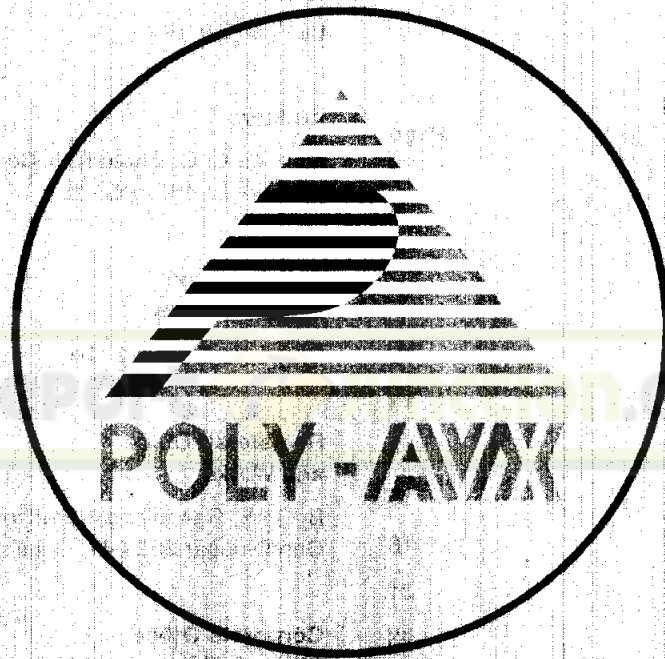


13TH ANNUAL REPORT 2001-2002



GUJARAT POLY-AVX
ELECTRONICS LIMITED



GUJARAT POLY-AVX ELECTRONICS LIMITED

THIRTEENTH ANNUAL REPORT 2001-2002

ANNUAL GENERAL MEETING

On Friday, the 27th September, 2002
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 Khushaldas (*Special Director*)

Brig. K. Balasubramaniam

Mr. M. G. Shah (*Nominee Director of GILC*)

Mr. A. B. Shah (*Alternate Director to Mr. M. G. Shah*)

Company Secretary

Mr. J. M. Shah

Bankers

Bank of Baroda

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Auditors

Messrs. C. C. Chokshi & Co.
(*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.

THIRTEENTH ANNUAL REPORT 2001-02

NOTICE

Notice is hereby given that the Thirteenth 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 Friday, the 27th September, 2002, at 2.30 p.m. to transact the following business:

1. To receive, consider and adopt the Directors' Report and Audited Balance Sheet as at 31st March, 2002 and Profit and Loss Account for the year ended 31st March, 2002.
2. To appoint a Director in place of Mr. M.G. Shah who retires by rotation, but being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. A.H. Mehta 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.

"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.

Further Resolved that the Board of Directors be and is hereby authorised to fix the remuneration of the Auditors and 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 a Special Resolution:

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the following Article be added after Article 51 of the Articles of Association of the Company:

51A Dematerialisation of Securities

For the purpose of this Article, unless the context otherwise requires:

(A) Definitions

Beneficial Owner

"Beneficial Owner" means a person whose name is recorded as such with depository."

SEBI

"SEBI" means the Securities and Exchange Board of India;

Bye-laws

"Bye-laws" means bye-laws made by a depository under Section 26 of the Depositories Act, 1996;

Depositories Act

"Depositories Act" means the Depositories Act, 1996, including any statutory modification or re-enactment thereof for the time being in force;

Depository

"Depository" means a company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration under sub-section (1A) of Section 12 of the Securities and Exchange Board of India Act, 1992;

Record

"Record" includes the records maintained in the form of books or stored in a computer or in such other forms as may be determined by Regulations;

Regulations

"Regulations" means the regulations made by the SEBI

Security

"Security" means shares, debentures and such other security as may be specified by the SEBI from time to time.

(B) Dematerialisation of Securities

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form, pursuant to the Depositories Act and the Rules framed thereunder.

(C) Option to receive security certificates or hold securities with depository

- (1) Every person subscribing to securities offered by the Company shall have the option to receive the security certificates or hold securities with a depository.

- (2) Where a person opts to hold a security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of such information the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

(D) Securities in depositories to be in fungible form.

