





GUJARAT POLY-AVX ELECTRONICS LIMITED

TWELFTH ANNUAL REPORT 2000-2001

ANNUAL GENERAL MEETING

On Saturday, the 8th September, 2001
at B-17/18, Gandhinagar Electronic Estate,
Gandhinagar, Gujarat, at 2.30 P.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. T. R. Kilachand (*Chairman*)

Mr. P. T. Kilachand

Mr. A. H. Mehta (*Executive Director-Finance & Legal*)

Mr. Chandrakant Kushaldas (*Special Director*)

Brig. K. Balasubramaniam

Mr. M. G. Shah

Mr. J. K. Patel (*Alternate Director to Mr. M.G. Shah*)

Company Secretary

Mr. J. M. Shah

Bankers

Bank of Baroda

Auditors

Messrs C. C. Chokshi & 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.

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TWELFTH ANNUAL REPORT 2000-01

NOTICE

NOTICE is hereby given that the Twelfth 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 Saturday, the 8th September, 2001, at 2.30 p.m. to transact the following business :

1. To receive and adopt the Directors' Report, Audited Balance Sheet and Profit & Loss Account for the year ended on 31st March, 2001.
2. To appoint a Director in place of Mr. Tanil R. Kilachand who retires by rotation, but being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Brig. K. Balasubramaniam 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 of Rs. 30,000/- (Rupees Thirty Thousand only) in addition to reimbursement of travelling and all other out of pocket expenses incurred in connection with the audit."

SPECIAL BUSINESS :

5. To consider and, if thought fit, to pass with or without modification/s, the following resolution as an Ordinary Resolution :
"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, approval of the members of the Company be and is hereby accorded to the appointment of Mr. A.H. Mehta, Executive Director (Finance & Legal) of the Company, for a period of five years with effect from 1st July 2001, upon the terms and conditions including remuneration as set out in the draft agreement placed before this meeting and initialled by the chairman for the purpose of identification, which agreement is hereby specifically approved and sanctioned with authority to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or agreement (including authority, from time to time, to determine the amount of salary as also the

type and amount of perquisites and other benefits payable to Mr. A.H. Mehta), in such manner as may be agreed to between the Board of Directors and Mr. A.H. Mehta, provided however that the remuneration payable to Mr. A.H. Mehta shall not exceed the limits specified in the said agreement as also the limits prescribed under Schedule XIII to the Companies Act, 1956, including any amendment, modification, variation or re-enactment thereof."

"RESOLVED FURTHER THAT in the event of any loss, absence or inadequacy of profits in any financial year, during the term of office of Mr. A.H. Mehta, the remuneration payable to him by way of salary, allowances, and perquisites shall not, without the approval of the Central Government (if required), exceed the limits prescribed under the Companies Act, 1956, or any amendment, modification, variation or re-enactment thereof."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required to give effect to the aforesaid resolution."

By Order of the Board of Directors

J.M. SHAH

Company Secretary

Registered Office :

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

Dated : 1st August, 2001.

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 11th September, 2001, to Tuesday, the 18th September, 2001 (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.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173(2) OF THE COMPANIES ACT, 1956.

The following Explanatory Statement, as required by Section 173(2) of the Companies Act, 1956 sets out the material facts relating to business under Item No. 5 mentioned in the accompanying Notice dated 1st August, 2001.

The Board of Directors have appointed Mr. A.H. Mehta as the Executive Director (Finance & Legal) of the Company with effect from 1st July, 2001. This appointment is subject to the approval of the members in general meeting.

Mr. A.H. Mehta is a Chartered Accountant and Chartered Secretary by profession. He has been involved since the incorporation of the Company and is familiar with all aspects of the Company.

The main terms of appointment of Mr. A.H. Mehta, Executive Director (Finance & Legal) of the Company as set out in the draft agreement placed before the meeting, are as follows :

- (i) The period of appointment shall be for five years effective from 1st July, 2001.
- (ii) Salary payable shall be in the range of Rs. 13,000/- to Rs. 75,000/- per month.
- (iii) Perquisites per annum shall be equivalent to annual salary.
- (iv) Other benefits shall include use of car (with driver) and telephone for the Company's business at residence (the expenses whereof would be borne and paid by the Company), contribution to provident and superannuation funds and all other benefits as are applicable to other senior employees of

the Company (including but not limited to gratuity, leave entitlement, encashment of leave, in accordance with schemes of the Company).

