



## NOTICE

**Notice** is hereby given that the Twenty - Fourth Annual General Meeting of the members of Cosmo Ferrites Limited will be held at its registered office at Jabli, Dist., Solan (HP)- 173209 on Wednesday, the 22<sup>nd</sup> day of September, 2010 at 2.00 P.M to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 31<sup>st</sup> March, 2010, the Balance Sheet as at that date, the report of the Board of Directors and the Auditors of the Company thereon.
2. To appoint a Director in place of Mr. N.K. Gupta who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. B.D. Gupta who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint auditors to hold office from conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

### 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, 302, 309 read with Schedule XIII of the companies act 1956 and all other applicable provisions, if any, of the said act, including any statutory modification(s) or reenactment thereof for the time being in force, Mr. Ambrish Jaipuria be and is hereby reappointment as Executive Director of the Company, w.e.f. April 1<sup>st</sup>, 2010 for a period of five years as per the terms and conditions as stated below:

- (a) **Basic Salary:** Rs. 1,75,000/- (Rupees One Lac Seventy Five Thousand only) per month with such annual increments as the Board may decide from time to time.  
The Board of Directors may in its absolute discretion and from time to time, will fix the salary payable to the Executive Director.
- (b) **Perquisites & Allowances:**
- House Rent allowance @ 50% of the basic salary per month.
  - Medical allowance/re-imburements: One month's basic salary or such allowance/re-imburement as decided by the Board from time to time.

- Leave travel concession/allowance: One month's basic salary or as decided by the Board from time to time.
- Club fees: Fees payable subject to maximum of two clubs or as decided by the Board from time to time.
- Provision for driver/driver's salary allowance: As per rules of the Company.

#### (c) Other Benefits:

- Earned/Privilege leave: As per rules of the Company.
- Company's contribution to provident fund and superannuation fund: As per rules of the Company.
- Gratuity: As per rules of the Company.
- Encashment of Leave: As per rules of the Company.
- Company's car and telephone: Use of Company's car and telephone at the residence for official purposes, as per rules of the Company.

**RESOLVED that** the company hereby approves the salary, perquisites, allowances and commission as per the terms and conditions as may be decided by the Board of Directors, within the overall limit specified under Section I of Part II of Schedule XIII to the Companies Act, 1956 or any statutory modification(s) thereof and to alter and vary the terms and conditions as the Board of Directors may in their absolute discretion consider necessary.

**RESOLVED FURTHER** that the remuneration payable as aforesaid by way of salary, commission, and perquisites etc. shall not exceed 5% of net profits of the company in any financial year.

**RESOLVED FURTHER THAT** in the event of absence or inadequacy of net profit in any financial year, the company do pay to Mr. Ambrish Jaipuria remuneration by way of salary, perquisites and allowances not exceeding the ceiling limit specified under Section II of part II of Schedule XIII to the companies Act, 1956 or any statutory modification(s) thereof.

**RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

#### NOTES:

1. Shareholders are requested to bring their copy of Annual Report to the Meeting.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ANOTHER PERSON AS HIS PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK FORM OF PROXY IS ENCLOSED AND IF



INTENDED TO BE USED, IT SHOULD BE DULY COMPLETED AND DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE SCHEDULED TIME OF THE MEETING.

3. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
4. The Register of Members and share Transfer Books of the Company will be closed from Thursday, the 16<sup>th</sup> day of September, 2010 to Wednesday, the 22<sup>nd</sup> day of September, 2010 (Both days inclusive).
5. Members, who are holding shares in identical order of names in more than one folio are requested to write to the Company enclosing their share certificates to consolidate their holdings in one folio.
6. Members who hold shares in dematerialized form are requested to bring their Client ID and DPID numbers for easy identification of attendance at the meeting.
7. The Members are also requested to notify any change in their addresses immediately to the Company's Share Registrar and Transfer Agents M/s. Alankit Assignments Limited, Alankit House, 2E/21, Jhandewalan Extension, New Delhi 110 055.
8. Members / Proxy holders are requested to produce at the entrance of the Meeting hall the enclosed admission slip duly completed and signed.
9. Register of Directors' shareholding, maintained under Section 307 of the Companies Act, 1956 will be available for inspection by the members at the registered office of the company.
10. The Register of Contracts, maintained under Section 301 of the Companies Act, 1956, will be available for inspection by the members at the registered office of the Company.
11. Corporate Members intending to send their authorized representatives are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
12. Consequent upon the introduction of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the Registrar and Transfer Agents, M/s Alankit Assignments Limited. The said Form 2B can also be downloaded from the Company's web site [www.cosmoferrites.com](http://www.cosmoferrites.com)
13. Pursuant to the requirements of the Listing agreement of Stock Exchanges, on Corporate Governance, the information about the Directors proposed to be appointed/ re-appointed is given in the Annexure to the Corporate Governance Report.

#### **EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.**

##### **ITEM NO. 5**

The term of Mr. Ambrish Jaipuria as Executive Director, expired on 31<sup>st</sup> March, 2010. In the Meeting of the Board of Directors of the Company held on 27<sup>th</sup> April, 2010 the Board of Directors reappointed Mr. Ambrish Jaipuria for a period of five years, w.e.f. 1<sup>st</sup> April, 2010 on the following remuneration and perquisites, subject to approval of the shareholders at the General Meeting.

The terms and conditions of his appointment which are as follows were agreed by the Board in addition to the unanimously passed resolution:

1. Period of appointment: Five years beginning April 1<sup>st</sup>, 2010 and ending March 31<sup>st</sup> 2015.
2. Details of remuneration: As provided in the resolution.
3. Mr. Ambrish Jaipuria shall perform such duties as shall from time to time entrusted to him subject to the superintendence, guidance and control of the Board of Directors and he shall perform such duties as shall from time to time entrusted to him by Board of Directors.
4. All other terms and conditions of his appointment will remain unchanged.

As per the requirement of the listing agreement signed with the Stock Exchange, the details of Directors seeking re-appointment are set out in the Annexure to the Corporate Governance Report. Accordingly the respective resolution in the above item of the Notice is recommended for your acceptance.

Except Mr. Ambrish Jaipuria and Mr. Ashok Jaipuria, none of the director is concerned or interested in the resolution. Mr. Ambrish Jaipuria is the son of Mr. Ashok Jaipuria.

Copies of the resolution passed by the Board of Directors at the meeting held on 27<sup>th</sup> April 2010 in respect of the above, may be inspected at the Registered Office of the Company on any working day excluding Saturdays between 2.00 p.m. and 4.00 p.m.

**Head office:  
517, 5th Floor,  
DLF Tower A  
Jasola District Centre  
New Delhi-110025**

**By the order of the Board**

**12<sup>th</sup> August 2010**

**Anas Ahmad Khan  
Company Secretary**



## DIRECTORS' REPORT

### THE MEMBERS

#### COSMO FERRITES LTD.

The Directors have pleasure in presenting the Annual Report on the business and operations of the company along with Audited Balance Sheet and Profit & Loss A/c for the year ended 31<sup>st</sup> March 2010.

	(Rs. in Lacs)	
	<u>2009-10</u>	<u>2008-09</u>
<b>FINANCIAL RESULTS</b>		
Sales	3934	3087
Profit/(Loss) before depreciation & tax	532	148
Depreciation	280	271
Profit/(Loss) before Tax	252	(123)
Provision for current	43	9
Provision for earlier Year	<u>14</u>	-
Profit/(Loss) after current Tax	195	(132)
Provision for deferred tax	<u>19</u>	8
Profit/(Loss) after deferred tax	176	(140)
Add:-Mat Credit Entitlement	<u>42</u>	4
	<u>218</u>	(137)
Add:Balance brought forward	(13)	185
Less:Transfer to Preference Share		
Capital Redemption Reserve	---	---
	(13)	98
Add:Transfer from General Reserve	<u>--</u>	<u>37</u>
Profit/(Loss) available for appropriation	<u>205</u>	(13)
Provision for arrears of Dividend on Cumulative Redeemable Preference Shares	15	-
Proposed Dividend on Cumulative Redeemable Preference Shares	5	-
<b>Corporate Tax on Dividend</b>	<b>3</b>	-
Balance carried to Balance Sheet	<u>182</u>	(13)
	<u>182</u>	<u>(13)</u>

### ISSUE/REDEMPTION OF 10% CUMULATIVE REDEEMABLE PREFERENCE SHARES

During the year company had redeemed 98080 Cumulative Redeemable Preference Share issued to ICICI Bank on 27<sup>th</sup> November, 1999. The company has also issued fresh 135000 10% Cumulative Redeemable Preference Shares of Rs. 100/- each

### DIVIDEND

In view of the profit after appropriation being low during this year, the Directors are unable to recommend any dividend on the equity shares for the year ended 31<sup>st</sup> March 2010.

Board has recommended dividend @ 10% on the 10% Cumulative Redeemable Preference Shares of the Company.

### DEPOSITORY SYSTEM

Your company shares have been notified for compulsory trading in demat form by SEBI w.e.f. September 25, 2000. Members have the option of holding their shares in demat form through any of the depositories by opening account with the authorized depository participants.

### DEPOSITS

Your Company has not accepted any deposits within the meaning of Section 58A of Companies Act, 1956.

### REVIEW OF OPERATIONS

- Sales Revenue increased to Rs 3934 lacs for the year ending 31<sup>st</sup> March 2010 as compared to Rs. 3087 Lacs previous year. Component sales increased from 1217 MT to 1564 MT.
- Net Profit after tax for the year is Rs. 218 Lacs as compared to Net Loss of Rs.137 lacs in the previous year by strengthen the marketing, revised the price policy and reduction in costs.
- Costs remained within control and have been rationalized across all strata of the organization.
- This year was challenging on various fronts, viz upward pressure on key raw materials prices along with increased competition in global ferrites market.

### FUTURE OUTLOOK

Various cost cutting measures are being taken in a structured manner. Besides, different market segments are being explored to increase the order book and thereby better capacity utilization. It is expected that performance in current year will be much better.

### DIRECTORS

Mr. N.K. Gupta and Mr. B.D. Gupta, Directors of the Company are liable to retire by rotation and being eligible offer themselves for reappointment at the ensuing Annual General Meeting.

Mr. S.K. Mittal and Mr. B.B. Tandon ceased to be Directors of the Company w.e.f 8<sup>th</sup> April 2009 and 25<sup>th</sup> February 2010 respectively. The Directors place on record their appreciation for the help, guidance and contribution made by Mr. S.K. Mittal and Mr. B.B. Tandon, during their tenure as director.

Mr. H.L. Paranjpe was appointed as Additional Director of the Company on 29<sup>th</sup> July, 2009 and his appointment as Director of the Company was confirmed in the Annual General Meeting of the Company held on 23<sup>rd</sup> September, 2009.



There are no inter-se relationships of all or any of the directors in terms of disclosure requirements of the listing agreement with the stock exchange, except that Mr. Ashok Jaipuria and Mr. Ambrish Jaipuria are relative of each other.