- (1) All securities held by a depository shall be dematerialised and shall be in a fungible form.
- (2) Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

(E) Rights of Depositories and Beneficial Owners

- (1) Notwithstanding anything to the contrary contained in the Articles or in any other law for the time being in force, a depository shall be deemed to be registered owner for the purpose of effecting transfer of ownership of security on behalf of a beneficial owner.
- (2) Save as otherwise provided in clause (1) above, the depository as a registered owner shall not have any voting rights or any other rights in respect of securities held by it.
- (3) Every person holding securities of the Company and whose name is entered as beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner shall be entitled to all the rights and benefits and be subjected to all the liabilities in respect of his securities held by a depository.

(F) Depository to furnish information

Every depository shall furnish to the Company information about the transfer of securities in the name of the beneficial owners at such intervals and in such manner as may be specified by the bye-laws and the Company in that behalf.

(G) Option to opt out in respect of any security

- (1) If a beneficial owner seeks to opt out of a depository in respect of any security, he shall inform the depository accordingly.
- (2) The depository shall on receipt of such intimation make appropriate entries in its records and shall inform the Company.
- (3) The Company shall, within thirty (30) days of the receipt of intimation from a depository and on fulfilment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the beneficial owner or the transferee, as the case may be.

(H) Sections 83 and 108 of the Act not to apply

Notwithstanding anything to the contrary contained in the Articles:-

- (1) Section 83 of the Act shall not apply to securities held with a depository.
- (2) Nothing contained in Section 108 of the Act shall apply to a transfer of securities effected by the transferor and the transferee both of whom are entered as beneficial owners in the records of a depository.

(I) Register and Index of beneficial owners

The Register and Index of beneficial owners maintained by a depository under Section 11 of the Depositories Act shall be deemed to be the Register and Index of Members for the purpose of the Act and these Articles.

6. To consider, and if thought fit, to pass with or without modifications the following Resolution as an Ordinary Resolution:

Resolved that the Company do raise its Authorised Capital from Rs.1200 lacs divided into 1,20,00,000 Equity Shares of Rs.10/- each to Rs. 22 crores divided into 1,20,00,000 Equity Shares of Rs.10/- each and 1/2% 10,00,000 Non-Cumulative Redeemable Preference Shares of Rs.100/- each.

7. To Consider and, if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution.

"RESOLVED THAT for existing Clause V of the Memorandum of Association of the Company the following Clause V be substituted:

CLAUSE V : The Authorised Capital is Rs. 2200 lacs divided into 1,20,00,000 Equity Shares of Rs. 10/- each and 1/2 % 10,00,000 Non-cumulative Redeemable Preference Shares of Rs. 100/- each with the right privileges and conditions attached thereto as are provided in the Articles of Association of the Company for the time being in force or the terms of issue."

8. To consider and, if thought fit to pass with or without modification(s) the following resolution as a Special Resolution:

"After clause 4(f) of the Articles of Association the following clauses be added:

- (g) The shares shall carry right to a preferential dividend of 1/2% p.a. in relation to the capital paid-up on them.
- (h) In the winding-up, the holders of the shares shall be entitled to

GUJARAT POLY-AVX ELECTRONICS LIMITED

preferential rights of return of the amount paid-up on the shares, but shall not have any further right or claim on the surplus assets of the Company."

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, 2002.

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 had been closed from Tuesday, the 11th June, 2002 to Tuesday, the 18th June, 2002 (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.
- (d) The Company's securities are listed on the Bombay Stock Exchange, Mumbai and Ahmedabad Stock Exchange, Ahmedabad.
- (e) The Company's securities are listed on the following Stock Exchanges :

Sr. No.	Name & Address of the Stock Exchange	Nature of Security as on 31.3.2002
1.	The Stock Exchange Mumbai Jeejeebhoy Towers Dala Street Mumbai 400 023.	1,15,00,010 Equity Shares of Rs.10/- each
2.	Ahmedabad Stock Exchange Kamdhenu Complex Opp. Sahajanand College Panjarapole Ahmedabad 382 015.	1,15,00,010 Equity Shares of Rs.10/- each

The Company has paid Annual Listing fees to the above Stock Exchanges.

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 items 5, 6, 7 & 8 mentioned in the accompanying Notice dated 1st August, 2002.

