



GUJARAT POLY-AVX
ELECTRONICS LIMITED

15TH ANNUAL REPORT 2003-2004



GUJARAT POLY-AVX ELECTRONICS LIMITED

FIFTEENTH ANNUAL REPORT 2003-2004

ANNUAL GENERAL MEETING

On Wednesday, the 15th September, 2004
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. Kilachand (*Chairman*)

Mr. P. T. Kilachand

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

Mr. Chandrakant Khushaldas

Brig. K. Balasubramaniam

Mr. A. B. Shah (*GLIC Nominee*)

Mr. R. K. Jani (*GLIC Nominee*)

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 382 024, Gujarat.

Corporate Office

7, Jāmshedji Tata Road
Churchgate Reclamation
Mumbai 400 020.

FIFTEENTH ANNUAL REPORT 2003-04

NOTICE

NOTICE is hereby given that the Fifteenth 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 15th September, 2004 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, 2004 and Profit and Loss Account for the year ended 31st March, 2004.
2. To appoint a Director in place of Shri T.R.Kilachand who retires by rotation, but being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri A.B.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.

"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.

By Order of the Board of Directors

J.M.SHAH
Company Secretary

Registered Office:

Plot No. B-17/18,
Gandhinagar Electronic Estate
Gandhinagar 382024
Gujarat.

Dated: 2nd August, 2004

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 2-9-2004 to 9-9-2004 (both days inclusive).
- (c) Members holding shares in the dematerialized mode are requested to intimate changes in their address, if any, to their Depository Participants and Members holding shares in physical form are requested to intimate the change of address to the Registrar & Share Transfer Agents at Sharepro Services, Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai 400 099.
Telephone: 022-28215169, 28348218.
Fax : 022-28375646
- (d) The Company's securities are listed on the following Stock Exchange :

Name & Address of the Stock Exchange	Nature of Security
The Stock Exchange, Mumbai Jeejeebhoy Towers Dalal Street, Mumbai 400 023.	85,50,000 Equity Shares of Rs.10/- each

The Company has paid Annual Listing fees for 2003-04 to the above Stock Exchange.

- (e) Members who have not yet exchanged Shares, are requested to exchange Old Share Certificates with New Share Certificates, with the Company.

(f) Payment towards fractional coupons entitlements have been sent by M.O. through Postal Authorities.

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	Mr. T.R.Kilachand	Mr.A.B.Shah
Age	67 years	46 years
Qualification	B.A. from Cambridge University in History & Law. M.B.A. in Business Administration from Harvard Business School	B.E.Mechanical
Date of Appointment	11.03.1992	31.10.2002
Expertise	He has over 30 years of experience in industry, management, implementation of projects etc. He has been associated with various Chambers of Commerce and was the President of Indian Merchants' Chamber. He has been associated with various charitable trusts and is Director/Chairman of several Companies.	Working with Financial Institution since 1983. Appraising and analyzing the projects technically and financially.
Other Directorship as on 31 st March, 2004	Polychem Ltd., The Baroda Commercial Corpn.Ltd., Rasayani Traders Pvt.Ltd., Highclass Trading Pvt.Ltd., Ginners & Pressers Ltd.	M/s. Sabero Organics Gujarat Limited, M/s.Gujarat State Machine Tools Corporation Limited, M/s.Welspun Gujarat Stahl Rohren Limited

By Order of the Board of Directors

J.M.SHAH,
Company Secretary

Registered Office:

Plot No. B-17/18, Gandhinagar Electronic Estate
Gandhinagar 382024. Gujarat.
Dated: 2nd August, 2004

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

Your Directors present the Fifteenth Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2004

1. PRODUCTION ACTIVITIES

During the year there has been an increase in the production of Multilayer Ceramic Capacitors. However, there has been a drop in the production of Single Layer Ceramic Capacitors due to change in C-DoT design. The total production for the year is 451.19 Lacs pieces which is increased by 6% as compared to production in previous year which was 425.49 Lac pieces.

2. SALES

Sales Turnover for the year was Rs.400.42 Lacs in comparison to Rs.472.62 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 an increase in the Average Selling Price due to change in the product mix.

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.114.94 lacs. There is surplus of Rs.94.13 lacs before interest and depreciation. Due to losses, the Directors regret their inability to declare any dividend.

4. FINANCE

The Company has not received any additional loans from the financial institutions during the year ended 31st March, 2004.

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.

7. PROCEEDINGS BEFORE THE AAIFR

The Company has paid Rs.352.17 Lacs till date towards principal outstanding dues of Term Lenders leaving balance amount of Rs.507.78 Lacs payable in instalments under the Scheme. The amount of Rs.232.50 Lacs that fell due for payment on 31.12.2003 could not be paid due to non-satisfactory operation due to various factors beyond the control of management. The company, therefore, has approached ICICI Ltd. being the monitoring Agency as also other term lenders, with a request for modification / revision in the sanctioned Scheme of revival approved by AAIFR. The matter is under discussion and the company is hopeful of extension of co-operation by Term Lenders in the matter.