#### STATUTORY STATEMENTS

Following information as per the requirements of the Companies Act, 1956 is given below:

- a) Particulars of employees pursuant to section 217(2A) of the Companies Act, 1956- NIL.
- b) Energy conservation, technology absorption and foreign exchange inflow/outgo pursuant to section 217(1)(e) of the Companies Act, 1956 is annexed herewith.

#### DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of section 217(2AA) of the Companies Act, 1956, your directors state that:

- (i) In the preparation of the annual accounts, applicable accounting standards have been followed;
- (ii) Accounting policies selected were applied consistently. Reasonable and prudent judgements and estimates are made so as to give a true and fair view of the state of affairs of the Company as on 31<sup>st</sup> March, 2010 and of the profit of the Company for the year ended on that date.
- (iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) The annual accounts of the company have been prepared on a going concern basis

#### CORPORATE GOVERNANCE

A Management Discussion and Analysis Report is annexed and form part of this report.

A separate report on Corporate Governance along with Auditors certificate on compliance of conditions of Corporate Governance as stipulated in clause 49 of the listing agreement with the stock exchange form part on this report.

#### RE-APPOINTMENT OF AUDITORS

M/s. B.K. Shroff & Company, Chartered Accountants, Statutory Auditors of the Company will retire at the ensuing AGM and being eligible offers themselves for reappointment. The Company has taken a certificate from the auditors to the effect that their re-appointment if made, would be in accordance with the provisions of section 224(1B) of the Companies Act, 1956.

#### TRADE RELATIONS

The Board desires to place on record its appreciation of the support and co-operation that your company received from suppliers, processors distributors, dealers, bankers and all others associated with your company. Your company regards them as partners in its journey of growth and progress.

#### PERSONNEL

The Board wishes to place on record its appreciation of the contribution made by all employees in improving over all performance during the year.

#### APPRECIATION

Your directors wish to place on record their appreciation of the whole-hearted and continued support extended by the investors, bankers and financial institutions.

**On behalf of the Board**

New Delhi  
12th May, 2010

Ashok Jaipuria  
Chairman

#### ANNEXURE TO THE DIRECTORS' REPORT

Information as per Section 217 (1) (e) read with Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988:

##### I. CONSERVATION OF ENERGY

###### a) Energy conservation measures taken:

- Decided not to run N2 plant, Attriators and Ball Mills in peak load hours.
  - Minimized diesel consumption by taking peak load exemption from HPSEB.
  - Switching of lights and fans to save consumption of electricity when not required.
- b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:
- No additional investment done during the year.
- c) Impact of the measures at A and B for reduction of energy consumption and consequent impact of the cost of production of goods:
- Contract demand reduced to 750 KVA instead of 1100 KVA in unit II.
- d) Total energy consumption and energy consumption per unit of production as per prescribed Form 'A' - Not Applicable.



## II. TECHNOLOGY ABSORPTION

### 1. Research & Development

#### (a) Specific areas in which R &D carried out by the Company:

- Process oriented projects taken up in all the operation areas to improve the quality and reduce the rejection.
- Regular upgradation projects were undertaken for improvements in existing product portfolios and new materials developments.

#### (b) Benefits derived as a result of above R&D:

- A significant improvement in quality is experienced with a notable reduction in rejection percentage.
- Significant approvals received from customers especially in EMI/EMC segments for large toroids.

#### (c) Future plan of action:

To get competitive edge through world class material range and to achieve shortest lead time for product development.

### 2. Technology absorption, adaptation & innovation

- a. Technical Losses reduced by adopting innovative process methodologies.
- b. The company has not imported any technology during the year.

## III. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities relating to export incentives taken to increase exports, development of new export markets for products and services and export plans.
  - New customers developed in Europe and Asia.
  - Exports during the year aggregated to 44 % of total sales.
2. Foreign Exchange Earned- Rs. 1664.83 Lacs  
Foreign Exchange Outgo- Rs. 496.66 Lacs

On behalf of the Board

New Delhi  
12th May, 2010

Ashok Jaipuria  
Chairman



## MANAGEMENT DISCUSSION & ANALYSIS REPORT

### Industry Structure & Developments:

The Company is in the business of manufacturing soft ferrites cores. Major applications of ferrites are inverter transformers, Domestic Lighting, Energy Meter, Mobile Charger, SMPS, Transformer Manufacturers current transformers, pulse transformers, line filters, choke, noise suppressors etc. The industry is witnessing a decent growth rate and it is expected to grow at a similar rate in the near future as well, in both Domestic and Exports industry. The rapid urbanization and increase in usage of products using soft ferrites has given this industry a big fillip to the soft ferrites industry in the recent years.

### Opportunities & threats:

The continuous shift of manufacturing facilities from high cost locations like US & European countries to low cost countries like India & China has provided a lucrative opportunity to the manufacturers in these countries.

However, unlike hard ferrite, soft ferrite is more complicated both in terms of manufacturing process and characteristic requirements. Further the continuous technological advancements pose a threat to the companies unable to cope with these changes.

### Segment Wise or Product Wise Performance

The Company deals in only one product i.e. Soft Ferrites Core

### Outlook

The outlook for the industry and the company looks bright and new markets in the global arena are being developed by the company. The Company is also focusing on cost cutting and increased productivity to enhance its competitiveness.

### Risks & Concerns

The management cautions readers that the risks outlined below are not exhaustive and are for information purposes only. Investors are requested to exercise their own judgement in assessing various risks associated with the company.

#### **The Competition Risk**

Ferrites industry is capital intensive industry. In a free market environment, new capacities are created depending upon demand supply situation and return on investment. Industry is cyclical in nature and at times there is over supply situation leading to decline in operating margins.

#### **Risk Mitigation**

We are mitigating the above risk by increasing our exports presence, developing niche products, exploring new markets and new customers. The domestic market caters to the lower end segment of the ferrites market and poses no threat to the company. The company has a good image with local customers.

#### **Customer Attrition Risk**

All customers are sensitive to quality, delivery and price.

#### **Risk Mitigation**

The above risk is mitigated by developing value added niche products, customer schedule adherence and improved quality standards. This enables us to built long term relationship with various customers by providing them good value proposition.

#### **Raw Material Price Risk**

Raw material price have a significant impact on operating margins since scope for increase in selling prices has reduced.

#### **Risk Mitigation**

Since, raw materials prices are increasing continuously, especially Ferric Oxide, the company is in the process of removing lower realization products and customers, increasing sales realization and exploring new markets where realizations are high.

#### **People Risk Management**

High Quality human resources are vital to the success of our business.

People are valuable assets of the company.

#### **Risk mitigation**

The company has been working towards providing challenging high growth environment for its employees. The company follows good HR practices, which include various schemes for employee welfare and motivation.

The company has strong appraisal system. It has successfully worked its compensation policy to team and individual performances. The company provides good opportunity to deserving candidates. The company believes in growth of its managers to leaders and has structured training programs to that effect.

With excellent performance track record as well as best HR practices we are able to attract and retain people for growth of our business.

#### **Security Risk Management**

Operations could be disrupted due to natural, political and economic disturbances.



Running a business exposes the company to a number of risks.

#### **Risk Mitigation**

The company has taken adequate insurance cover on its insurable interests. These include:

1. Fire Risk
2. Marine risk
3. Burglary risk
4. Group Personal Accident Policy
5. Other Miscellaneous Policies.

The company has also taken steps to strengthen IT security system as well as physical security system at all our locations.

#### **Foreign Exchange Risk**

The Company is exposed to foreign exchange risk mainly due to imported raw materials and finished products.

#### **Risk mitigation**

Since we are a net foreign exchange earner on an over all basis it may be stated that there is an exposure to the risk of Indian rupee appreciating against other foreign currencies.

#### **Operational & Financial performance**

The details of the financial performance are appearing in the financial statements appearing separately. The highlights of the same are also mentioned in the Directors' Report.

#### **Internal Control Systems & their adequacy**

The Statutory Auditors assess the adequacy of internal control every quarter and report to the Board of Directors accordingly. The Company has adequate internal control procedures commensurate with the size of the company and nature of its business.

#### **Human Resources /Industrial Relations front**

Human resource is considered as vital to the strength of the company. There was unity of purpose among all level of employees i.e. to continuously strive for the improvement in work practices & productivity. As on 31<sup>st</sup> March 2010, there were 278 employees on the rolls of the company.

#### **Cautionary statement**

Certain statements in the Management Discussion & Analysis describing the company's views about the Industry's expectations/ predictions objectives etc. may be forward looking within the applicable laws and regulations. Actual results may differ materially from those expressed in the statements. Company's operations may be affected with the demand and supply situations, input prices and their availability, changes in Government regulations, tax laws and other factors such as industrial relations and economic developments etc. Investors should bear the above, in mind.



**CORPORATE GOVERNANCE REPORT**

Corporate Governance for your company means achieving high level of accountability, efficiency, responsibility and fairness in all areas of operation. Our workforce is committed towards the protection of the interest of the stakeholders' viz. shareholders, creditors, investors, customers, employees etc. The Company is committed to adopting the best practices of Corporate Governance. The philosophy of Corporate Governance as manifested in the Company's functioning is to achieve business excellence by enhancing long-term shareholders' value and interest of its entire shareholders. The Board ensures that the company has necessary regulatory mechanism so that timely and accurate disclosure of information regarding the financial situation, performance, ownership and governance of the company is disclosed.

The Company's compliance of Corporate Governance guidelines of the listing agreement is as follows:

**A. COMPOSITION OF THE BOARD AND RECORD OF OTHER DIRECTORSHIPS HELD**

The Board of Directors of the company comprises of an optimum combination of Executive and Non-executive directors headed by a Non-executive Chairman and more than fifty percent independent directors. The independent directors do not have any pecuniary relationship (other than receipt of setting fees) or transactions with the company, promoters, and management, which may affect their judgment in any manner. The structure of the Board and record of other directorships and Committee memberships and Chairmanships as on 31<sup>st</sup> March, 2010:

Name	Executive / Non-executive / Independent	No. of other Directorships held		No. of Chairmanships / Memberships of other Board level Committees	
		Pub.Ltd	Pvt. Ltd	Membership	Chairmanship
Mr. Ashok Jaipuria	Non-executive – Chairman(Promoter)	2	-	-	-
Mr. Shreekant Somany	Non-executive, Independent	5	1	-	-
Mr. Rakesh Nangia	Non-executive, Independent	-	3	-	-
Mr. B. D. Gupta	Non-executive, Independent	2	-	-	-
Mr. N. K. Gupta	Non-executive, Independent	-	-	-	-
Mr. Ambrish Jaipuria	Executive	2	-	-	-
Mr. H. L. Paranjpe	Non Executive	-	-	-	-

**NOTE:**

- (i) For Board Level committees only Audit Committee and STIGC have been considered.
- (ii) None of the Directors is a member of more than 10 Board-level committees of public Companies in which they are Directors, nor is a Chairman of more than 5 such committees.
- (iii) Mr. H. L. Paranjpe was appointed as Director on 29<sup>th</sup> July, 2010

**B. BOARD MEETINGS:**

**1. SCHEDULING THE MEETINGS AND AGENDA FOR THE MEETING**

Months for the Board meetings in the ensuing year are usually decided in advance and most of the Board meetings are held at the company's corporate office at 30, Community Center, Saket, New Delhi. The Company Secretary drafts the agenda for each meeting, along with explanatory notes,

and distributes these in advance to the directors. The board meets at least once in a quarter to review the quarterly results and other items on the agenda.

