

14TH ANNUAL REPORT 2002-2003



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GUJARAT POLY-AVX

14TH ANNUAL REPORT 2002-2003



GUJARAT POLY-AVX ELECTRONICS LIMITED

FOURTEENTH ANNUAL REPORT 2002-2003

ANNUAL GENERAL MEETING

On Wednesday, the 18th September, 2003
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. T. R. Kishorend (Chairman)

Mr. R. T. Kishorend

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

Mr. Chandrakant Khushaldas

Brig. K. Sainubramanian

Mr. A. B. Shah (GIC Nominee)

Mr. R. K. Jari (GIC Nominee)

Company Secretary

Mr. J. M. Shah

Bankers

Bank of Baroda

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Auditors

Messrs. G. 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
Churnigate Reclamation
Mumbai 400 020.

FOURTEENTH ANNUAL REPORT 2002-03

NOTICE

NOTICE is hereby given that the Fourteenth 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 10th September, 2003 at 11.30 a.m. to transact the following business:

1. To receive, consider and adopt the Directors' Report and Audited Balance Sheet as at 31st March, 2003 and Profit and Loss Account for the year ended 31st March, 2003.
2. To appoint a Director in place of Shri P.T.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.

"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 an ORDINARY RESOLUTION :

"RESOLVED that Shri R.K.Jani who was appointed as an Additional Director on 31.10.2002 under Section 260 of the Companies Act, 1956 and who under Article 138 of the Articles of Association of the Company retires at this Annual General Meeting, be and is hereby appointed to the office of the Director of the Company, liable to retire by rotation and for which the prescribed notice has been received by the Company in terms of Section 257 of the Companies Act, 1956, the candidate having filed his consent to act as a Director, if appointed."

6. To consider, and if thought fit, to pass, with or without modification/s the following resolution as an ORDINARY RESOLUTION :

"RESOLVED that Shri Chandrakant Khushaldas who was appointed as an Additional Director on 25.7.2003 under Section 260 of the Companies Act, 1956 and who under Article 138 of the Articles of Association of the Company retires at this Annual General Meeting, be and is hereby appointed to the office of the Director of the Company, liable to retire by rotation and for which the prescribed notice has been received by the Company in terms of Section 257 of the Companies Act, 1956, the candidate having filed his consent to act as a Director, if appointed."

7. To consider, and if thought fit, to pass, with or without modification/s the following resolution as a SPECIAL RESOLUTION :

RESOLVED that the securities of the Company be voluntarily delisted from the Ahmedabad Stock Exchange as per voluntary delisting of securities under SEBI (Delisting of Securities) Guidelines 2003.

8. To consider, and if thought fit, to pass, with or without modification, the following resolution as a SPECIAL RESOLUTION :

"RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Act, the Articles of Association of the Company be and are hereby altered in the following manner :

Insert the following Article as Article 115A after Article 115:

- 115A. The Company may pass resolution by postal ballot in the manner prescribed by Section 192A of the Companies Act, 1956 ("the Act") and such other applicable provisions of the Act and any future amendments or re-enactments. Notwithstanding anything contained in the provisions of the Act, the Company, being a listed company, shall in the case of resolution relating to such business, as the Central Government may, by notification, declare to be conducted only by postal ballot, get such resolution passed by means of a postal ballot instead of transacting the business in a general meeting of the Company."

9. To consider, and if thought fit, to pass, with or without modification, the following resolution as a SPECIAL RESOLUTION.

"RESOLVED that pursuant to Section 163 of the Companies Act, 1956 (hereinafter called "the Act"), the Company hereby approves that the Register of Members, Indices of Members, copies of all Annual Returns prepared by the Company under Section 159 of the Act together with copies of Certificates and Documents required to be annexed thereof under Section 161 of the Act or any one or more of them shall, from a date to be decided by the Board of Directors be kept at the office of Messrs. Sharepro Services, the Registrars and Share Transfer Agents, at Satam Industrial Estate, Cardinal Gracious Road, Above Bank of Baroda, Chakala, Andheri (East), Mumbai 400 099 and/or at Samhita Warehousing Complex, Gala Nos. 52 to 56, Plot No.13AB, Sakinaka, Mumbai 400 072, instead of at the Registered Office of the Company.

RESOLVED FURTHER that the Registers, Indices, Returns, Books, Certificates and Documents of the Company required to be maintained and kept open for inspection by the Members and/or any persons entitled thereto under the Act, be kept open for such inspection, at the place where they are kept, to the extent, in the manner and on payment of the fees, if any, specified in the Act, between the hours of 11:00 a.m. and 1:00 p.m. on any working day (excluding Saturday) and except when the registers and books are closed under the provisions of the Act or the Articles of Association of the Company.