1. Item 5

With the enactment of the Depositories Act, 1996 and the introduction of the Depository System, certain provisions of the Companies act, 1956, pertaining to issue, holding, transfer and dealing in shares and other securities as also issue of certificates thereof have been amended with a view to facilitating the operation of the Depository System. In view of this, consequent changes are required to be incorporated in the Articles of Association of the Company. This is sought to be done by introduction of a new Article 51A in terms of the resolution at Item No.5 so that the Articles of Association of the Company are in line with the amended provisions of the Companies Act, 1956 read with the provisions of the Depositories Act, 1996. The special resolution at Item No.5 is therefore proposed pursuant to Section 31 of the Companies Act, 1956. The Directors recommend the special resolution for acceptance by the members.

None of the Directors of the Company is concerned or interested in the resolution.

2. Item 6, 7 & 8

The Appellate Authority for Industrial and Financial Reconstruction's Order dated 27.03.2002, inter alia, provided for the reduction of existing Equity Share Capital from Rs.1150 lacs to Rs.700 lacs divided into 70,00,000 Equity Shares of Rs.10/- each and allotment of 8,00,000 Equity Shares of Rs.10/- each to Polychem Limited by conversion out of their loan of Rs.80,80,854/- advanced to the Company and allotment of 7,50,000 Equity Shares of Rs.10/- each on pro-rata basis to Term Lenders by conversion of the part of their loan to the Company and also issue of 9,81,500 ¼% Non-Cumulative Preference Shares of Rs.100/- each of the Face Value of Rs.981.50 lacs to the said Term Lenders. This necessitates the increase in Authorised Capital as proposed.

None of the Directors of the Company is concurred or interested in the resolution.

The Directors recommend the Special Resolution for acceptance by the Members.

The Memorandum and Articles of Association of the Company together with the proposed alterations will be open for inspection by any member of the Company at the Registered Office on any working day between 2.00 p.m. and 4.00 p.m.

As required in terms of paragraph VI(A) of Clause 49 of the Listing Agreement, the details of the directors retiring by rotation and eligible for reappointment are furnished below:

Name of Director	Mr. A.H.Mehta	Mr. M.G.Shah
Age	57 years	64 years
Qualification	B.Com., F.C.A., F.C.S.	IAS Officer (Retd)
Date of Appointment	14-9-1989	13-9-1995
Expertise	Experience in Audit Accountancy, Secretarial, Legal & Administration with Polychem Ltd., Sandeep Holdings Ltd. and Tandon Singapore Pte.Ltd. Mr.A.H.Mehta has been involved with the Company since its incorporation and is familiar with all aspects of the Company. He is responsible for Company's finance and legal functions and carries out duties as instructed to him from time to time by the Board of Directors.	Long service in administration holding various important senior posts in Government, including that of Secretary (Finance) to Government of Gujarat.
Other Directorship as on 31st March, 2002	Elphinstone Holdings & Trading Co. Pvt. Ltd. Sun Tan Trading Co. Pvt. Ltd. Lokranjan Breweries Ltd.	M/s.Gujarat Perstorp Electronics Limited. M/s. Haldyn Glass Gujarat Limited.

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, 2002.

THIRTEENTH ANNUAL REPORT 2001-02

DIRECTORS' REPORT TO THE MEMBERS

Your Directors present the Thirteenth Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2002.

1. PRODUCTION ACTIVITIES

During the year there has been a significant decrease in the production of Ceramic Capacitors. Due to change in C-DoT design the production for Ceramic Capacitors was low due to which there is a decline in the production over last year. Accordingly the total production for the year is 652.04 lacs pieces which is lower by 17% as compared to production in previous year which was 787.04 lacs pieces.

Meanwhile the sales turnover for the year was Rs.687.23 Lacs in comparison to Rs.734.49 Lacs during the last year despite deep recession in the market. However, there has been a significant increase in the Average Realisation due to change in the product mix. It is commendable that because of the efforts of technical team the Company has also started Trial Production of Electronic Passive Components like Metal Oxide Varistors (MOV's). These are expected to have a good market in the coming year.