**2. BOARD MEETING HELD DURING THE FY 2009-10 AND ATTENDANCE OF DIRECTORS**

DIRECTOR	No. of Meetings held	No of Meetings attended
MR. ASHOK JAIPURIA	4	3
MR. SHREEKANT SOMANY	4	2
MR. B.D. GUPTA	4	4
MR. N.K. GUPTA	4	2
MR. RAKESH NANGIA	4	3
MR. AMBRISH JAIPURIA	4	4
MR. B.B. TANDON	4	4
MR. H. L. PARANJPE	3	3

\*Mr. B.B. Tandon resigned on 25<sup>th</sup> February, 2010 from the directorship of the company.





### 3. ATTENDANCE AT AGM

Mr. N.K. Gupta, Director of the Company attended the AGM held on 23<sup>rd</sup> September, 2009, at Company's registered office at PO-Jabli, Distt. Solan, H.P. –173209.

### 4. DISCLOSURE REGARDING APPOINTMENT AND RE-APPOINTMENT OF DIRECTORS

Mr. N.K. Gupta and Mr. B.D. Gupta, Directors of the Company are liable to retire by rotation and being eligible offers themselves for reappointment at the ensuing Annual General Meeting.

Pursuant to the requirements of the Listing agreement of Stock Exchange, on Corporate Governance, the information about the Directors proposed to be appointed / re-appointed is given in Annexure I to this Report.

### 5. AVAILABILITY OF INFORMATION TO THE BOARD

The Board has unfettered and complete access to any information within the company and to any employee of the company. Necessary information as mentioned in Annexure 1A of Clause 49 of Listing Agreement are being regularly placed before the Board for its consideration.

### 6. MATERIALLY SIGNIFICANT RELATED PARTY TRANSACTIONS

There have been no materially significant related party transactions, pecuniary transactions or relationships between Cosmo Ferrites and its Directors for the year ended March 31, 2010 other than those listed in Note No. 13 in Schedule 18 to the annual accounts.

### C. BOARD LEVEL COMMITTEES

Committees appointed by the Board focus on specific areas, and take decisions within the authority delegated to them by the Board. The committees also make specific recommendations to the Board on various matters from time to time. All decisions and recommendations of the committees are placed before the Board for information or approval. Company has three Board-Level Committees, in line with the requirements of clause 49 of the listing agreement.

- Audit Committee.
- Share Transfer and Investor Grievance Committee.
- Remuneration Committee

#### 1. AUDIT COMMITTEE

##### > TERMS OF REFERENCE

The management is primarily responsible for the Company's internal controls and the financial processes. The statutory auditors are responsible for performing independent audits of the company's financial

statements and for issuing the reports on the basis of such audits.

The Audit Committee was constituted on October 30, 2000 and has been entrusted by the board of Directors to supervise these processes and thus, ensure accurate and timely disclosures that maintain the transparency, integrity and quality of financial control and reporting.

The role and 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 includes:

- a) The oversight of the Company's financial reporting processes and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditors and the fixation of the audit fees.
- c) Approval of the payment to statutory auditors for any other services rendered by the statutory auditors.
- d) Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause(2AA) of section 217 of the Companies Act, 1956.
  - Any changes in accounting policies and practices and reasons for the same.
  - Major accounting entries based on exercise of judgement by management.
  - Significant adjustments made in financial statements arising out of audit findings.
  - The going concern assumption.
  - Compliance with Accounting Standards.
  - Compliance with listing and other legal requirements relating to financial statements.
  - Disclosures of any related party transactions.
  - Qualifications in draft audit report, if any.
- e) Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
- f) Reviewing, with the management, statement of uses / application of funds raised through an issue (public issue, right issue, preferential issue, etc.), the statement



of funds utilized for purposes other than those stated in the offer documents/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or right issue, and making appropriate recommendations to the Board to take up steps in this matter.

- g) Reviewing, with the management, performance of statutory auditors and the adequacy of internal control systems.
- h) Reviewing the findings of any internal audit function, if any, including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- i) Discussion with internal auditors any significant findings and follow up thereon.
- j) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- k) Discussion with statutory auditors before the audit commences, nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- l) Reviewing the company's financial and risk management policies.
- m) To look into the reasons for substantial defaults in the payment to the shareholders (in case of non payment of declared dividends) and creditors.
- n) To review the functioning of the Whistle blowing mechanism.
- o) Mandatorily reviewing the following:
  - Management discussion and analysis of financial condition and result of operations;
  - Statement of significant related party transactions (as defined by the audit committee) submitted by management;
  - Management letters/ letters of internal control weaknesses issued by the statutory auditors;

➤ **COMPOSITION OF THE COMMITTEE**

The committee consists of the following four members and every member of the Committee possesses a strong financial management and accounting background.

- Mr. B. D. Gupta (Chairman)
- Mr. Rakesh Nangia
- Mr. N. K. Gupta
- Mr. B. B. Tandon\*

\* Mr. B.B. Tandon resigned on 25<sup>th</sup> February, 2010 from the directorship of the company.

➤ **MEETINGS AND ATTENDANCE DURING THE YEAR**

The Audit Committee met four times during the financial year from 1<sup>st</sup> April, 2009 to 31<sup>st</sup> March, 2010 on April 20, July 29, October 21, and January 19. The meeting preceded the adoption of quarterly audited results by the Board of Directors. The Company published audited quarterly results in compliance with clause 41 of the listing agreement. The following table gives the attendance record of the audit committee.

Name of the Audit Committee Members	No. of Meetings held	No. of Meetings attended
Mr. B. D. Gupta	4	4
Mr. Rakesh Nangia	4	3
Mr. N. K. Gupta	4	2
Mr. B. B. Tandon	4	4

2. **SHARE TRANSFER AND INVESTOR GRIEVANCE COMMITTEE**

➤ **TERMS OF REFERENCE**

It was constituted specifically to review compliance of rules and regulations, to redress shareholders' grievance and to provide suggestions. To expedite the process of share transfers the Board has delegated the power of share transfer to Alankit Assignments Limited viz. Registrar and Share Transfer Agents who attends to the share transfer formalities at least once in a fortnight.

Terms of reference of the Share Transfer and Investor Grievance Committee are as per the guidelines set out in the listing agreement with the Stock Exchange that inter-alia include looking into the investors complaints on transfer of shares, non receipt of declared dividends etc and redressal thereof.

➤ **COMPOSITION OF THE COMMITTEE**

- Mr. N.K. Gupta (Chairman)\*
- Mr. B.B. Tandon\*\*
- Mr. Rakesh Nangia
- Mr. Amrishi Jaipuria

\*Mr. N.K. Gupta was appointed as the Chairman & Member of the committee w.e.f. 19<sup>th</sup> January, 2010.

\*\*Mr. B.B. Tandon resigned from the Chairmanship & Membership of the committee on 21<sup>st</sup> October, 2009, after attending the meeting on that day .

➤ **MEETING AND ATTENDANCE DURING THE YEAR**

The Audit Committee met four times during the financial year from 1<sup>st</sup> April, 2009 to 31<sup>st</sup> March, 2010 on April 20, July 29, October 21, and January 19. The following table gives the attendance record of the Share Transfer and Investor Grievance Committee.



Name of the Director	No. of Meeting Held	No. of Meetings attended
Mr. B. B. Tandon	3	3
Mr. Rakesh Nangia	4	3
Mr. Ambrish Jaipuria	4	4
Mr. N. K. Gupta	1	nil

Name of the Non-Executive Director	Sitting Fees (Total Amount for the financial year 2009-10) In Rs.
Mr. Ashok Jaipuria*	-
Mr. Shreekant Somany	6000
Mr. Rakesh Nangia	27000
Mr. N. K. Gupta	15000
Mr. B. D. Gupta	24000
Mr. B.B. Tandon	33000
Mr. H. L. Paranjpe	9000

\*Mr. Ashok Jaipuria opted not to take any sitting fees for attending meeting of the Board of Directors.

#### ➤ COMPLIANCE OFFICER

The Compliance Officer of the Company was Ms. Jyoti Verma, Company Secretary up to 22<sup>nd</sup> day of April, 2009. After her resignation Mr. Anas Ahmad Khan, was appointed as Company Secretary and Compliance Officer of the Company w.e.f.13<sup>th</sup> July, 2009.

#### ➤ COMPLAINTS RECEIVED / RESOLVED

During the financial year 2009-10 the company received six complaints for non receipt of Annual Report. The same were attended to the satisfaction of the investors. At the end of 31<sup>st</sup> march, 2010, no complaints were pending for redressal.

#### ➤ PENDING SHARE TRANSFER

There are no pending share transfers as on 31/03/2010.

### 3 REMUNERATION COMMITTEE

#### ➤ TERMS OF REFERENCE

The Company formed a Remuneration Committee on 16<sup>th</sup> January, 2006 to recommend to the Board the compensation of the Directors & Manager of the Company keeping in view the Company's financial status, industry trends, past performance and past remuneration.

#### ➤ COMPOSITION

- Mr. N. K. Gupta (Chairman)
- Mr. Shreekant Somany
- Mr. Rakesh Nangia

#### ➤ MEETING AND ATTENDANCE DURING THE YEAR

There was no meeting of remuneration committee during the year.

### D. MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis has been discussed in detail and is annexed to the Directors' Report.

### E. REMUNERATION POLICY

#### (i) Non- Executive Directors

Non-executive directors are paid only sitting fees of Rs. 3,000/- for attending each Board and Committee meeting thereof.

The Sitting fee paid to Non-executive Directors during the financial year is as follows:

#### (ii) Executive Director

Mr. Ambrish Jaipuria , C.E.O & Executive Director ( Business Development) were paid following remuneration during the year 2009-10 as minimum remuneration approved by members and Schedule XIII in case of loss or inadequacy of profits:

Particulars of Remuneration	Amount ( In Rs.)
Basic Salary	15,00,000
HRA	Nil
LTA	Nil
Perquisites	Nil
Provident & other funds	1,80,000
Medical Expenses (Actual)	Nil
Total :	16,80,000
Performance linked incentives	Nil
Service contracts, notice period, severance fees	6 month notice period on either side with no severance fees defined
Stock Option details	Nil

Note: Super annuation and gratuity have not been included in remuneration.