"RESOLVED FURTHER that the Board of Directors be and are hereby authorised to do all such acts, deeds and things and execute the necessary documents as may be required to give effect to the aforesaid Resolution."

By Order of the Board of Directors

J.M.SHAN

Company Secretary

Registered Office:

Plot No. B-17/18,
Gandhinagar Electronic Estate
Gandhinagar 382044
Gujarat.

Dated: 25th July, 2003

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 29.8.2003 to 5.9.2003 (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 following Stock Exchanges :

Sr. No.	Name & Address of the Stock Exchange	Nature of Security as on 31.3.2003
1.	The Stock Exchange Mumbai Jeejeebhoy Towers Dalal Street Mumbai 400 023.	85,50,000 Equity Shares of Rs.10/- each
2.	Ahmedabad Stock Exchange Kandhenu Complex Opp. Sahajanand College Panjarapole Ahmedabad 382 015.	85,50,000 Equity Shares of Rs.10/- each

The Company has paid Annual Listing fees for 2002-03 to the above Stock Exchanges.

- (e) Members are requested to exchange Old Share Certificates with New Share Certificates.
- (f) Payment towards fractional coupons entitlement will be sent to you on sale of shares representing the fractional coupons.

GUJARAT POLY-AVX ELECTRONICS LIMITED**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 and 9 mentioned in the accompanying Notice dated 25th July, 2003.

Item 5

Shri R.K.Jani was appointed as an Additional Director of the Company on 31.10.2002 as a nominee of Gujarat Industrial Investment Corporation Ltd. (GIIC). The GIIC is an associate sector promoter of this Company. In terms of Article 138 of the Articles of Association of the Company, Shri R.K.Jani ceases to hold office as Director at this Annual General Meeting. A Notice alongwith Rs.500/- as deposit, has been received by the Company from a member under Section 257 of the Companies Act, 1956 proposing the appointment of Shri R.K.Jani as a Director of this Company at this meeting. Shri R.K.Jani offers himself for appointment as a Director at this meeting, having filed his Consent with the Company to act as a Director, if appointed.

Your Directors recommend his appointment.

None of the Directors of the Company is interested in the resolution except Shri. R. K. Jani as the resolution pertains to his appointment.

Item 6

Shri Chandrakant Khushaldas was appointed as an Additional Director of the Company on 25.7.2003. In terms of Article 138 of the Articles of Association of the Company, Shri Chandrakant Khushaldas ceases to hold office as Director at this Annual General Meeting. A Notice alongwith Rs.500/- as deposit, has been received by the Company from a member under Section 257 of the Companies Act, 1956 proposing the appointment of Shri Chandrakant Khushaldas as a Director of this Company at this meeting. Shri Chandrakant Khushaldas offers himself for appointment as a Director at this meeting having filed his Consent with the Company to act as a Director, if appointed.

Your Directors recommend his appointment.

None of the Directors of the Company is interested in the resolution except Shri Chandrakant Khushaldas as the resolution pertains to his appointment.

Item 7

The Securities of the Company are listed on the Stock Exchange, Mumbai and Ahmedabad Stock Exchange. There is very little volume of transaction on the Ahmedabad Stock Exchange. As such as a measure of economy it is proposed to delist the Securities from the said Exchange. It is voluntary delisting of Securities under SEBI (Delisting of Securities) Guidelines 2003 and requires prior approval of Shareholders of the Company by a Special Resolution passed at its General Meeting. The Securities shall continue to be listed on the Stock Exchange, Mumbai, for trading.

None of the Directors of the Company is concerned or interested in the resolution. The Directors recommend the Special Resolution for acceptance by the Members.

Item 8

As per provisions of Section 192A of the Companies Act, 1956, a company is required to pass certain resolutions only by postal ballot as prescribed under Companies (Passing of Resolutions by Postal Ballot) Rules, 2001. However, the present Articles of Association of the Company do not have any provision authorising postal ballot.

In view of this it is proposed to insert new Article 115A in the Articles of Association of the Company to give effect to the said provisions.

None of the Directors of the Company is concerned or interested in the resolution. The Board recommends the shareholders to adopt the proposed resolution as a Special Resolution..

Item 9

M/s. Sharepro Services, Mumbai are to be appointed as Registrars and Share Transfer Agents of the Company from a date to be decided by the Board of Directors. M/s. Sharepro Services have considerable experience as Share Transfer agents.

It is, therefore, proposed that the register of members, indices of members, copies of Annual Returns, together with the copies of the certificates and documents requiring to be annexed thereto be kept at the office of M/s. Sharepro Services, the Registrars and Share Transfer Agents, at Satam Estate, Cardinal Gracious Road, Above Bank of Baroda, Chakala, Andheri (East), Mumbai 400 099 and/or at Samhita Warehousing Complex, Gala Nos. 52 to 56, Plot No.