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

2. FINANCIAL RESULTS

The Company's operations for the year has resulted into Profit of Rs.51.31 lacs compared to loss of Rs.342.03 lakhs during the previous year. There is surplus of Rs.182.21 lacs before interest and depreciation. Due to accumulated loss 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, 2002.

The Company has repaid during the year Rs.160.00 Lacs & Rs.9.53 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.24,00,000 per annum or Rs.2,00,000/- per month.

6. PROCEEDINGS BEFORE THE BIFR / AAIFR

As you are well aware, your company was 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 (SICA). Having exhausted the route to revive the company even by exploring the possibility of change in management of the company, BIFR finally 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 7th September, 2001, BIFR confirmed its opinion in favour of winding up of your company.

Your company had filed an appeal u/s 25 of SICA against the impugned order of BIFR referred to above. The proceedings before the Hon'ble AAIFR came about in sanctioning a revival scheme at the hearing on 27th March, 2002. The sanctioned scheme (SS) envisages the restructuring of share capital and loan capital, to ensure that the company is able to make its net worth exceed the accumulated losses within a reasonable time frame. The loan capital is to be restructured which involved one-time settlement (OTS) of the dues of the secured creditors involving sizeable waiver / write off of interest etc. The share capital has been approved to be restructured under the SS by providing for conversion of considerable secured / unsecured loan amount into preference / equity share capital as also for reduction in the existing equity share capital of the company. The company has already commenced the implementation of the SS and your directors are hopeful that the company will be able to turn the corner in view of the measures approved under the scheme sanctioned by the Hon'ble AAIFR.

As per the Scheme sanctioned by AAIFR, Company has reduced its issued Equity Share Capital from Rs.1150 lacs to Rs.700 lacs and has also allotted 7,50,000 Equity Shares of Rs.10/- each to Term Lenders on pro-rata basis of their principal dues outstanding and 8,00,000 Equity Shares of Rs.10/- each to Polychem Ltd. towards conversion out of Loan of Polychem Ltd. to your Company.

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. J. K. Patel of GILC had been appointed as Alternate Director to Mr.M.G.Shah on the Board of Company on 16th September 2000. He resigned on 25th April 2002.

Mr.A.B.Shah of GILC has been appointed as Alternate Director to Mr.M.G.Shah on 25th April 2002.

Mr. M.G.Shah and Mr.A.H.Mehta 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, Brjg.K.Balasubramaniam, Shri. P. T. Kilachand and Shri Chandrakant Khushaldas (Special Director nominated by BIFR) are the members of the Audit Committee.

10. 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.

11. CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement a separate report on Corporate Governance and a certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance are annexed to the Directors' Report.

12. AUDITORS' REMARKS

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

13. APPOINTMENT OF AUDITORS

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

14. 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 Corpn 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.

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 : 1st August, 2002

GUJARAT POLY-AVX ELECTRONICS LIMITED



ANNEXURE I

A. CONSERVATION OF ENERGY

- a) Energy conservation steps taken :
 - i) Optimum utilisation of Chiller for different machines separately.
 - ii) Chilled water requirement was connected to stand alone Chiller thereby reducing the A.C.Plant running which consumes maximum energy.
 - iii) Scheduled maintenance programme which resulted into better performance of machine with low consumption of energy.
- b) Additional Investments & Proposals being implemented :
 - i) Effective maintenance of the A.C.Plant.
 - ii) Optimum usage of utility / plant & machinery for conservation of energy.
- c) Impact of measures at (a) & (b) above:
The above programmes have resulted in cost saving, better productivity and also the cost saving of the material 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) Trial carried out on various machines to produce Metal Oxide Varistor (MOV).
 - ii) Additional Spares developed for manufacturing of MOV.
 - iii) Raw material for Axial line locally developed.
2. BENEFITS DERIVED AS A RESULT OF ABOVE R & D
 - i) Reduction in cost of raw materials.
 - ii) Increase in machine efficiency.
 - iii) Higher productivity with low process cost.
 - iv) Quality Concept maintained.

3. FUTURE PLAN OF ACTION

- i) Indigenisation of other raw materials, jigs & tools for ceramic capacitors manufacturing.
- ii) Local Development of jigs & fixtures/tools for replacement of imported spares.
- 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) Technology Absorption

Technology Absorption is complete in the areas commissioned.

