced the Single Layer Ceramic Capacitors range for specific applications.
- iii) Developed tools for the manufacture of Single Layer Ceramic Capacitors.
- iv) Development of PCB assembly for EPBTs.

2. BENEFITS DERIVED AS A RESULT OF ABOVE R & D

- i) Improved production yields.
- ii) Improved process time.
- iii) Improved quality levels.

3. FUTURE PLAN OF ACTION

- i) Indigenisation of Raw Materials/Jigs & Tools for Single Layer Ceramic Capacitors manufacturing.
- ii) Local development of Jigs/Tools for additional needs and replacement.
- iii) Development of products similar to our products.

4. EXPENDITURE OF R & D

Negligible

TECHNOLOGY - ABSORPTION, ADAPTATION & INNOVATION

- (1) (a) Technology Absorption
Technology Absorption is complete in the areas commissioned.
- (b) Adaptation
Improved methods have lead to continuous improvement in our product.
- (c) Innovation
Methodology & systems developed to minimise the process cycle time.

(2) BENEFITS

The Quality of our products is maintained resulting in minimum customer returns on Technical grounds.

(3) IMPORTED TECHNOLOGY

No additional import of Technology in the Financial Year 1997-98.

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NANUBHAI & CO.
CHARTERED ACCOUNTANTS

Telegrams : 'NANUAUDIT'
 Telephone : 2044919
 Jehangir Wadia Building,
 51, Mahatma Gandhi Road,
 Fort, Mumbai 400 023.

Auditors' Report to the Members

(Report on the accounts for the year ended 31st March, 1998 in compliance with Section 227(2) of the Companies Act, 1956).

We have audited the attached Balance Sheet of GUJARAT POLY-AVX ELECTRONICS LTD., as at the 31st March, 1998 and also the Profit and Loss Account for the year ended on that date annexed thereto:

As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988, issued by the Company Law Board in term of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, during the normal course of audit which were considered necessary to the best of our knowledge and belief, we give in the Annexure-'I' a statement on the matters specified in paragraphs 4 and 5 of the said order and further report that :—

- 1) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- 2) In our opinion, proper books of accounts as required by Law have been kept by the company so far as appears from our examination of the books.
- 3) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- 4) In our opinion and to the best of our information and according to the explanations given to us the said accounts read with notes thereon and subject to the following and the matter referred in annexure '1' hereto :—
 - i) Attention is invited to note 1 of "Significant Accounting Policies" regarding the preparation of the accounts for the year under review on a going concern basis despite accumulated losses resulting in the company becoming a Sick Industrial Company under the Sick Industrial Companies Act, 1985. As explained to us and as elucidated in the clause 1 of the Directors' Report regarding the upturn in orders and turnover and future prospective orders received and clause 6 relating to the reference to BIFR and directions of BIFR thereon the company is hopeful that adequate funds will be injected under the aegis of BIFR to further stabilise operations and secure the long term future of the company.
 - ii) Attention is invited to note 3 in respect of the non provision of interests on interest and liquidated damages on loans from Banks & Financial institutions aggregating to Rs. 12,47,70,207 as at 31st March, 1998 as a result of which the accumulated losses and the loss for the year are understated by like amounts. The amount referred to above are subject to reconciliation and confirmation from the relevant Banks and Financial Institutions.
 - iii) Capital work in progress, Rs. 124,028,963/- represents amounts expended on Phases B & C of the project and includes accrued interest apportioned thereto. In view of the matters referred to in para 4(i) above and the presents non commissioning, we are unable to express an opinion on the carrying amounts at which the Capital Work in Progress is stated in the Balance Sheet.
 - iv) We are informed that the Company did not have a Company Secretary as required under section 383A of the Companies Act, 1956 for a part of the year. We are further informed that the company is in the process of seeking an appropriate replacement.
 - v) Note No. 8 relating to confirmation of balances, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
 - i) in the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 1998 and
 - ii) in the case of Profit and Loss Account of the 'loss' for the year ended on that date.

For NANUBHAI & CO.
 Chartered Accountants

Place : Mumbai
 Dated : 21st August, 1998

ABHAY D. DESAI
 Partner