13AB, Sakinaka, Mumbai 400 072. The approval of shareholders by special resolution is sought to the proposed arrangement under Section 163 of the Companies Act, 1956.

The special resolution also specified the time of inspection of the books and documents of the Company by its members and others, namely, between the hours 11:00 a.m. and 1:00 p.m. on any working day excluding Saturday and except when the registers and the books are closed under the provisions of the Act or Articles of Association of the Company.

The Directors of the Company may be considered to be concerned or interested in the resolution to the extent of the shares, if any, held by them respectively.

The Board of Directors recommend the Special Resolution for acceptance by the members.

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

Name of Director	Brig.K. Balaubramaniam	Mr. P.T.Klechand	Mr. R.K.Jani	Shri. Chandrakant Khushaldas
Age	75 years	36 years	50 years	67 years
Qualification	PTSc (Eq to ME) (Army); FIETE	Sc.B."Electrical Engg." & A.B. "Engg. & Economics" from Brown University.	B.Sc.(Hons.), B.Sc.(Tech)	M.Sc. (Pure Mathematics), Allahabad University M.Sc. (Fiscal Studies) University of Bath, United Kingdom (British Council Fellowship)
Date of Appointment	30.11.1994	11.3.1992	31.10.2002	25.7.2003
Expertise	General Management	He served as an Executive Director of the Company for more than 7 years and has been actively involved and looking after all aspects of the various activities of the Company since inception.	Entrepreneur counselling, Liaison and follow up with Industrialists and Associations, Technical appraisal and follow up.	Retired Member of Central Board of Direct Taxes, wide experience in Taxation and Company Law.
Other Directorship as on 31st March, 2003	Tata Elxal Limited.	Polythorn Limited, Gliners & Pressers Ltd., The Baroda Commercial Corpn.Ltd., Raasanyi Traders Pvt.Ltd., Highclass Trading Pvt.Ltd., Masuma Investments Pvt.Ltd., Virsun Investment Pvt.Ltd., Ro-An Investment Pvt.Ltd., Connell Bros.Co. (India) Pvt.Ltd. and New Star Industries Limited.	M/s. Damanganga Paper Pvt. Ltd.	1. Gift Pack Ltd. Indore 2. Baroda Extrusions Ltd., Vadodara

By Order of the Board of Directors

J.M.SHAH

Company Secretary

Registered Office:

Plot No. B-17/18,
Gandhinagar Electronic Estate
Gandhinagar 382044
Gujarat.

Dated: 25th July, 2003

FOURTEENTH ANNUAL REPORT 2002-03

DIRECTORS' REPORT TO THE MEMBERS

Your Directors present the Fourteenth Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2003.

1. PRODUCTION ACTIVITIES

During the year there has been a significant decrease in the production of Multilayer Ceramic Capacitors. Also, there has been a drop in the production of Single Layer Ceramic Capacitors due to change in C-DoT design. Accordingly the total production for the year is 425.49 Lac pieces which is lower by 35% as compared to production in previous year which was 652.04 Lac pieces.

2. SALES

Similarly the Sales Turnover for the year was Rs.472.62 Lacs in comparison to Rs.591.28 Lacs during the last Financial Year. Sales turnover is low because of reduction in the sales of Single Layer Ceramic Capacitors and due to intense competition from imported components. However, there has been a further increase in the Average Selling Price due to change in the product mix. The Company has also started Production of Electronic Passive Components like Metal Oxide Varistors (MOV's).

With the above possibilities, the Directors are hopeful of increasing the Sales Turnover of the Company in the current year.

3. FINANCIAL RESULTS

The Company's operations for the year has resulted into loss of Rs.87.12 lacs. There is surplus of Rs.136.67 lacs before interest and depreciation. Due to losses, the Directors regret their inability to declare any dividend.

4. FINANCE

The Company has repaid during the year Rs. 203.18 Lacs to Bank & Financial Institutions towards principal amount as per the Rehabilitation Scheme sanctioned by AAIFR.

5. FIXED DEPOSITS

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

6. PARTICULARS OF EMPLOYEES

Provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 are 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.