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

Shri T.R.Kilachand and Shri A.B.Shah (Nominee of GIIC) 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 Chandrakant Khushaldas, Brig.K.Balasubramaniam and Shri P. T. Kilachand are the members of the Audit Committee. Shri A.H.Mehta who was Chairman of this Committee has, however, ceased to be so with effect from 26.2.2004.

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 382 024
GUJARAT.

Dated : 2nd August, 2004

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ANNEXURE I

A. CONSERVATION OF ENERGY

- a) Energy conservation steps taken :
 - i) Scheduled maintenance programme has increased the efficiency of machines with low consumption rate.
 - ii) The low rated chilling plant has been effectively used for chilled water requirement of various machines individually in place of the A.C.Plant.
 - iii) A.C.Plant running has been optimized, thereby reducing the Chilled Water and the overall plant load consumption.
- b) Additional Investments & Proposals being implemented :
 - i) Monitoring the effective utilization of various utilities on each individual equipment.
 - ii) Preventing leakages of Air and chilled water line for energy saving.
- c) Impact of measures at (a) & (b) above:
The above programmes have resulted in the cost saving by way of better productivity & material as 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) Successful Trial carried out with locally developed tapes and cardboard strip on Production line.
 - ii) Additional Spares developed for various machine in place of Imported spares.
 - iii) Sources of Axial raw material developed locally.
2. BENEFITS DERIVED AS A RESULT OF ABOVE R & D
 - i) Reduction in cost of raw material.
 - ii) Higher Productivity.
 - iii) Reduction in process cost with high productivity.
 - iv) Maintained Quality of our products.

3. FUTURE PLAN OF ACTION

- i) Developing of other raw materials for manufacturing of Capacitors and other products.
- ii) Development of 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 2003-2004.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

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



GUJARAT POLY-AVX ELECTRONICS LIMITED

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 and Singlelayer (Disc) Ceramic Capacitors. As you may be aware your Company was incorporated in the year 1989 and has technical collaboration with AVX, USA.

Industrial Structure and Development

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

- (1) Telecommunications
- (2) Computer & Computer Peripherals
- (3) Instrumentation and Industrial Electronics
- (4) Consumer Electronics
- (5) Defence Applications
- (6) Dealers

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

Opportunities and Threats

POLY-AVX components are supplied to 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.

The prospects of the Company have been severely hit by the Slow down in the economy during the last couple of years. The growth in competition has also led to decrease in prices primarily due to imports.

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 imported technology and easy imports. Similarly the Computer and Peripherals segment thrives on 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 an increase in the Production of Ceramic Capacitors. Fixed lines orders released by DGT were

insignificant & there was a dramatic increase in Mobile Telephony, both GSM & CDMA, where the Technologies are imported. However, the Instrumentation & Industrial Sector continued to grow. Accordingly the total production for the year is 451.19 Lacs pcs. which is 6% higher as compared to production in previous year which was 425.49 Lacs pcs.

Meanwhile the Sales Turnover (Net of Excise Duty) for the year was Rs.400.42 Lacs in comparison to Rs. 472.62 Lacs during the last year despite deep recession in the market. The Company has received approvals for Metal Oxide Varistors and have started marketing them in the second half of Financial Year.

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 Company has paid Rs.352.17 Lacs till date towards principal outstanding dues of Term Lenders leaving balance amount of Rs.507.78 Lacs payable in instalments under the Scheme. The amount of Rs.232.50 Lacs that fell due for payment on 31.12.2003 could not be paid due to non-satisfactory operation of the Company due to various factors beyond the control of management. The company, therefore, has approached ICICI Ltd. being the monitoring Agency, with a request for modification / revision in the sanctioned Scheme of revival approved by AAIFR. The matter is under discussion and the company is hopeful of extension of co-operation by Term Lenders including Bank of Baroda, in the matter.

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The Company has issued Equity Shares and Redeemable Preference Shares as directed.

Fixed Assets (Net Block)

The Net Block as on 31.3.2004 is Rs. 1109 lacs compared to Rs.1224 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.341.36 lacs to Rs. 305.85 lacs.

Results of operations

The revenue during the year has come down from Rs.472.62 lacs to Rs.400.41 lacs mainly due to non-receipt of orders from C-DoT. The

loss for the year is Rs.114.93 lacs compared to loss of Rs. 87.12 lacs in the previous year. Provisions for interest and financial charges are Rs.80.63 lacs compared to Rs. 98.39 lacs during previous year.

Payment to and provisions for employees amounts to 16.25% of sales compared to 14% in the previous year. Depreciation amounts to 32.07% of Sales during the year compared to 26.99% in the previous year.

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

Material Development in Human Resources

POLY-AVX's key business strategy has been to empower every employee to be a leader in its stride towards total quality. The Company's strength lies in its human resources & total employee involvement with emphasis on effective communication, continuous on-going training and regular upgradation of each individuals performance / skill.

