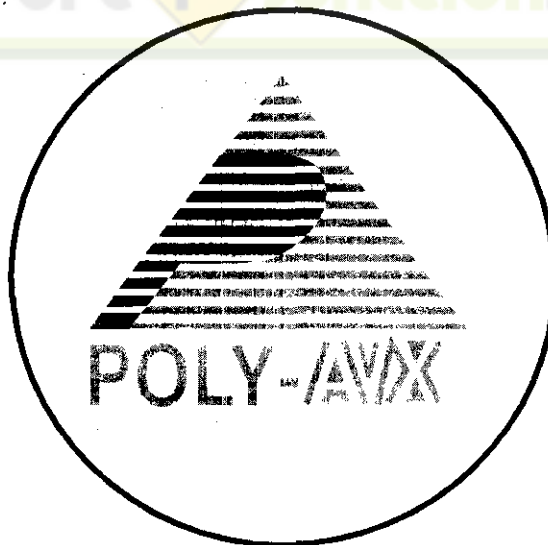
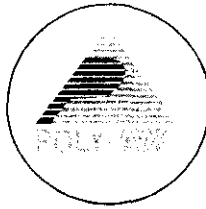


10th ANNUAL REPORT 1998-99

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GUJARAT POLY-AVX
ELECTRONICS LIMITED



GUJARAT POLY-AVX ELECTRONICS LIMITED

TENTH ANNUAL REPORT 1998-99

ANNUAL GENERAL MEETING

On Friday, the 20th August, 1999,
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. 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. C. C. Chokshi & Company
(Chartered Accountants)

Solicitors and

Legal Advisers

Crawford Bayley & Co.

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TENTH ANNUAL REPORT 1998-99**NOTICE**

NOTICE is hereby given that the Tenth Annual General Meeting of the Members of GUJARAT POLY-AVX ELECTRONICS LIMITED will be held at B-17/18 Gandhinagar Electronic Estate, Gandhinagar, Gujarat on Friday, the 20th August, 1999, 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, 1999.
2. To appoint a Director in place of Brig. K. Balasubramaniam who retires by rotation, but being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. M. G. Shah who retires by rotation, but being eligible, offers himself for re-appointment.
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. C. C. Chokshi & Company, Chartered Accountants, Ahmedabad, be and are hereby appointed as Auditors of the Company from the conclusion of this meeting until 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. MEHTA
DIRECTOR

Registered Office:

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

Dated: 25th June, 1999.

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 closed from Tuesday, the 3rd August, 1999, to Friday, the 13th August, 1999 (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 400 020, or Registrar and Share Transfer Agents, Messrs. MCS LIMITED, Sri Venkatesh Bhavan, Plot No. 27, Road No. 11, MIDC Area, Andheri (East), MUMBAI 400 093.

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

Your Directors present the Tenth Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 1999.

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 381.54 lac pieces which is higher by 58.08% compared to production in previous year which was 241.36 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 SLCC submitted to various Government authorities and OEMs are approved. Orders for the full range of SLCCs have been received from 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. 358.57 lacs in comparison to the sales of Rs. 284.64 lacs in the previous year. Order booking during the financial year has increased by around 61% despite deep recession in the market. The order booking and sales turnover is expected to improve further with Telecom Policy being implemented.

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, and High Voltage ceramic capacitors.

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 have resulted into a loss of Rs. 362.50 lacs. There is surplus of Rs. 46.71 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, 1999.

4. FIXED DEPOSITS

The Company has not received any deposits 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 is not applicable to the Company as none of the employees are drawing more than Rs. 6,00,000/- per annum.

6. PROCEEDINGS BEFORE THE BIFR

As was mentioned in the Ninth Directors' Report, BIFR has declared your company as a sick industrial company and appointed ICICI as the operating agency to formulate the rehabilitation scheme. Since BIFR, at one stage, did not have any workable scheme before it, a show cause notice u/s 20 of the Act was issued by BIFR. However, at the last hearing held on 18th May, 1999, BIFR while keeping the said show cause notice in operation directed the OA to formulate the revival scheme in favour of the intending new promoter/s who have evinced interest in the takeover and rehabilitation of the company. The OA is expected to forward the revival scheme to BIFR with its comments and recommendations, if and when the consensus proposal emerges in favour of a new promoter, whereafter BIFR will consider the same and take further course of action in accordance with the law.

TENTH ANNUAL REPORT 1998-99**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. Y2K COMPLIANCE

Company will complete Y2K compliance by August '99. Expenditure on such compliance will be negligible.

9. DIRECTORS

Brig. K. Balasubramaniam and Mr. M. G. Shah retire from office by rotation but being eligible, offer themselves for re-appointment.

Mr. Bruce Lemoine had joined the Board as an Alternate Director to Mr. Benedict P. Rosen with effect from 26th August, 1992 and resigned from the Board with effect from 31.12.1998.

The Board records the valuable services rendered and guidance given by Mr. Bruce Lemoine during the tenure of his office.

10. AUDITORS' REMARKS

As regards the remarks in the Auditors' Report, please refer to the Notes on Accounts which are self explanatory.

11. APPOINTMENT OF AUDITORS

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

12. 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,

P. T. Kilachand
Executive Director

A. H. MEHTA
Director

Registered Office:

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

Dated: 25th June, 1999

GUJARAT POLY-AVX ELECTRONICS LIMITED



ANNEXURE I

A. CONSERVATION OF ENERGY

- a) Energy conservation steps taken:
 - i) An ON-OFF pressure switch installed for the compressor to reduce continuous running.
 - ii) Effective supervision and control for Energy usage in Factory.
 - iii) A by pass line incorporated to reduce the consumption of Refrigerated Air Dryer.
- b) Additional Investments & Proposals being implemented:
 - i) Plan to separate cooling water system from the A.C. plant for conservation of energy.
 - ii) Effective usage of Plant, Machinery & Utilities for energy conservation.
- 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 98 to March 99
- Units (Kwh) : 3,61,495
- Total Amount : Rs. 17,69,097
- (Rate/Unit Rs. Kwh) : Rs. 4.89

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

- i) The process of locating new sources & indigenisation of Raw-material & imported equipments are continuing.
- ii) Development of Spares for various machines for the manufacture of Single Layer Ceramic Capacitors.
- iii) The manufacturing range of Single Layer Ceramic Capacitors enhanced further.

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

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

3. FUTURE PLAN OF ACTION

- i) Continue the development of products similar to our present range of products.
- ii) Development of Jigs & Fixtures/Tools.
- iii) Indigenisation of Raw Materials, Jigs & Tools for SLCC manufacturing.

4. EXPENDITURE OF R & D

Negligible

TECHNOLOGY — ABSORPTION, ADAPTATION & INNOVATION

- (1) (a) Technology Absorption

Technology Absorption is complete in the areas commissioned.
- (b) Adaptation

The system have been modified to adapt to Indian environment.
- (c) Innovation

Continuous development of Methodology & systems have lead to overall improvement in the process.
- (2) **BENEFITS**
 - i) Improvement in our process
 - ii) Lower down time
 - iii) Improved deliveries & service
 - iv) Minimum customer returns on technical grounds.
- (3) **IMPORTED TECHNOLOGY**

No additional import of Technology in the Financial Year 1998-99.