7. PROCEEDINGS BEFORE THE AAIFR

As you are well aware, your company was referred to BIFR which confirmed its Order in favour of winding up of the company. The company went into appeal and AAIFR passed an Order dated 27.3.2002 for rehabilitation of the company effective from 1.4.2002. The company has accordingly reduced its equity share capital from Rs.1150 lacs to Rs.700 lacs, allotted 7,50,000 Equity Shares of Rs.10/- each and issued 981500 ½% Non-Cumulative Redeemable Preference Shares of Rs.100/- each to Term Lenders on pro-rata basis of their principal dues outstanding, allotted 800,000 Equity Shares of Rs.10/- each to Polychem Ltd. towards conversion out of its loan to the company. The company paid in cash Rs.352.17 lacs till date towards principal outstanding dues of Term Lenders, leaving the balance amount of Rs.507.78 lacs payable in instalments under the Scheme. Similarly, interest on one-time settlement and towards past interest and payment to Bank of Baroda for Cash Credit have been made / will be made as per the Scheme. Your Directors are optimistic of implementing the sanctioned scheme successfully.

8. 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.

9. DIRECTORS

BIFR has withdrawn the nomination of Mr.Chandrakant Khushaldas with effect from 2.6.2003.

Mr.A.B.Shah has been appointed as Nominee Director of GIIC on 31.10.2002.

Mr. R.K.Jani has been appointed as Additional Director-Nominee of GIIC on 31.10.2002.

Mr.Chandrakant Khushaldas has been appointed as Additional Director on 25.7.2003

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

10. 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, Shri P. T. Kilachand and Shri Chandrakant Khushaldas (Special Director nominated by BIFR) are the members of the Audit Committee. Shri Chandrakant Khushaldas (Special Director nominated by BIFR) who was a member of this Committee has however, ceased to be so with effect from 2.6.2003.

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. 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.

13. AUDITORS' REMARKS

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

14. 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.

15. 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 of 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 : 25th July,, 2003

GUJARAT POLY-AVX ELECTRONICS LIMITED**ANNEXURE I****A. CONSERVATION OF ENERGY****a) Energy conservation steps taken :**

- i) Chiller utilisation made effective on various machines individually.
- ii) A.C.Plant kept running specially for Q.C. environment which reduced the Chilled Water and the overall plant load consumption.
- iii) Planned programme of Maintenance increased the efficiency of machines at low consumption rate.

b) Additional Investments & Proposals being Implemented :

- i) Scheduled maintenance of the A.C.Plant.
- ii) Effective utilisation of utilities / plant & machinery for conservation of power.

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

The above programmes have resulted in cost saving, by way of better productivity, 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) Production trial carried out with local made Cardboard Strip.
- ii) Additional Spares developed in place of Imported.
- iii) Production carried out with locally developed Axial line raw material.

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

- i) Low cost of raw material.
- ii) Productivity increased.
- iii) Low process cost with high productivity.
- iv) Quality maintained.

3. FUTURE PLAN OF ACTION

- i) Developing of other raw materials, jigs & tools locally for manufacturing of Capacitors.
- ii) Imported spares developed locally like Jigs & Fixtures / Tools.
- 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) Low down time and improvement in process.
- ii) Effective/improved deliveries & services to customers with minimum customer returns on technical ground.

(3) IMPORTED TECHNOLOGY

No additional Import of Technology in the Financial Year 2002-2003.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- i) Total Foreign Exchange used : Refer note of 15(i) of Schedule XVII
- ii) Total Foreign Exchange earned : Rs.NIL

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) services a wide range of customers encompassing the above segments. With this strong Customer base the Company is hopeful of strengthening its 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.

Slow down in the economy during the last couple of years 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

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

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 and non release of Fixed lines orders, 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 425.49 Lacs pcs. which is 35% lower as compared to production in previous year which was 652.04 Lacs pcs. This was largely because of low production of Single layer ceramic capacitors.

Meanwhile the Sales Turnover (Net of Excise Duty) for the year was Rs.472.62 Lacs in comparison to Rs.591.28 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 Production of Metal Oxide Varistors (MOV's).

Outlook

With the above possibilities, the Directors are hopeful of increasing 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

Gujarat Poly-AVX Electronics Ltd. 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 system control 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. The Company has paid Rs.352.17 lacs till date towards Principal outstanding dues of Term Lenders, leaving the balance amount of Rs.507.78 lacs payable in instalments under the Scheme. The Company has also issued Equity Shares and Redeemable Preference Shares as directed.

Fixed Assets (Net Block)

The Net Block as on 31.3.2003 is Rs.1224 lacs compared to Rs.1350 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 from Rs.509.61 lacs to Rs.341.36 lacs.

Results of operations

The revenue during the year has come down from Rs.591.28 lacs to Rs.472.62 lacs mainly due to non-receipt of orders from C-DoT. The loss for the year is Rs.87.12 lacs compared to profit of Rs. 51.31 lacs in the previous year. Provisions for interest and financial charges are Rs. 98.39 lacs compared to Rs. 2.41 lacs during previous year.

Payment to and provisions for employees amounts to 14% of sales compared to 9.49% in the previous year. Depreciation amounts to 26.98% of Sales during the year compared to 21.58% 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. This continues to be our key business strategy.