### F. SHAREHOLDING OF DIRECTORS (EXECUTIVE & NON EXECUTIVE)

#### EXECUTIVE DIRECTOR

Name of the Director	No. of shares held
Mr. Ambrish Jaipuria	52,100

#### NON EXECUTIVE DIRECTOR

Mr. Ashok Jaipuria	79,900
Mr. Shreekant Somany	-
Mr. Rakesh Nangia	-
Mr. N. K. Gupta	-
Mr. B. D. Gupta	-
Mr. H. L. Paranjpe	-

### G. CORPORATE GOVERNANCE POLICIES



Company has defined a policy framework for ethical business conduct by its personnel. The Board of Directors adopted the following policies on January 29, 2004 with immediate effect:

#### 1. COMPENSATION POLICY FOR NON-EXECUTIVE DIRECTORS

Apart from payment of sitting fees, the company does not pay any monthly or annual compensation to its Non-Executive Directors.

The Non-executive directors are paid sitting fees of Rs.3,000/- for attending each Board and Committee meeting. The company has not granted any stock options to the non-executive directors. The compensation policy is displayed on the website of the company.

#### 2. CODE OF CONDUCT

The company has adopted a Code of Conduct for the members of the Board of Directors and the senior management of the company. The code of conduct is displayed on the website of the company.

#### 3. ANNUAL DECLARATION OF COMPLIANCE OF CODE OF CONDUCT BY CEO

A declaration from Mr. Ambrish Jaipuria, C.E.O & Executive Director of the Company that all Board members and senior management personnel have affirmed compliance with the code of conduct for the current year, is annexed.

#### 4. WHISTLE BLOWER POLICY

The company has adopted a Whistle blower policy that has since been implemented within the organization. All the employees of the Company have access to the Audit Committee.

#### I. INFORMATION TO SHAREHOLDERS

##### 1 REGISTERED AND CORPORATE OFFICE

###### Registered Office

P.O. Jabli, District Solan,  
Himachal Pradesh- 173 209  
Phone : 01792-277231-32/35/36  
Fax : 01792-277234

###### Corporate Office

30, Community Centre,  
Saket, New Delhi – 110 017  
Phone : + 91 11 26863968 / 26863969  
Fax : + 91 11 26528225

#### 2 ANNUAL GENERAL MEETING

The date, time, venue of the next Annual General Meeting and the next Book Closure date/ Record Date will be as per the Notice calling the Annual General Meeting.

#### 3 DATES AND VENUE OF PREVIOUS THREE ANNUAL GENERAL MEETINGS.

Financial Year	Place	Date
2006-07	Jabli, Dist Solan (H.P) 173209	25.07.2007
2007-08	Jabli, Dist Solan (H.P) 173209	24.09.2008
2008-09	Jabli, Dist Solan (H.P) 173209	23.09.2009

#### 4 FINANCIAL CALENDAR

The following is the tentative schedule for approval of financial results:

Financial reporting for the quarter ending June 30, 2010	August 2010
Financial reporting for the quarter ending September 30, 2010	November 2010
Financial reporting for the quarter ending December 31, 2010	February 2011
Financial reporting for the quarter ending March 31, 2011	May 2011

#### 5 WEBSITE

The address of the company's Web site is [www.cosmoferrites.com](http://www.cosmoferrites.com)

#### 6 LISTING ON STOCK EXCHANGES

Company's shares are currently listed on the Bombay Stock Exchange Limited (Stock Code:523100)

#### 7 INTERNATIONAL SECURITIES IDENTIFICATION NUMBER (ISIN)

ISIN is a unique identification number of traded scrip. This number has to be quoted in each transaction relating to the dematerialized equity shares of the company. The ISIN number of the shares of Cosmo Ferrites Limited is INE 124B01018.

#### 8. ANNUAL LISTING FEE

Annual Listing Fee for the year 2009-10 has been paid to Bombay Stock Exchange Limited. There are no arrears of listing fees with the Bombay Stock Exchange Limited till date.



9. DEMAT

Your Company's equity shares can be traded on the Stock Exchange only in dematerialized form with effect from June 20, 2000. To trade in dematerialized form, investors are required to open a Demat account with Depository participant of their choice. Equity shares of your Company are available for trading in the depository systems, of both the Depositories viz. The National Securities Depositories Limited (NSDL) and the Central Depositories Service (India) Limited (CDSL).

80.96% of the equity share capital (1,20,30,000 equity shares) has been dematerialized as on 31<sup>st</sup> March, 2010.

10. SHARE TRANSFER SYSTEM

To expedite the process of share transfers the Board has delegated the power of share transfer to Alankit Assignments Limited viz. Registrar and Share Transfer Agents who attends to the share transfer formalities at least once in a fortnight. Share transfer in physical form and other communication regarding share certificate, change of address, etc may be addressed at:

Alankit Assignments Limited,  
2E/21, Alankit House,  
Jhandewalan Extension,  
New Delhi 110 055  
Ph: +91 11 42541234  
Fax: +9111 42541967

Contact Person: Mr. Maurya

11. ADDRESS FOR CORRESPONDENCE:

Investors may send their queries to:

Mail: Company Secretary\Compliance Officer,  
P.O. Jabli, District Solan,  
Himachal Pradesh- 173 209  
Phone : 01792-277231-32/35/36  
Fax : 01792-277234  
E-mail: [anas@cosmoferrites.com](mailto:anas@cosmoferrites.com)

INVESTOR COMMUNICATION

The quarterly newsletters are available on our website [www.cosmoferrites.com](http://www.cosmoferrites.com). Members are requested to view the same. Company normally publishes quarterly audited results in Business Standard and Veer Arjun (Hindi). The information relating to the company results is also available on other major financial and capital market related websites.

The Company ensures that its Financial Results are sent to the Stock Exchange immediately after the same have been considered and taken on record by the Board of Directors. The Company also ensures that these Results

are promptly displayed on the Company's website [www.cosmoferrites.com](http://www.cosmoferrites.com).

12. DISCLOSURE ON LEGAL PROCEEDINGS

There is no pending case relating to any disputes with shareholders, in which the company has been made a party.

13. OUTSTANDING STOCK OPTION

There are no outstanding warrants or convertible instruments or stock options to employees as on March 31, 2010.

14. POSTAL BALLOT

No resolution was passed through postal ballot during this financial year.

15. ANALYSIS OF SHAREHOLDERS' COMPLAINTS RECEIVED DURING 2009-10

The Company generally clears the investors' complaints within a period of 21 days from the date of receipt. All the complaints received during the year have been replied/ redressed.

The status of complaints received and replied/ resolved during the financial year 2009-10 are as follows:

Nature of Complaints	Received	Replied
Non receipt of Annual return	6	6

16. SHARE PERFORMANCE CHART

The monthly closing share price, monthly high and low prices and volume of the shares of the company traded on Bombay Stock Exchange Limited are given below:

Month	BSE			
	Share Price(Rs.)	High (Rs.)	Low (Rs.)	No of shares Tendered
April 2009	6.70	7.45	5.32	32751
May 2009	8.11	8.44	5.71	90967
June 2009	6.69	8.93	5.90	149933
July 2009	6.67	6.80	5.42	76779
August 2009	7.75	8.60	6.40	81702
September 2009	7.52	8.40	5.90	86397
October 2009	8.08	11.30	6.36	282309
November 2009	9.30	10.69	7.52	130418
December 2009	9.26	10.58	8.76	144613
January 2010	10.70	13.55	9.02	487175
February 2010	12.17	12.89	10.75	188652
March 2010	12.21	13.50	11.00	122322
<b>Total</b>				<b>1874038</b>



**17. DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2010**

Following tables give the data on shareholding according to types of shareholders and Nos. of Shares held.

**Distribution of the shareholdings according to type of shareholders**

Particulars	March 31, 2010		March 31, 2009	
	Number of Shares	% Holding	Number of shares	% Holding
Promoters	7523128	62.536	7430125	61.763
Person acting in concert	Nil	Nil	Nil	Nil
Institutional Investors	7400	0.062	187400	1.499
Others	4499472	37.402	4419475	36.738
Total	12030000	100.00	12030000	100.00

**Distribution of shareholding according to the number of shares held on March 31, 2010**

S.No.	No. of equity shares held	As on 31 <sup>st</sup> March, 2009				As on 31 <sup>st</sup> March, 2009			
		No. of shareholders	% of Total holders	No. of Shares	% of share Capital	No. of Share-holders	% of Total holders	No. of Shares	% of Share-Capital
1	Upto 5000	6067	97.902	2460204	20.451	5370	82.603	953687	7.928
2	5001 to 20000	96	1.549	945105	7.856	809	12.444	901553	7.494
3	20001 to 30000	10	0.161	259649	2.158	111	1.707	291574	2.424
4	30001 to 40000	6	0.097	214673	1.784	42	0.646	152166	1.265
5	40001 to 50000	5	0.081	241364	2.006	49	0.754	232817	1.935
6	50001 to 100000	7	0.113	537220	4.466	57	0.877	400686	3.331
7	100001 and Above	6	0.097	7371785	61.278	63	0.969	9097517	75.624
	Total					6501	100	12030000	100

**18. UNCLAIMED DIVIDENDS**

Unpaid Dividends for the financial year 1995-96 has already been transferred to the Investor Education and Protection Fund established by the Central Government under Section 205C of the Companies Act, 1956 and for 2000-01 and 2001-02 was transferred to IEPF on 12<sup>th</sup> Sept, 2008 and 06<sup>th</sup> October, 2009 respectively, pursuant to section 205A of the Companies Act, 1956.