(b) Adaptation

The system have been modified to adapt 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 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 2001-2002.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- i) Total Foreign Exchange used : Refer note of 13(i) of Schedule XVII
- ii) Total Foreign Exchange earned : Rs.NIL

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THIRTEENTH ANNUAL REPORT 2001-02

MANAGEMENT DISCUSSION AND ANALYSIS REPORT**Overview**

Your Company is one of the largest manufacturers of Ceramic Capacitors in India. The product range includes Ceramic Capacitors in Radial, Axial Configuration and Surface Mount Devices. As you may be aware your Company was incorporated in the year 1989 and has technical collaboration with Kyocera-AVX ,USA.

Industrial Structure and Development

The market for Electronic Passive Components can be largely divided into the following segments:

- (1) Telecommunications
- (2) Computer & Computer Peripherals
- (3) Instrumentation and Industrial Electronics
- (4) Consumer Electronics
- (5) Space Application
- (6) Automobile
- (7) Audio/Video

Your Company is servicing the above segments with a wide customer base. The Telecom Industry is one of the fastest growing industry in the country and is one of the major segments which require our Ceramic Capacitors.

Opportunities and Threats

GUJARAT POLY-AVX ELECTRONICS LTD. (GPAEL) has a large variety of customers covering all segments. With this strong Customer base the Company is hopeful of strengthening it's Market Share.

Electronic Passive Components are the building blocks of any electronic equipment & Ceramic Capacitors are one of the most widely used electronic components. These Ceramic Capacitors are characterised by their wide range and miniature size.

Last year's slow down in the economy has led to uncertainty of growth prospects. The growth in competition have also led to decrease in prices.

The process of liberalization has hit the component industry as a whole and our industry in particular and will impact the prospects of the Company.

Risks & Concerns

Telecommunication Sector is growing rapidly. Due to the liberalised government policies, this is being serviced through local technology and MNCs. This can have an adverse impact on the growth of our customer base.

Technology changes can also render products obsolete unless investments keep pace with technological changes.

Performance by Sector and Products

During the year there has been a decrease in the Production of Ceramic Capacitors. Due to change in C-DoT design the production for Ceramic Capacitors was low and consequently there is a decline in the production over last year. Accordingly the total production for the year is 652.04 Lacs pcs. Which is 17% lower as compared to production in previous year which was 787.04 Lacs pcs.

Meanwhile the Sales Turnover for the year was Rs.687.23 Lacs in comparison to Rs.734.49 Lacs during the last year despite deep recession in the market. However there has been a significant increase in the Average Selling Prices (ASP's). The Company has also started Trial Production of other Electronic Passive component like Metal Oxide Varistors (MOV's).

Outlook

With the above possibilities, the Directors are hopeful of atleast maintaining the Sales Turnover of the Company.

The Company is cautiously optimistic about the growth prospects for the current Financial Year.

Internal Control System and their Adequacy

GPAEL has adequate system of internal controls to ensure all assets are safeguarded and protected against loss from unauthorised use or disposition and that transactions are authorised, recorded and reported correctly.

Your Company has nominated Internal Auditors who evaluate all financial and operating control system of the company. The Internal Auditors also review the internal controls to ensure Accounts of the Company are maintained and transactions are in accordance with the prevailing laws and regulations.

Internal Audit findings and recommendations are reviewed by the top management and the Audit Committee of the Board. The Committee reviews the quarterly, half yearly and annual financial statements before these are submitted to the Board and ensures compliance of internal control system.

FINANCIAL PERFORMANCE**Reserves & Surplus**

During the year under review there has been no changes in the capital reserves of the Company which stands at Rs.29,75,000/-.

Secured Loans

AAIFR vide its Order dated 27.3.2002 has sanctioned the Revival Scheme for the Company. The Scheme provides for 45% of the secured loans to be paid in four instalments. It also provides for issue of Redeemable Preference Shares of value of Rs.981.50 lacs as also issue of Equity Shares of Rs.75 lacs to financial institutions & bank in proportion to their principal dues outstanding.

Fixed Assets (Net Block)

The Net Block as on 31.3.2002 is Rs.1350 lacs compared to Rs.1475 lacs for previous year. The net block has gone down due to depreciation charged for the year.

