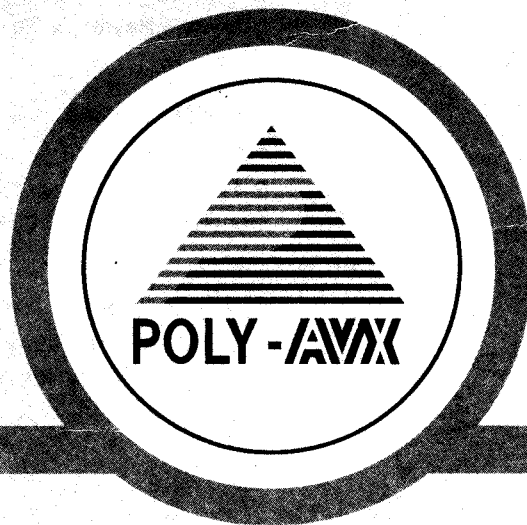


# GUJARAT POLY - AVX ELECTRONICS LIMITED

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## 17TH ANNUAL REPORT 2005-2006

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## GUJARAT POLY-AVX ELECTRONICS LIMITED

### SEVENTEENTH ANNUAL REPORT 2005-2006

#### ANNUAL GENERAL MEETING

On Friday, the 8th September, 2006  
at B-17/18, Gandhinagar Electronic Estate,  
Gandhinagar, Gujarat, at 1.00 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**

**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, Jamshedji Tata Road  
Churchgate Reclamation  
Mumbai 400 020.

## SEVENTEENTH ANNUAL REPORT 2005-06

## NOTICE

**Notice** is hereby given that the Seventeenth Annual General Meeting of the Members of GUJARAT POLY-AVX ELECTRONICS LIMITED will be held at B-17/18, Gandhinagar Electronic Estate, Gandhinagar, Gujarat on Friday, 8<sup>th</sup> September, 2006 at 1.00 p.m. to transact the following business:

1. To receive, consider and adopt the Directors' Report and Audited Balance Sheet as at 31<sup>st</sup> March, 2006 and Profit and Loss Account for the year ended 31<sup>st</sup> March, 2006.
2. To appoint a Director in place of Shri Chandrakant Khushaldas who retires by rotation, but being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri R.K.Jani 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 pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII of the said Act, approval of the members of the Company be and is hereby accorded to the re-appointment of Mr. A.H.Mehta, Executive Director (Finance & Legal) of the Company, for a period of five years with effect from 1<sup>st</sup> July, 2006, upon the terms and conditions including remuneration as set out in the draft agreement placed before this meeting and initialed 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 so required), exceed the limits prescribed under the Companies Act, 1956, including Schedule XIII or any amendment, modification, variation or re-enactment thereof."

"RESOLVED FURTHER THAT the Board be and is hereby authorized 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 382024  
Gujarat.

Dated: 28<sup>th</sup> July, 2006

**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 OF THE COMPANY. The Proxies to be effective, should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
- (b) The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, 29<sup>th</sup> August, 2006 to Tuesday, 5<sup>th</sup> September, 2006 (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, if any, immediately to the Registrar & Share Transfer Agents at Sharepro Services (India) Pvt.Ltd., Satam Estate, 3<sup>rd</sup> Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai 400 099.  
Telephone: 022-28215168, 28348218.  
Fax : 022-28375646
- (d) The Company's securities are listed on the following Stock Exchange :

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

The Company has paid Annual Listing fees for 2005-06 to the above Stock Exchange.

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

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:

## GUJARAT POLY-AVX ELECTRONICS LIMITED



Name of Director	Mr.Chandrakant Khushaldas	Mr.R.K.Jani
Age	70 Years	54 Years
Qualification	M.Sc. (Pure Mathematics) Allahabad University M.Sc. (Fiscal Studies) University of Bath, United Kingdom (British Council (Fellowship))	B.Sc.(Hons.) B.Sc.(Tech)
Date of Appointment	25.07.2003	31.10.2002
Expertise	Retired Member of Central Board of Direct Taxes, wide experience in Taxation and Company Law.	Entrepreneur counselling, Liason and follow up with Industrialists and Associations, Technical appraisal and follow up.
Other Directorship in Public Companies (excluding Private Companies) as on 31st March, 2006	1.Baroda Extrusions Ltd. Vadodara	Ajanta Paper and General Products Ltd.

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: 28<sup>th</sup> July, 2006**ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT AS PURSUANT TO SECTION 173(2)  
OF THE COMPANIES ACT, 1956.**ITEM NO. 5**

At the 12<sup>th</sup> Annual General Meeting of the Company held on 8<sup>th</sup> September, 2001, the members had accorded the approval to the appointment of Shri A.H.Mehta, Executive Director (Finance & Legal) of the Company, for a period of five years with effect from 1<sup>st</sup> July, 2001, upon the terms and conditions, including remuneration, as set out in the draft agreement placed before the said meeting.