**19. STATUS ON COMPLIANCE OF MANDATORY REQUIREMENTS AND ADOPTION (AND COMPLIANCE) / NON-ADOPTION OF THE NON-MANDATORY REQUIREMENTS OF CLAUSE 49 OF THE LISTING AGREEMENT**

The Company has complied with all the mandatory requirements of clause 49 of the listing agreement and the status of compliance with the Non-mandatory requirements is as follows:

S. No.	Non mandatory requirement	Status
1.	Audit Qualification	Nil
2.	Remuneration Committee	Yes
3.	Whistle Blower Policy	Implemented by the company



ANNEXURE:

PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES ON CORPORATE GOVERNANCE, FOLLOWING INFORMATION IS FURNISHED ABOUT THE DIRECTORS PROPOSED TO BE APPOINTED / RE-APPOINTED

**Director Retiring by Rotation**

Name of the Director	Mr. N K Gupta	Mr. B. D. Gupta	Mr. Ambrish Jaipuria
Date of Birth	15 <sup>th</sup> April, 1938	8 <sup>th</sup> November, 1936	23 <sup>rd</sup> December, 1978
Qualification	B. E. (Electrical), B. Sc.	M.Com, ICWA	Business Administration from Ohio State University, USA
Nature of Expertise	General, Strategic & Project MGT Turnaround Strategy etc.	Financial Consultancy, Investment Banking etc.	Marketing Management
Date of Appointment	29 <sup>th</sup> January, 2004	29 <sup>th</sup> January, 2004	29 <sup>th</sup> January, 2004
Name of other Companies in which he holds Directorship	Nil	1. K L G Systel Ltd. 2. Aban Power Co. Ltd	1. Sunrise Manufacturing Co. Ltd 2. Hanuman Textile Mfg. & Investment Co Ltd.
Name of the Committees of the Other Companies of which he holds Membership/Chairmanship	Nil	Nil	Nil
Shareholding in the Co.	NIL	NIL	52100 Equity Shares (0.43%)

**CERTIFICATE CLAUSE 49 V OF THE LISTING AGREEMENT**

We, the undersigned hereby certify that :

- (a) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:
  1. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  2. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify such deficiencies.
- (d) We have indicated to the auditors and the Audit committee
  1. significant changes in internal control over financial reporting during the year;
  2. that there were no significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  3. that there was no instance of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

**AMBRISH JAIPURIA**  
**C.E.O & EXECUTIVE DIRECTOR**

**L. D. SHARMA**  
**MANAGER, ACCOUNTS & FINANCE**

New Delhi  
12<sup>th</sup> May, 2010



**CERTIFICATE FROM THE COMPANY SECRETARY**

I, Anas Ahmad Khan, Company Secretary confirm that the Company has:

- (i) Maintained all the books of account and statutory registers required under the Companies Act, 1956 ('the Act') and the Rules made there under.
- (ii) Filed all the forms and returns and furnished all the necessary particulars to the Registrar of Companies and/or Authorities as required by the Act.
- (iii) Issued all notices required to be given for convening of Board Meeting and General meeting, within the time limit prescribed by law.
- (iv) Conducted the Board Meetings and annual General Meeting as per the Act.
- (v) Complied with all the requirements relating to the minutes of the proceedings of the meetings of the Directors and the Shareholders.
- (vi) Made due disclosure required under the Act including those required in pursuance of the disclosures made by the Directors.
- (vii) Obtained all necessary approvals of Directors, Shareholders, Central Government and other Authorities as per the requirements.
- (viii) Effected share transfers and dispatched the certificates within the statutory time limit.
- (ix) Paid dividend amounts to the Shareholders and unpaid dividend amounts, if applicable, have been transferred to the General Revenue Account of the Central Government or Investor Education and Protections Fund within the time limit prescribed.
- (x) Complied with the requirements of the Listing Agreement entered into with the Stock Exchange in India.
- (xi) The Company has also complied with other statutory requirements under the Companies Act, 1956 and other related statutes in force.

The certificate is given by the undersigned according to the best of my knowledge and belief, knowing fully well that on the faith and strength of what is stated above, full reliance will be placed on it by the shareholders of the company.

**New Delhi**  
12<sup>th</sup> May, 2010

**ANAS AHMAD KHAN**  
COMPANY SECRETARY

**ANNUAL DECLARATION OF COMPLIANCE OF CODE OF CONDUCT BY CEO**

To,  
The Board of Directors  
Cosmo Ferrites Limited  
30, Community Centre,  
Saket, New Delhi-110 017

1. The Code of Conduct has been laid down for all the Board members and senior management and other employees of the Company.
2. The Code of Conduct is posted on website of the Company.
3. The Board members and senior management personnel have affirmed compliance with the code of conduct for the year 2009-2010

**New Delhi**  
12<sup>th</sup> May, 2010

**Amrish Jaipuria**  
Chief Executive Officer





**AUDITOR'S CERTIFICATE**

We have examined the compliance of conditions of Corporate Governance by Cosmo Ferrites Limited for the year ended on 31<sup>st</sup> March 2010 as stipulated in clause 49 of the listing agreement of the said company with stock exchange(s).

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of corporate governance as stipulated in the above-mentioned listing agreement.

We state that no investor grievance is pending for a period exceeding one month against the company as per the records maintained by the shareholders / investors grievance committee.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For B.K.SHROFF & CO.  
Chartered Accountants

New Delhi  
12<sup>th</sup> May, 2010

Anil Gupta  
Partner  
Membership No. 80074



## AUDITORS' REPORT

To The Members of Cosmo Ferrites Limited

1. We have audited the attached Balance Sheet of Cosmo Ferrites Limited, as at 31<sup>st</sup> March, 2010 and also the Profit & Loss Account for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the accounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the companies (Auditors' Report) order 2003 issued by the central Government of India in terms of sub-section (4A) of section 227 of the Companies Act 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - ii) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books;
  - iii) The Balance Sheet, Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
  - iv) In our opinion, the Balance Sheet, Profit & Loss Account and the Cash Flow Statement Comply with the accounting standards referred to in sub – sections (3C) of section 211 of the Companies Act, 1956;
  - v) On the basis of written representation received from the directors and taken on records by the board of directors, we report that none of the directors is disqualified as on 31.03.2010 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
  - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a) In the cases of the Balance Sheet, of the state of affairs of the company as at 31<sup>st</sup> March, 2010;
    - b) In the cases of the Profit & Loss Account, of the Profit for the year ended on that date; and
    - c) In the cases of Cash Flow Statement of the cash flows for the year ended on that date.

12<sup>th</sup> May, 2010  
New Delhi

For B.K. Shroff & Co.  
Chartered Accountants

Anil Gupta  
Partner



**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT  
OF EVEN DATE**

- i a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) All the fixed assets have been physically verified by the management according to a regular program which in our opinion is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- c) During the year the company has not disposed off any substantial part of its fixed assets. Therefore, it has not affected the going concern concept of the company.
- ii. a) Physical verification of inventory (except material in transit and lying with third parties) has been conducted by the management at reasonable intervals. In our opinion, the frequency of verification is reasonable.
- b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
- c) The company is maintaining proper records of inventory. Discrepancies noticed on verification of inventory as compared to book records were not material.
- iii. In our opinion and according to the explanations given to us, the company has neither granted nor taken loans, secured or unsecured to/from companies firms or other parties covered in the register maintained under section 301 of the Act. and as such clauses (iii) (b), (iii) (c) and (iii) (d) of the Order are not applicable to the company.
- iv In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for sale of goods and services. During the course of our audit, no major weakness has been noticed in internal control system.
- v a) According to the information and explanations given to us, during the year there were no contracts of arrangements referred to in Section 301 of the Act that needed to be entered into the register required to be maintained under that section.
- b) In our opinion and according to the information and explanations given to us, no transactions were made during the year in pursuance of such contracts or arrangements which exceeded the value of five lakh rupees in respect of any party at prices which were unreasonable having regard to prevailing market prices at the relevant time.
- vi. In our opinion and according to the information given to us, the company has not accepted any deposits from the public within the meaning of sections 58A and 58AA or any other relevant provisions of the Act.
- vii In our opinion, the company has an adequate internal audit system commensurate with the size and the nature of its business.
- viii We have broadly reviewed the books of accounts maintained by the company pursuant to the order made by the Central Government for the maintenance of cost records under section 209(1) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been maintained.
- ix a) The company is regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, income tax, sales tax, service tax, wealth tax, custom duty, excise duty and cess and other statutory dues applicable to it. As explained to us employees state insurance was not applicable to the company during the year under review.
- b) According to the information and explanations given to us, no undisputed amount payable in respect of income tax, sales tax, service tax, wealth tax, customs duty, excise duty and cess were outstanding as at 31.03.2010 for a period of more than six months from the date they became payable.
- c) According to the information and explanations given to us, dues in respect of income tax, sale tax, wealth tax, service tax, customs tax, excise duty and

cess, which have not been deposited with the appropriate authorities on account of any dispute are given below:

Name of Statute	Nature of Dispute	Amount (in Rs.)	Period	Forum where dispute is pending
Income Tax Act, 1961	Disallowance of 80HHC claim for the purpose of calculating book profit for MAT	6,21,317	AY 2003-04	High Court, Delhi
	Disallowance of 80 HHC claim for the purpose of calculating book profit for MAT	21,09,639	AY 2004-05	Hight Court, Delhi
Central Excise Act, 1944	Differential Duty	27,62,007	Jan 2000 to Nov. 2004	CESTAT
	Differential Duty	2,65,869	Dec. 2004 to April 2007	CESTAT

- X. The accumulated losses of the company as at 31<sup>st</sup> March, 2010 are not more than 50% of its net worth. The company has not incurred any cash loss during the financial year covered by our audit and in the immediately preceding financial year.
- XI. In our opinion and according to the information and explanations given to us the company has not defaulted in repayment of dues to a financial institute or bank or debenture holders.z
- XII. According to the information and explanations given to us the company not granted any loan and advance on the basis of security by way of pledge of shares, debentures and other securities.
- XIII. In our opinion the company is neither a chit fund nor nidhi/mutual benefit fund/ society and hence clause (xiii) of the order is not applicable to the company.
- XIV. In our opinion the company is not dealing or trading in shares, securities, debentures and other investments and accordingly clause (xiv) of the order is not applicable to the company.
- XV. In our opinion the company has not given guarantee for loans taken by others from banks or financial institutions.
- XVI. In our opinion, the term loans have been applied for the purposes for which they were obtained.
- XVII. According to the information and explanations given to us and on an overall examination of the balance sheet of the company we report that no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.
- XVIII. According to information and explanations given to us the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the companies Act, 1956.
- XIX. According to the information and explanations given to us during the year company had not issued any debentures.
- XX. According to the information and explanations given to us, during the year the company has not raised any money by public issue.
- XXI. According to the information and explanation given to us no fraud on or by the company has been noticed or reported during the course of our audit

New Delhi  
12<sup>th</sup> May, 2010

For B.K. SHROFF & CO.  
Chartered Accountants  
Anil Gupta  
Partner  
Membership No. 80074



**BALANCE SHEET**

As at 31st March, 2010

	Schedule	Current Year Rs.'000		Previous Year Rs.'000
<b>SOURCES OF FUNDS</b>				
<b>SHAREHOLDERS' FUNDS</b>				
Share Capital	1	133800		130108
Reserves & Surplus	2	<u>72457</u>	206257	<u>52957</u> 183065
<b>LOAN FUNDS</b>				
Secured Loans	3		139939	157637
<b>DEFERRED TAX LIABILITY</b>				
	4		<u>62808</u>	<u>60942</u>
			<u>409004</u>	<u>401644</u>
<b>APPLICATION OF FUNDS</b>				
<b>FIXED ASSETS</b>				
Gross Block	5	723355		722274
Less: Depreciation		<u>421860</u>		<u>395628</u>
		301495	301495	326646
<b>INVESTMENTS</b>				
	6		17875	17875
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>				
Inventories	7	46690		45934
Receivables	8	47257		35488
Cash & Bank Balances	9	19808		3560
Loans & Advances	10	<u>31794</u>		<u>28083</u>
		<u>145549</u>		<u>113065</u>
<b>LESS: Current Liabilities &amp; Provisions</b>				
Current Liabilities	11	43332		45025
Provisions	12	<u>12583</u>		<u>10917</u>
		<u>55915</u>		<u>55942</u>
<b>NET CURRENT ASSETS</b>				
			89634	57123
			<u>409004</u>	<u>401644</u>
<b>NOTES ON ACCOUNTS</b>				
Schedules 1 to 18 form an integral part of the accounts	18			-