Investments

The Company has not made any investments during the year.

Net Current Assets

The net current assets of the Company have reduced marginally from Rs.511 lacs to Rs.510 lacs.

Results of operations

The revenue during the year has come down from Rs.734 lacs to Rs.687 lacs mainly due to non-receipt of orders from C-DoT. The profit before tax is Rs.51 lacs compared to loss of Rs.342 lacs in the previous year. Provisions for interest and financial charges are Rs.3.29 lacs compared to Rs.402.95 lacs during previous year. Interest on term loans of Financial Institutions & Bank is not provided for the year ended 31.3.2002 as per sanctioned Scheme of AAIFR.

Payment to and provisions for employees amounts to 8% of sales compared to 6% in the previous year. Depreciation amounts to 18.56% of Sales during the year compared to 17.21% in the previous year.

Due to the accumulated losses the Board have not recommended any dividend during the year.

Material Development in Human Resources

GPAEL's strength lies in its human resources and total employee involvement. Emphasis is placed on effective communication, continuous on-going training and regular upgradation of each individual's performance/skill. The company empowers every employee to be a leader in its stride towards total quality. Keeping this in mind we have aligned our people practices to these business strategies.

As on March 31,2002 the Company employs 63 people. During the year under review, 6 people left the services of the Company and no new recruitment was made.

GUJARAT POLY-AVX ELECTRONICS LIMITED



CORPORATE GOVERNANCE REPORT

1. Board of Directors

The board of directors comprises of six members and is responsible for management of the Company's business. The Board's role, functions, responsibility and accountability are clearly defined.

The table below provides the composition of the Board of Directors as on 25th July 2002 and other related information.
FY 2001-02 (April '01 to March '02)

Name of the Director	Attendance Particulars			Sitting fees	No. of other Directorship and Committee Membership /Chairmanship	
	Category	Board meetings	Last AGM		Other Directorship	Committee Membership/Chairmanship
Mr. T.R.Kilachand	Chairman	5	Yes	3,500/-	7	1 (Chairman)
Mr. P.T.Kilachand	NED	4	No	2,500/-	9	—
Brig.K.Balasubramaniam	NED(I)	4	Yes	4,500/-	—	—
Mr.C.Khushaldas (Nominee of BIFR)	NED(I)	5	Yes	6,500/-	5	—
Mr. M.G.Shah (Nominee of GILC)	NED(I)	—	—	—	2	—
Mr. J.K.Patel (Alternate Director to Mr. M. G. Shah)	NED(I)	1	No	250/-	—	—
Mr. A.H.Mehta	ED(I)	5	No	500/-	4	—

— The other Directorship includes the directorship of Private Ltd.Companies.

— NED – Non-Executive Directors.

— NED (I) – Non-Executive and Independent Directors

— Mr. A.H.Mehta was appointed as Executive Director w.e.f. 1st July 2001.

Number of Board Meetings held and dates on which held:

During the FY 2001-02, five Board Meetings were held on the following dates:

2nd May, 2001, 25th July, 2001, 8th September, 2001, 25th October, 2001, 19th February, 2002

2. Audit Committee

The Audit Committee has been constituted on 2nd May, 2001 and presently, the following directors are the members of the Audit Committee

- Mr. A.H.Mehta — Chairman
- Mr.C.Khushaldas
- Brig.K.Balasubramaniam
- Mr.P.T.Kilachand — appointed on 19.2.2002

The majority of the members of the Audit Committee are independent and have knowledge of finance, accounts, company law and telecom industry as a whole. The quorum for audit committee meeting is minimum of two members.

Terms of reference of the Audit Committee are as per the guidelines set out in the listing agreements with the Stock Exchanges that inter alia, include overseeing financial report processes, reviewing with the management the financial statements and adequacy of internal control systems, reviewing the address of internal audit function and discussion with internal auditors on any significant findings.

During the year 2001-02, four meetings of the Audit Committee were held on the following dates:

25th July, 2001, 8th September, 2001, 25th October, 2001 and 19th February, 2002

Name of the Director	No. of meetings attended
Shri Chandrakant Khushaldas	4
Brig. K.Balasubramaniam	3
Shri A.H.Mehta	4

The Company Secretary acts as the Secretary to the Committee.