Shri A.H.Mehta's present appointment expired on 30.6.2006. In view of his qualification, experience, improved conditions of the Company and efforts made by him for the overall improvement thereof Subject to the approval of the members, the Board has re-appointed Shri A.H.Mehta as an Executive Director of the

Company for a further period of 5 years with effect from 1<sup>st</sup> July, 2006, subject to terms and conditions (including remuneration) as specified in Schedule XIII to the Companies Act, 1956, as amended from time to time.

The main terms of re-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 re-appointment shall be for five years effective from 1<sup>st</sup> July, 2006.
- (ii) Salary payable shall be in the range of of Rs.25,000/- to Rs.75,000/- per month.
- (iii) Perquisites per annum shall not exceed the 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 of Schedule XIII of the Companies Act, 1956, 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 as 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 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 recommends passing of the resolution as set out at Item No. 5 of the accompanying Notice.

This may be treated as an abstract of the terms and conditions governing the re-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 382 024.  
Gujarat.  
Dated : 28<sup>th</sup> July, 2006

## SEVENTEENTH ANNUAL REPORT 2005-06

**DIRECTORS' REPORT TO THE MEMBERS**

Your Directors present the Seventeenth Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2006.

**1. PRODUCTION ACTIVITIES**

During the Financial Year 2005-06 there is an increase in the total production of Ceramic Capacitors from 643.43 Lacs pieces to 721.38 Lacs pcs, an increase of 12% in comparison to the previous year.

**2. SALES**

The Sales Turnover for the year also increased from Rs.527.84 Lacs to Rs.549.13 Lacs in the present Financial Year, an increase of 4%. The Average Selling Price continued to be under severe pressure due to competition from Imports.

**3. FINANCIAL RESULTS**

The Company's operations for the year has resulted into loss of Rs. 4.78 lacs. Before interest and depreciation there is surplus of Rs. 179.73 lacs (Previous year : Rs.155.72 lacs). The Company cannot recommend dividend due to losses as also Company has to comply with the provisions of the sanctioned Rehabilitation Scheme.

**4. FINANCE**

The Company has not received any additional loans from the financial institutions during the year ended 31<sup>st</sup> March, 2006.

**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 / BIFR**

Review Hearing was held on 18<sup>th</sup> July, 2006 before the Board for Industrial & Financial Reconstruction (BIFR). The Company submitted to BIFR that Appellate Authority for Industrial & Financial Reconstruction (AAIFR) sanctioned the Rehabilitation Package at its hearing held on 27<sup>th</sup> March 2002. The package provided for reduction of equity share capital, conversion of part of the principal amount of loan on Term Lenders into equity shares, preference shares. The balance principal amount was to be paid as per the dates provided in the Order of AAIFR dated 27.3.2002. The Company could not make the payment as per the said Order and had requested the Term Lenders for revised payment schedule as per its letter dated 18th November 2004. The Term Lenders accepted the revised repayment package and as per the package, the Company has paid the Term Lenders upto 30<sup>th</sup> June 2006. The Company expects to pay back the Term Lenders the balance part of the OTS by December 2006. The Company will still be required to pay interest on OTS amount, payment of FITL-I AND FITL-II to Bank of Baroda as well as interest on WCTL, FITL-I AND FITL-II. The Company expects its networth will be positive after writing back of interest waived by Term Lenders of Rs.2893 lacs on 31<sup>st</sup> March 2007. BIFR has asked the Company to submit within a period of 4 weeks production, sales, cost of production, cash-flow, DSCR, balance sheet etc.

**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 Chandrakant Khushaldas and Shri R.K.Jani retire from office by rotation, 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.

**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 : 28<sup>th</sup> July, 2006

## GUJARAT POLY-AVX ELECTRONICS LIMITED



## ANNEXURE I

## A. CONSERVATION OF ENERGY

- a) Energy conservation steps taken :
  - i) By Monitoring the temperature on the process line reduces the consumption of power of the Chilling Plant.
  - ii) Undertaken periodic descaling for effective use of the Chilled water.
  - iii) Periodic Plant maintenance schedules which lead to better productivity of the machines at low consumption.
- b) Additional Investments & Proposals being implemented :
  - i) Higher productivity and maximum use of utilities lead to low energy consumption.
  - ii) Planned maintenance programme for effective maintenance of the A.C. Plant and allied equipments.
- c) Impact of measures at (a) & (b) above:  
The above programmes have resulted in the cost saving, better productivity as 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 &amp; D CARRIED OUT BY THE COMPANY

- i) Land free production on line.
- ii) Trials carried out for coating powder.
- iii) Development of local spares in place of imported spares.