As per our report of even date annexed

For B.K. SHROFF & CO.,  
Chartered Accountants  
Anil Gupta  
Partner

New Delhi  
12th May, 2010

Anas Ahmad Khan  
Company Secretary

L. D. Sharma  
Manager (Finance & Accounts)

Ashok Jaipuria  
Chairman  
DIN00214707

Ambrish Jaipuria  
Director  
DIN00214687



PROFIT & LOSS ACCOUNT

For the year ended 31<sup>st</sup> March, 2010

	Schedule	Current Year Rs.'000	Previous Year Rs.'000
<b>INCOME</b>			
Turnover (Gross)		393349	308692
Less: Excise Duty		<u>17436</u>	<u>15321</u>
Turnover (Net)		375913	293371
Other Income	13	5627	9426
Increase(Decrease) in Stocks	14	<u>(6596)</u>	<u>(5152)</u>
		<u>374944</u>	<u>297645</u>
<b>EXPENDITURE</b>			
Purchases- Traded goods		359	1149
Manufacturing & Other expenses	15	289519	249710
Selling & Distribution expenses	16	14397	15858
Finance charges	17	17518	18289
Depreciation		<u>27983</u>	<u>27092</u>
		<u>349776</u>	<u>312098</u>
Profit/(Loss) before Taxation and exceptional items		25168	(14453)
Exceptional items		-	<u>2206</u>
Profit/(Loss) after Exceptional item and before Taxation		25168	(12247)
Provision for			
- Current Tax		4300	223
- Less : MAT Credit Entitlement		(4180)	(334)
- Deferred Tax		1866	808
- Fringe Benefit Tax		-	705
- Earlier year's Tax		<u>1413</u>	-
Profit/(Loss) after Tax		21769	(13649)
Balance brought forward from Previous year		(1273)	18474
Transfer from General Reserve		-	<u>3710</u>
Balance Available For Appropriation		20496	8535
Provision for arrears of Dividend on Cumulative Redeemable Preference Shares		1471	-
Proposed Dividend on Cumulative Redeemable Preference Shares		470	-
Corporate Tax on Dividend		328	-
Preference Share Capital Redemption Reserve		-	<u>9808</u>
Profit/(Loss) carried to Balance Sheet		<u>18227</u>	<u>(1273)</u>
<b>EARNINGS PER SHARE</b>			
( note I(p) and note 14 schedule 18)			
Basic		1.62	(1.13)
Diluted		1.62	(1.05)
Basic EPS before Tax adjustment/Exceptional items for earlier years		2.04	(0.95)
Diluted EPS before Tax adjustment/Exceptional items for earlier years		2.04	(0.88)

NOTES ON ACCOUNTS

Schedule 1 to 18 form an integral part of the accounts

As per our report of even date annexed

For B.K. SHROFF & CO.,  
Chartered Accountants  
Anil Gupta  
Partner

New Delhi  
12th May, 2010

Anas Ahmad Khan  
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L. D. Sharma  
Manager (Finance & Accounts)

Ashok Jaipuria  
Chairman  
DIN00214707

Ambrish Jaipuria  
Director  
DIN00214687



Cash flow statement for year ended 31st March 2010

Particulars	Schedules	Current Year Rs.'000	Previous Year Rs.'000
<b>A. Cash Flow from Operating Activities</b>			
Net Profit before tax		25168	(12247)
Adjustments for :			
Depreciation		27983	27092
Dividend		(2750)	(2750)
Interest paid		15363	16524
Miscellaneous expenditure written off		-	259
Loss on sale of fixed assets		193	1132
Operating profit before working capital changes		65,957	30010
Adjustment for :			
Trade & Other receivables		(13046)	12160
Inventories		(756)	17191
Trade payables & other liabilities		(5419)	8708
Cash generated from operations		46736	68069
Interest paid		(15363)	(16524)
Direct Taxes paid		2517	(3904)
Dividend Paid		(1721)	(3443)
Net cash from operating activities		32169	44198
<b>B. Cash Flow from Investing Activities</b>			
Purchase of fixed assets (including capital advance)		(6556)	(25903)
Sale of fixed assets		1891	1397
Dividend received		2750	2750
Net cash used in investing activities		(1915)	(21756)
<b>C. Cash Flow from Financing Activities</b>			
Proceeds from Issuing shares or other equity instruments		3692	(9808)
Proceeds from long term borrowings		2377	16519
Repayments of long term borrowings		(16091)	(33067)
Increase in bank borrowings		(3984)	3260
Cash flow from financing activities		(14006)	(23096)
Net increase in cash and cash equivalents		16248	(654)
Cash and Cash equivalents (Opening Balance)		3560	4214
Cash and Cash equivalents (Closing Balance)		19808	3560

NOTE: Figures in parentheses represent cash outflow

NOTES ON ACCOUNTS

18

Schedules 1 to 18 form an integral part of the accounts  
As per our report of even date annexed  
For B.K. SHROFF & CO.,  
Chartered Accountants  
Anil Gupta  
Partner

New Delhi  
12th May, 2010

Anas Ahmad Khan  
Company Secretary

L. D. Sharma  
Manager (Finance & Accounts)

Ashok Jaipuria  
Chairman  
DIN00214707

Ambrish Jaipuria  
Director  
DIN00214687



	Current Year Rs.'000	Previous Year Rs.'000
<b>1. SHARE CAPITAL</b>		
Authorised		
1,50,00,000 Equity Shares of Rs. 10/- each	150000	150000
8,00,000 Preference Shares of Rs. 100/- each	<u>80000</u>	<u>80000</u>
	<u>230000</u>	<u>230000</u>
Issued, Subscribed & Paid up		
1,20,30,000 Equity Shares of Rs. 10/- each	120300	120300
1,35,000 (Previous Year Nil) 10% Cumulative Redeemable Preference shares of Rs 100/- each	<u>13500</u>	<u>-</u>
9,8080 Preference Shares of Rs. 100/- each	<u>-</u>	9808
	<u>133800</u>	<u>130108</u>

**2. RESERVES & SURPLUS**

	As at 01.04.2009 Rs.'000	Addition Rs.'000	Deduction Rs.'000	As at 31.03.2010 Rs.'000
Capital Reserve	5188	-	-	5188
Preference Share Capital Redemption Reserve	49042	-	-	49042
Profit & Loss Account	(1273)	19500	-	18227
	<u>52957</u>	<u>19500</u>	<u>-</u>	<u>72427</u>

**3. SECURED LOANS**

From Banks		
Term Loan	95158	110933
Cash Credit/ Working Capital Demand Loans	42550	46534
Hire Purchase Finance	2137	-
From Others		
Hire Purchase Finance	<u>94</u>	<u>170</u>
	<u>139939</u>	<u>157637</u>

Term Loans are secured by first equitable mortgage of immovable assets both present and future and hypothecation of moveable assets (save and except book debts) charged to rank pari-passu inter se and subject to prior charges created in favour of the company's bankers on moveable assets for working capital loans and assets exclusively charged.

Cash credit / working capital demand loans from banks are secured by hypothecation of inventories and book debts and further secured by way second charge on fixed assets both present and future and further guaranteed by a director.

Assets purchased under Hire Purchase Finance schemes are hypothecated to the financiers.

**4. DEFERRED TAX LIABILITY**

As per last Balance sheet	60942	60134
Add : Created during the year	<u>1866</u>	<u>808</u>
	<u>62808</u>	<u>60942</u>



5. FIXED ASSETS

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at 01.04.09 Rs./000	Additions Rs./000	Sales/ Adjustments Rs./000	As at 31.03.10 Rs./000	Upto 31.03.09 Rs./000	For the Year Rs./000	Adjustment Rs./000	Total Rs./000	As at 31.3.10 Rs./000	As at 31.03.09 Rs./000
Land & Site Development	1939	-	-	1939	-	-	-	-	1939	1939
Buildings	45802	-	-	45802	19365	1616	-	20981	24821	26437
Plant, Machinery & Office Equipment*	666398	2039	2811	665626	372409	25582	1124	396867	268759	293989
Furniture, Fixture & Fittings	2407	23	-	2430	1649	129	-	1778	652	758
Vehicles	5728	2854	1024	7558	2205	656	627	2234	5324	3523
	722274	4916	3835	723355	395628	27983	1751	421860	301495	326646
Previous year	674530	52181	4437	722274	370448	27092	1912	395628	326646	





			Current Year Rs.'000	Previous Year Rs.'000
<b>6. INVESTMENTS</b>				
		No. of Shares		
	Long Term Investments-Trade	Current Year		
		Previous Year		
	(Fully paid equity shares of Rs. 10 each)			
	Quoted			
	Cosmo Films Ltd.	5,50,000	5,50,000	
			<u>17875</u>	<u>17875</u>
			17875	17875
	Aggregate market value of quoted investments		<u>65533</u>	<u>47025</u>
<b>7. INVENTORIES</b>				
	As taken, valued and certified by the management			
	Raw Materials (Includes in transit Rs. Nil)		11382	6001
	Previous year Rs. NIL)			
	Stores & spares		9344	7373
	Stock in Process		19409	18260
	Finished goods (including in transit Rs. 24.03 Lacs)			
	previous year Rs. 57.36 Lacs)		6555	14300
			<u>46690</u>	<u>45934</u>
<b>8. RECEIVABLES</b>				
	(Unsecured)- Considered good			
	Exceeding six months		11839	9347
	Others		<u>35418</u>	<u>26141</u>
			47257	35488
<b>9. CASH AND BANK BALANCES</b>				
	Cash in hand		126	100
	Cheques in Hand		6470	-
	Balances with Scheduled Banks			
	In Current Account		8076	478
	In Fixed Deposit/Margin Money Account		5136	2982
			<u>19808</u>	<u>3560</u>



	Current Year Rs.'000	Previous Year Rs.'000
<b>10. LOANS AND ADVANCES</b>		
(Unsecured - Considered good)		
Loans - to Staff	115	130
Interest accrued on loans and deposits	801	536
Advances for Capital Assets	1765	125
Advances (recoverable in cash or in kind or for value to be received)	8841	5485
Balances with Central Excise/Customs	1673	4745
Security Deposits	5508	4765
Mat Credit Entitlement	4514	334
Income Tax Payments (including tax deducted at source)	8577	11963
	<u>31794</u>	<u>28083</u>
<b>11. CURRENT LIABILITIES</b>		
Sundry Creditors		
Total outstanding dues of creditors other than micro enterprises and small enterprises	27384	32833
Interest accrued but not due on loans	229	244
Trade Deposits	285	285
Other Liabilities	15434	11493
Unclaimed Dividend	-	170
	<u>43332</u>	<u>45025</u>
<b>12. PROVISIONS</b>		
Taxation	6369	1510
Provision for Dividend on Preference Shares	470	-
Premium for redemption of Preference shares	-	2627
Corporate Tax on Dividend	78	-
Gratuity	4037	4736
Leave encashment	1629	2044
	<u>12583</u>	<u>10917</u>