In accordance with the resolution, within the aforesaid limits, the amount of salary and perquisites payable to Mr. A.H. Mehta (including the types and amount of each type of perquisites) will be decided by the Board of Directors at such time or times as it may deem fit in its absolute discretion. Further Mr. A.H. Mehta shall be entitled to benefits as provided to the other senior employees, in accordance with the schemes made by the Company from time to time.

The valuation of perquisites will be as per the Income Tax Rules, 1962, in cases where the same is otherwise not possible to be valued.

The Board of Directors recommends the resolution for approval of the members.

This may be treated as an abstract of the terms and conditions governing the appointment and remuneration of the Executive Director, pursuant to Section 302 of the Companies Act, 1956. Mr. A.H. Mehta is interested in resolution at Item No. 5.

None of the other Directors of the Company, is in any way, concerned or interested in the said resolution.

By Order of the Board of Directors

J.M. SHAH

Company Secretary

Registered Office :

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

Dated : 1st August, 2001.

GUJARAT POLY-AVX ELECTRONICS LIMITED

**DIRECTORS' REPORT TO THE MEMBERS**

Your Directors present the Twelfth Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2001.

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 787.04 Lac pieces which is higher by 20% compared to production in previous year which was 654.06 Lac pieces. The increase in the production figures are mainly due to increase in production of SLCCs.

Major Orders for the full range of SLCCs have been received from the telecommunication sectors. The actual effect of the Telecom Policy is yet to make a significant impact to demand of our products.

Meanwhile the sales turnover have improved for the year in comparison with the sales turnover for the previous year. The sales during the year was Rs. 734.49 Lacs in comparison to the sales of Rs. 650.14 Lacs in the previous year. Order booking value during the financial year has increased by around 27% despite deep recession in the market. The order booking and sales turnover is expected to improve further with Telecom Policy being implemented.

The Company has also started production and sales of 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 operation for the year has resulted into loss of Rs. 342.03 Lacs. There is surplus of Rs. 187.35 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.

The killer earthquake that wrecked Gujarat on 26th January, 2001 spared none, and our Company too, was no exception, though the damage was marginal.

3. FINANCE

The Company has not received any additional loans from the financial institutions during the year ended 31st March, 2001. The Company has repaid during the year Rs. 32.46 Lacs & Rs. 12.96 Lacs after the end of the year to Bank & Financial Institutions towards principal amount.

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. 12,00,000 per annum.

6. PROCEEDINGS BEFORE THE BIFR

As you are aware, your Company has been referred to BIFR for adoption of revival measures with respect to it in accordance with the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985. Having exhausted the route to revive the Company even by exploring the possibility of change in management of the Company, BIFR decided to issue at the hearing held on 18th February, 1999, a Show Cause Notice (SCN) in terms of Section 20(1) of SICA inviting objections/suggestions to SCN as to why the Company should not be wound up, in public interest. At the hearing held on 18th May, 1999, BIFR observed that in view of serious interest evinced by some prospective parties some more time should be granted to explore the possibility of forming the revival package and, therefore, gave certain directions in that behalf.

The proposed Industrial Cooperative of Workers and Employees has submitted a comprehensive revival scheme, in joint participation with the existing management, to the Operating Agency (OA) as also to BIFR. Efforts are being made to muster the support of the bank and financial institutions to the said revival scheme. In the meanwhile, as the Company has attained

remarkable and commendable growth in terms of sales and profitability during the year under review over the past years, it is expected that BIFR may consider the same if the due support is extended by the bank and financial institutions and give an opportunity to the Company for its rehabilitation. However, the SCN is kept operative by BIFR.

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. A.H. Mehta has been appointed as an Executive Director (Finance & Legal) with effect from 1st July, 2001.