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

- i) High productivity.
- ii) Reduction in cost of material
- iii) Quality concept maintained in the Company
- iv) Increase in the efficiency of the machines

## 3. FUTURE PLAN OF ACTION

- i) Continuous indigenization of other raw materials, Jigs and Tools for Single Layer Ceramic Capacitors, Multi Layer Ceramic Capacitors & other products manufacturing.
- ii) Continuous development of Jigs & Fixtures / Tools for replacement of imported spares of various machines.
- iii) To develop products similar to our present range of products.

## 4. EXPENDITURE OF R &amp; D

Negligible

## TECHNOLOGY - ABSORPTION, ADAPTATION &amp; 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 &amp; systems have lead to overall improvement in the process.

## (2) BENEFITS

- i) As a result of above improved the process and reduce the down time of the machine.
- ii) Service & delivery standards to the customers improved with minimum customer returns on Technical grounds.

## (3) IMPORTED TECHNOLOGY

No additional import of Technology in the Financial Year 2005-2006.

## C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- i) Total Foreign Exchange used : Refer note of 13(e) of Schedule 16
- ii) Total Foreign Exchange earned : Rs.NIL

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Overview

Your Company was incorporated in the year 1989 in collaboration with AVX Ltd., USA. As you may be aware your Company manufactures Ceramic Capacitors in Radial, Axial, Surface Mount Devices Configuratio and Singlelayer (Disc.) Ceramic Capacitors, & is one of the largest manufacturers of Ceramic Capacitors in India.

### Industrial Structure and Development

Your company has segmented the market of the products manufactured broadly as follows:

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

The Electronic Industry is growing rapidly and all the above segments require our Ceramic Capacitors.

### Opportunities and Threats

Your Company's products are supplied to a wide range of customers encompassing the above market segments.

Ceramic Capacitors are one of the most widely used electronic passive components and characterized by their wide range and miniature size.

Your company has also started Trading in other types of electronic passive components.

As per the Import Policies of the Government of India our products can be easily imported by OEM's / user at 0% Custom duty and is likely to impact on the prospects of the company.

Due to above the market is fiercely competitive and the Average Selling Prices are under severe pressure.

### Risks & Concerns

The opening of the economy has led to import of technologies. Imports are easier and has led to increase in kit culture. This can have an adverse impact on the growth of our customer base.

Volatility in Metal Prices worldwide and in the domestic markets are likely to effect the bottom lines of the company.

### Performance by Sector and Products

During the year there has been a significant increase in the Production of Ceramic Capacitors over previous year. Mobile Telephony continued to grow with imported Technologies in both GSM & CDMA. Similarly, Computers & Peripherals segment have undergone a change in product mix. Consequently, except for the Telecommunication & Computers & Peripherals segment, all other segments recorded a growth. However, the total production during Financial Year was 721.38 Lacs pcs. against 643.43 Lacs pcs. previous year which is 12 % higher than last year.

The Sales Turnover during the Financial Year 2005-06 also recorded a growth of 3% with a sales of Rs. 549.13 Lacs in comparison to Rs.527.84 Lacs previous year.

### Outlook

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

The Company had paid upto 31.12.2002 Rs.351.61 lacs towards principal outstanding dues of Term Lenders leaving the balance of Rs.508.10 lacs payable in instalments by 31.12.2003 and 31.12.2004 as per AAIFR Order dated 27.3.2002. The Company, however, could not pay due to non-satisfactory operation due to various factors beyond the control of Management. The Company, therefore approached term lenders, with a request for modification / revision in the sanctioned Scheme of revival approved by AAIFR, as per revised Repayment Schedule dated 18.11.2004 so as to make balance payment on quarterly instalments by December, 2006. The Term Lenders, on acceptance of the said Schedule, have been paid aggregating to Rs.408.82 lacs, leaving the balance of Rs.99.28 lacs payable till December 2006.

#### Fixed Assets (Net Block)

The Net Block as on 31.3.2006 is Rs. 858 lacs compared to Rs. 985 lacs for previous year. The net block has gone down due to depreciation / adjustment 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.172.93 lacs to Rs. 140.49 lacs.

#### Results of operations

The revenue during the year has increased from Rs.527.84 lacs to Rs. 549.13 lacs mainly due to growth in the sale to Instrumentation and Industrial Electronics. The loss for the year is Rs. 4.76 lacs compared to loss of Rs. 52.23 lacs in the previous year. Provisions for interest and financial charges are Rs. 55.80 lacs compared to Rs. 79.62 lacs during previous year.

Payment to and provisions for employees amounts to 13.24% of sales compared to 13.14% in the previous year. Depreciation amounts to 23.44% of Sales during the year compared to 24.31% in the previous year.

The Company cannot recommend dividend due to losses.

#### Material Development in Human Resources

Your Company's strength lies in it's human resources and total employee involvement. Emphasis is placed on effective communication, continuous on going training and regular upgradation of each individual's performance & skills. The company's key business strategy continues to empower every employee to be leader in its stride towards total quality management.