	Current Year Rs.'000	Previous Year Rs.'000
<b>13. OTHER INCOME</b>		
Interest		
On Fixed Deposits with Banks (Tax deducted at source Rs.0.43 previous year Rs 29 Thousand)	410	346
From others	725	1
	<u>1135</u>	<u>347</u>
Dividend	2750	2750
Claims received	734	27
Miscellaneous receipts and income	60	150
Exchange Rate Diffenence (Net)	-	5841
Previous year Income (Net)	-	7
Excess provisions/sundry balances written off	948	304
	<u>5627</u>	<u>9426</u>
<b>14 INCREASE(DECREASE) IN STOCKS</b>		
Closing Stocks		
Finished goods	6170	13648
Stock in Process	19409	18260
	<u>25579</u>	<u>31908</u>
Opening Stocks		
Finished goods	13648	20096
Stock in Process	18260	16758
	<u>31908</u>	<u>36854</u>
Increase(Decrease) in stocks	(6329)	(4946)
Add/(Less) Increase/(Decrease) in Excise duty on opening/ closing stock	(267)	(206)
Total Increase(Decrease) in stock	<u>(6596)</u>	<u>(5152)</u>



	Current Year Rs.'000	Previous Year Rs.'000
<b>15. MANUFACTURING &amp; OTHER EXPENSES</b>		
Raw materials consumed	105705	79496
Stores, Spares & Packing materials	47859	41443
Power & Fuel	43495	42041
Salaries, Wages, Bonus & other benefits	55491	50686
Gratuity	79	2058
Contribution to Provident/Superannuation Funds and Employees State Insurance Scheme	5959	3884
Welfare expenses	3433	2814
Staff Recruitment & Training expenses	190	585
Rent	2100	1119
Rates, Taxes and Fees	328	126
Insurance	1348	1075
Repairs & Maintenance		
- Plant & Machinery	5399	4862
- Buildings	136	161
- Others	<u>1519</u>	<u>1180</u>
Professional & Consultancy charges	2519	1151
Travelling & Conveyance	4408	5197
Vehicle Running & Maintenance	3452	3815
Communication expenses	1533	1948
Director's Fees	114	120
Charity & donation	18	114
Claims Paid/Writtenoff	-	77
Miscellaneous expenses	2102	1886
Auditor's remuneration		
- As Statutory Audit fees	205	205
- As audit fees for quarterly audited results	186	186
- As Tax Audit fees	40	40
- For certification work	11	15
- For reimbursement of expenses	<u>11</u>	<u>13</u>
Exchange rate difference (Net)	1287	-
Loss on assets sold / discarded/ scrapped	193	1132
Loss on sale of DEPB	246	656
Previous year expenses (Net)	153	62
Provision for premium on redemption of Preference Share	-	1304
Share issue expenses written off	-	259
	<u>289519</u>	<u>249710</u>
<b>16. SELLING &amp; DISTRIBUTION EXPENSES</b>		
Selling Commission	1818	3572
Freight & Forwarding	8866	8871
Rebates and discounts	2907	1876
Other selling expenses	<u>806</u>	<u>1539</u>
	<u>14397</u>	<u>15858</u>
<b>17. FINANCE CHARGES</b>		
Interest		
On Term Loans	10217	11300
To Bank & Others	5131	5226
Bank Charges	<u>2170</u>	<u>1763</u>
	<u>17518</u>	<u>18289</u>



## 18. NOTES ON ACCOUNTS

### a) Method of Accounting

- i) The accounts of the company are prepared under the historical cost convention using the accrual method of accounting unless otherwise stated hereinafter.
- ii) Accounting policies are consistent with generally accepted accounting principles.

### b) Fixed Assets

Fixed Assets are stated at cost of acquisition, inclusive of inward freight, duties, taxes and incidental expenses related to acquisition and are net of modvat/cenvat wherever applicable. In respect of projects involving construction, related pre-operational expenses are capitalised and form part of the value of the assets capitalised. As per practice and on the basis of technical evaluation/ report, expenses incurred on trial runs/know-how development / relocation / modernisation / debottlenecking / relining / revamping of plant and machinery are capitalised. Fixed assets taken on lease are not reflected in the accounts and the lease rent is charged to profit & loss account as and when accrued.

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the greater of the net selling price and value in use.

### c) Investments

Long term investments are stated at cost of acquisition. Provision for diminution in the value of long term investments is made only if such a decline is other than temporary in the opinion of the management.

### d) Inventories

Inventories are valued at cost or net realisable value, whichever is lower. Cost is determined on first in first out (FIFO) basis.

### e) Foreign currency transactions

All foreign currency liabilities relating to acquisition of fixed assets are restated at the rates ruling at the year end and exchange differences arising on such transactions are adjusted in the cost of assets..

Other foreign currency assets and liabilities outstanding at the close of the year are valued at year end exchange rates. The fluctuations are reflected under the appropriate revenue head.

### f) Depreciation

Depreciation is calculated on fixed assets on straight line method in accordance with Schedule XIV of Companies Act, 1956.

Depreciation on amount of additions made to fixed assets on account of foreign exchange fluctuation is provided for over the residual life of the fixed assets.

### g) Research & Development

Revenue expenditure on research and development is charged against the profit of the year in which it is incurred. Capital expenditure on research and development is shown as an addition to fixed assets.

### h) Retirement benefits

#### i) Short Term Employee Benefits

All employee benefits payable only within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages etc. and the expected cost of bonus, exgratia, incentives are recognized in the period during which the employee renders the related service.

#### ii) Post Employment Benefits

a) State provident fund scheme is a defined contribution plan. The contribution paid /payable under the scheme is recognized in the profit & loss account during the period during which the employee renders the related service

b) The company has a separate super annuation fund in respect of certain categories of employees. Contributions paid /payable during the year are recognized in the profit & loss account

c) The employee gratuity fund scheme managed by a trust is a defined benefit plan. The present value of obligation under such defined benefit plan is determined based on actuarial valuation under the project unit credit method which recognizes each period of service as giving rise to additional unit of employee benefits entitlement each unit separately to build up the final obligation.

The obligation is measured at the present value of future cash flow. The discount rates used for determining the present value of the obligation under defined benefit plans is based on the market yields on government securities as at balance sheet date, having maturity periods approximated to the returns of related obligations.

Actuarial gains and lesser are recognized immediately in the profit& loss account.

In case of funded plans the fair value of the planned assets is reduced from the gross obligation under the defined benefit plans to recognize the obligation on net basis.

d) Other long term employees benefits including leave encashment are recognized in the same manner as defined benefit plans.

### i) Miscellaneous expenditure

Preliminary and share issue expenses are being proportionately written off over a period of ten years.

### j) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other



borrowing costs are recognised as an expense in the period in which they are incurred. Capitalisation of borrowing costs ceases when substantially all activities necessary to prepare the qualifying asset for its intended use or sale are complete.

**k) Excise & Other Duties**

Excise duty in respect of finished goods lying in factory premises and custom duty on goods lying in customs bonded warehouse are provided and included in the valuation of inventory. Modvat benefit is accounted for by reducing the purchase cost of the materials/ fixed assets.

**l) Claims and benefits**

Claims receivable and export benefits are accounted on accrual basis to the extent considered receivable.

**m) Revenue recognition**

Export sales are accounted on the basis of the date of bill of lading / airway bill. Other sales are accounted for ex-factory on despatch. Sales are net of returns, excise duty and include export incentives/benefits.

**n) Income from Investments/Deposits**

Income from investments is credited to revenue in the year in which it accrues. Income is stated in full with the tax thereon being accounted for under Income tax deducted at source.

**o) Taxation**

Provision for taxation is based on assessable profits of the company as determined under Income Tax Act, 1961.

Deferred taxation is provided using the liability method in respect of taxation effect arising from all material timing difference between accounting and tax treatment of income and expenditure which are expected with reasonable probability to crystallize in the foreseeable future.

Deferred tax benefits are recognized in the financial statements only to the extent of any deferred tax liability or when such benefits are reasonably expected to be realizable in the near future.

**p) Earnings per share**

Basic earning per share is calculated by dividing the net profit for the year attributable to equity shareholders (after deducting the redeemable preference share dividend) by the weighted average number of equity shares outstanding during the year.

Diluted earning per share is calculated by dividing the net profits attributable to equity shareholders (after deducting dividend on redeemable preference shares) by the weighted average number of equity shares outstanding during the year (adjusted for the effects of dilutive options).

**q) Contingent Liabilities**

Contingent Liabilities as defined in Accounting Standard-29 are disclosed by way of notes to accounts Provision is made if it becomes probable that an outflow of future

economic benefit will be required for an item previously dealt with as a contingent liability.

	Current Year Rs. '000	Previous Year Rs. '000
1. Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for	9503	161
2. Contingent Liabilities not provided for in respect of		
a) Claims not acknowledged by the company	75	60
b) Income Tax & Excise duty demands disputed in appeals and against which payments made Rs. 1621 thousand (Previous Year 2953 thousand)	4136	4144
c) Bank Guarantee	4097	4097
d) Dividend on cumulative redeemable preference shares	Nil	1721
3. (i) New cumulative redeemable preference shares (CRPS) carry dividend @ 10%		
(ii) CRPS shall be redeemed within 5 year, from the date of allotment or earlier than that as the company may deem fit.		
(iii) The company has redeemed 15% redeemable preference share capital amounting to Rs. 58850 Thousands upto 31-03-2010		
4. In respect of investment in share capital of Cosmo Films Limited (CFL) by International Finance Corporation (IFC), the company has given an undertaking to IFC to not to dispose off or create any lien, pledge or encumber its investment in the share capital of CFL as long as monies are due by CFL to IFC and as long as IFC holds any shares in the share capital of CFL without obtaining prior written consent of IFC.		
5. a) The company has given an undertaking to Exim Bank not to dispose off its investment in Cosmo Films Ltd., without their prior approval.		
b) Secured loans include Term loans/vehicle loans repayable within one year Rs. 42701 Thousands (Previous year Rs.15248 Thousands)		
6. There are no amounts due or payable towards principal and interest to suppliers covered under Micro, Small and Medium Enterprises Development Act, 2006.		