Mr. Donald Christiansen and Mr. Benedict P. Rosen have resigned as Directors of the Company with effect from 3rd November, 2000. The Board appreciates the valuable services rendered by them during the tenure of their office. Mr. J.K. Patel has been appointed as an Alternate Director to Mr. M.G. Shah.

Brig. K. Balasubramaniam and Mr. T.R. Kilachand retire from office by rotation but being eligible, offer themselves for reappointment.

9. AUDIT COMMITTEE

Your Company has set-up an Audit Committee of Directors as mandated by Section 292(A) of the Companies Act, 1956 as amended. Shri A.H. Mehta, Brig. K. Balasubramaniam and Shri Chandrakant Kushaldas (Special Director nominated by BIFR) are the members of the Audit Committee.

10. AUDITORS' REMARKS

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

Shri M.G. Shah has yet to confirm non-attraction of Section 274(1)(g) of the Companies Act, 1956.

11. DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm that:

- (i) in the preparation of the annual accounts, applicable accounting standards have been followed, with proper disclosure of any departures;
- (ii) the accounting policies are consistently applied and reasonable, prudent judgement and estimates are made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the annual accounts on a going concern basis.

12. 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.

13. ACKNOWLEDGEMENT

Your Directors express their sincere thanks to the Central and State Government authorities, including Gujarat Industrial Investment Corporation Ltd., Bank and Financial Institutions and the Collaborators Kyocera-AVX Corp. of USA.

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

By Order of the Board of Directors
T. R. Kilachand
Chairman

Registered Office:
Plot No. B-17/18
Gandhinagar Electronics Estate
Gandhinagar 382 044, GUJARAT
Dated : 1st August, 2001

TWELFTH ANNUAL REPORT 2000-01**ANNEXURE: 1****A. CONSERVATION OF ENERGY**

- a) Energy conservation steps taken :
 - i) A standard chilling plant to take care of the various m/cs, independent of the AC system, has been designed & is/under development.
 - ii) Effective preventive maintenance of AHU FILTERS & AC PLANT.
 - iii) Preventive maintenance programme has led to reduction in the power consumption.
- b) Additional investments & Proposals being implemented:
 - i) Blue Star has been entrusted the job work of assembling and installing of Chiller.
 - ii) Optimum usage of utility/plant & machinery for conservation of energy.
- c) Impact of measures at (a)&(b) above:
The above steps have resulted in cost saving and also in the energy conservation.
- d) Power & Fuel Consumption : Not Applicable

B. TECHNOLOGY ABSORPTION**FORM-B**

- 1) SPECIFIC AREAS IN WHICH R & D CARRIED OUT BY THE COMPANY.
 - i) Packing material for our finished product (tape & reel) developed locally.
 - ii) Development & installation of SLCC Resin based AUTO LINE.
 - iii) Development of raw material for resin based AUTO LINE.
 - iv) MLCC SR-27 lead style tool developed locally.
- 2) BENEFITS DERIVED AS A RESULT OF ABOVE R & D
 - i) Reduction in cost of raw materials.
 - ii) Reduced down time.
 - iii) Improve process time with higher productivity.
 - iv) Maintain quality level.

3) FUTURE PLAN OF ACTION

- i) Indigenisation of other raw material, jigs & tools for SLCC & MLCC manufacturing.
- ii) Local Development of jigs & fixtures/tools for replacement.
- iii) Continue the development of products similar to our present range of product.

4) EXPENDITURE OF R & D

Negligible.

TECHNOLOGY-ABSORPTION, ADAPTATION & INNOVATION**1) a) Technical Absorption**

Technical Absorption is complete in the area commissioned.

b) Adaptation

The system have been modified to Indian environment as a part of continuous quality improvement programme.

c) Innovation.

Better methodology & systems have lead to overall improvement in the process.

2) BENEFITS

- i) Improvement in process and reduced down time.
- ii) Improved deliveries & services to customers with minimum customers returns on technical ground.

3) IMPORTED TECHNOLOGY

No additional import of technology in the financial year 2000-2001.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- i) Total Foreign Exchange used : Refer note 10(i) of Schedule XVII
- ii) Total Foreign Exchange earned : Rs.NIL