7. During the year, the following contribution have been made under defined contribution plan

	2009-10 (Rs. 000)	2008-09 (Rs.000)
Employer's Contribution to Provident Fund	1343	1306
Employer's Contribution to Employees Pension Scheme	1310	1381

	2009-10 Gratuity Leave Benefit		2008-09 Gratuity Leave Benefit	
1. Assumptions				
Discount Rate	5%	5%	5%	5%
Salary Escalation	5%	5%	5%	5%

2. Table showing changes in present value of obligations

Present value of obligation as at beginning of year	7854	1727	6262	1514
Interest Cost	640	139	457	105
Current Service Cost	508	483	590	562
Benefits Paid	441	(180)	(340)	(222)
Actuarial (gain)/Loss on obligation	(1035)	(541)	885	(232)
Present value of obligations as at end of year	7535	1628	7854	1727

3. Table showing changes in the present value of plan assets

Fair value of plan assets at the beginning of year	3102	-	2380	-
Expected return on plan assets	282	-	241	-
Contributions	340	-	1148	-
Benefits paid	(257)	(180)	(638)	(222)
Actuarial Gain/(Loss) on plan assets	30	-	29	-
Fair value of plan assets at the end of year	3498	-	3102	-

4. Table showing Fair value of plan assets

Fair value of plan assets at the beginning of year	3102	-	2380	-
Actual return on plan assets	313	-	212	-
Contributions	349	-	1148	-
Benefits paid	(257)	(180)	(638)	(222)
Fair value of plan assets at the end of year	3498	-	3102	-
Present value of obligation at the end of year	7535	1628	7854	1724

5. Actuarial Gain/Loss recognised

Actuarial gain/(Loss) for the year - Obligation	1035	541	(889)	232
Actuarial (gain)/Loss for the year - Plan assets	(30)	-	(29)	-
Total (gain)/Loss for the year	(1065)	(541)	914	(232)
Actuarial (gain)/Loss recognised in the year	(1065)	(541)	914	(232)

6. The amounts to be recognised in the balance sheet and statements of Profit and Loss

Present value of obligations as at the end of year	7535	1628	7854	1727
Fair value of plan assets as at the end of the year	3498	-	3102	-
Funded status	(4037)	(1620)	(4752)	(1727)
Net Asset/(Liability) recognised in balance sheet	4037	1628	4752	1727

7 Expenses recognised in statement of Profit & Loss

Current service cost	508	483	590	562
Interest cost	649	139	457	105
Expected return on plan assets	(283)	-	(241)	-
Net Actuarial (gain)/Loss recognised in the year	(1065)	(541)	914	(232)
Expenses recognised in statement of P & L	(191)	81	1720	435

The Estimates of rate of future salary increase takes account of inflation, seniority, promotion and other relevant factors on long term basis.

The discount rate is generally based upon the market yields available on Government bonds at the accounting date with a term that matches that of liability. The above information is certified by the actuary.

11. There is no amount due and outstanding to be credited to Investor Education and Protection Fund as on 31.03.2010

12. As required under Accounting Standard (AS) 22. "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, deferred tax liability for the period ended upto 31-03-2010 has been charged to the profit & loss account as under:-

	As at 31 <sup>st</sup> March 09 Rs. '000	Tax effect for the year Rs' 000	As at 31 March 10 Rs.'000
Deferred Tax liability			
Fixed Assets	(61490)	(2598)	(64088)
Deferred Tax Assets	(61490)	(2598)	(64088)
Others	548	732	1280
Net Deferred Tax Assets/(Liability)	(60942)	(1866)	(62808)

13. Related Party Disclosure:

A. Names of related parties and description of relationship

- i) Key management personnel  
Shri Ambrish Jaipuria- Executive Director
- ii) Associate companies- Cosmo Films Ltd.  
Sterling Oxide Ltd.

	Associates	Key Management Personnel	Total
Purchase of Goods	50965 (42240)	- (-)	50965 (42240)
Remuneration paid	- (-)	1947 (1947)	1947 (1947)
Office Maintenance Charges	136 (-)	- (-)	136 (-)
Rent paid	1085 (-)	- (-)	1085 (-)
Dividend received	2750 (2750)	- (-)	2750 (2750)
Balance outstanding at the end of year			
a) Investments	17875 (17875)	- (-)	17875 (17875)
b) Due to Sundry Creditor	5907 (6189)	- (-)	5907 (6189)
c) Advance Rent Paid	737 (-)	- (-)	737 (-)
d) Security Deposit Paid	737 (-)	- (-)	737 (-)



12. It is the management's perception that since the company is exclusively engaged in the activity of manufacture of soft ferrites and pre-calcined ferrite powder which are governed by the same set of risks and returns the same are considered to constitute a single reportable segment in the context of Accounting Standard on "Segment Reporting" issued by the Institute of Chartered Accountants of India.

13. Managerial remuneration:  
 Salary & Perquisites Rs.1500 Thousand (Previous Year Rs. 1500 thousand)  
 Contribution to Provident Fund & Other Funds Rs. 447 thousand (Previous Year Rs. 447 thousand)

\* Includes Company's Contribution to Gratuity Fund and Super Annuation fund.

Note: In the absence of profits, the above remuneration has been paid as minimum remuneration in terms of Schedule XIII of Companies Act 1956.

14. EARNINGS PER SHARE (EPS) Basic Earnings Per Share

	Current year Rs.'000'	Previous Year Rs.'000'
Profit/(Loss) after tax as per profit & loss account	21769	(13649)
Less : Dividend and tax thereon in respect of preference shares.	2271	-
Profit/(Loss) available for shareholders (A)	19498	(13649)
No. of equity shares (B)	12030000	12030000
Earning per share (A/B)	1.62	(1.13)
Basic Earning per Share before Tax adjustment for earlier year	2.04	(0.95)
Diluted Earnings Per Share		
Profit/(Loss) after tax as per Diluted Earning per share profit/(Loss) after tax as per profit & Loss account	21769	(13649)
Add: Dividend & tax thereon in respect of Preference shares.	2271	-
Profit/(Loss) available for shareholders	19498	(13649)
No. of equity shares (A)	12030000	12030000
No. of equity shares to be allotted on conversion of Preference shares	-	980747
Total no. of equity shares (B)	12030000	13010747
Diluted earning per share (A/B)	1.62	(1.05)
Basic Earning Per Share before Tax adjustment for earlier year	2.04	(0.88)

15. Figures for the previous year have been regrouped/rearranged wherever considered necessary.

16. Figures have been expressed in lacs

17. Production includes captive consumption of intermediary product, Ferrite Powder **1947 MT** (previous year 1670 MT)

18. Information pursuant to the provisions of part II and part IV of Schedule VI of the Companies Act, 1956.

A: Capacities \*

Class of goods	Licenced/Registered Capacity		Installed Capacity	
	Current Year (MT)	Previous Year (MT)	Current Year (MT)	Previous Year (MT)
Soft Ferrites	2850	2850	1800	1800
Pre-calcined Ferrite Powder	2350	2350	2350	2350

\* As certified by the management.

Enhancement is as per memorandum filed with the District Industries Centre, Solan (H.P).

B: Production , Turnover and Stocks

Class of goods	Current Year		Previous Year	
	Quantity (MT)	Value (Rs.'000)	Quantity (MT)	Value (Rs.'000)
i) Soft Ferrites				
Production	1533		1177	
Turnover	1564	392309	1217	304873
Opening Stock	64	14300	104	20739
Closing Stock	33	6555	64	14300
ii) Pre-calcined Ferrite Powder				
Production	1944		1518	
Turnover	1	120	18	1752
Opening Stock*	96	7228	99	6907
Closing Stock*	92	6772	96	7228

\*Reflected under stock in process in schedule 8 of inventories.

C: Particulars in respect of goods traded :

Class of goods	Opening Stock		Purchases		Sales		Closing Stock	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value (Rs.'000)
Soft Ferrite	-	-	265060	359	265060	920	-	-
Accessories	-	-	(803600)	(1149)	(110649)	(2067)	-	-

Note - Previous year's figures are given in brackets.

D. Consumption of Raw Materials

Class of goods	Current Year		Previous Year	
	Quantity (MT)	Value (Rs.'000)	Quantity (MT)	Value (Rs.'000)
Inorganic oxides	1967	102291	1526	78328
Organic compounds	30	3414	27	1166
		105705		79496

E. Value of imported / indigenous Raw materials, Stores & spares consumed.

Class of goods	Current Year		Previous Year	
	Percentage (MT)	Value (Rs.'000)	Percentage (MT)	Value (Rs.'000)
Raw Materials				
Imported	31.20	32976	37.52	30120
Indigenous	68.80	72729	62.48	49376
	100.00	105705	100.00	79496
Stores & spares				
Imported	15.53	7434	10.40	4311
Indigenous	84.47	40725	89.60	37132
	100.00	47859	100.00	41443

F. CIF value of Imports

	Current year (Rs thousands)	Previous year (Rs thousands)
Raw materials	36721	28680
Stores & spares	7864	5956

G. Expenditure in Foreign Currency

	Current year (Rs thousands)	Previous year (Rs thousands)
Travelling	885	1952
Advertisement, Commission, Export Promotion, claims paid etc.	2190	3730
Interest	2006	3758

H. Earnings in Foreign Currency

	Current year (Rs thousands)	Previous year (Rs thousands)
FOB value of exports (including deemed exports Rs.36562 thousand (previous year Rs.19155) thousand)	166483	174810





BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

i. Registration details

Registration No. 006378

State 06

Balance Sheet date 31/03/2010  
Date Month Year

ii. Capital raised during the year (Amount in Rs.Thousands)

Public Issue

0000000000

Rights Issue

0000000000

Bonus Issue

0000000000

Private Placement

000013500

iii. Position of mobilisation and deployment of Funds

(Amount in Rs.Thousands)

Total Liabilities

000409004

Total Assets

000409004

Sources of Funds

Paid-Up Capital

000133800

Reserves & Surplus

000072457

Secured Loans

000139939

Unsecured Loans

000000000

Application of Funds

Net Fixed Assets

000301495

Investments

000017875

Net Current Assets

000089634

Misc. Expenditure

000000000

Accumulated Losses

000000000

iv. Performance of company (Amount in Rs.Thousands)

Turnover

000375913

Total Expenditure

000350745

+ / - Profit/Loss Before Tax

+ 000025166

+ / - Profit/Loss after Tax

+ 000021769

Earning per Share Rs.

1.62

Dividend (%)

NIL

v. Generic names of three principal products/services of company (As per monetary terms)

Item Code No.(ITC Code)

0008529.00

Product Description

S O F T F E R R I T E S

Item Code No.

0008529.00

Product Description

P R E C A L C I N E D F E R R I T E S P O W D E R

Signature to Schedule 1 to 18  
As per our report of even date annexed.  
For B.K. SHROFF & CO.,  
Chartered Accountants

ANIL GUPTA  
Partner  
New Delhi  
12th May, 2010

Anas Ahmad Khan  
Company Secretary

L. D. Sharma  
Manager (Finance & Accounts)

Ashok Jaipuria  
Chairman

Ambrish Jaipuria  
Director