



ASIAN ELECTRONICS LIMITED

ANNUAL REPORT

1998-99

**Board of Directors**

Suresh H. Shah	<i>Chairman & Managing Director</i>
Vallabh R. Bhansali	
Rameshchandra L. Dalal	
Dr. Narendra P. Jain	
Harish N. Motiwalla	
Ashok Sharma	
Lekhranj D. Thawani	
Jinendra Shah	<i>Executive Director</i>
Atul Shah	<i>Executive Director</i>
Ashok M. Nadkarni	<i>Executive Director & President</i>

Vice President (Finance) & Company Secretary

Rasik D. Goradia

Auditors

Messrs Dalal Desai & Kumana

Solicitors

Messrs Motiwalla & Company

Bankers

Bank of India
Centurion Bank Ltd.

Report Junction.com

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Registered & Head Office

D-11, Road No.28,
Wagle Industrial Estate,
Thane - 400 604.

Corporate Office

144, Mehr-Naz,
Cuffe Parade,
Mumbai - 400 005.

Branch Offices

Ahmedabad
Bangalore
Calcutta
Delhi
Hyderabad

Works

Plot No.68,
MIDC Industrial Area,
Satpur, Nashik - 422 007.

Silvassa - Unit - I

Survey No.117/1,
Vapi-Silvassa Main Road,
Amli, Silvassa - 396 230.

Silvassa - Unit - II

Survey No.113/2/6,
Tirupati Industrial Estate,
66 KV Road, Amli,
Silvassa - 396 230.

Share Department of the Company is situated at the Registered Office of the Company at Thane.

Phone : 583 55 04 - 09 Fax : (91-22) 582 76 36


ASIAN ELECTRONICS LIMITED
A historical perspective

Particulars	Year ended March 31,				
	1999	1998	1997	1996	1995
<i>(Rs. in lacs except data per share, other information and Ratios)</i>					
Revenue account					
Gross Revenue	11790	13976	10574	9066	7987
Operating profit (PBDIT)	1790	2848	2105	2542	1720
Financial Charges	163	242	227	156	90
Depreciation	464	548	467	363	234
Provision for taxation (earlier year)	5	0	25	0	0
Profit after tax	1158	2058	1386	1929	1396
Cash generation	1622	2606	1853	2292	1630
PBIDT as a percentage of total revenue	15	20	20	28	21
Return on net worth	12	20	20	33	37
Capital account					
Share capital	850	850	747	349	309
Net worth	13613	12936	9192	6869	4447
Loan funds	863	2250	2655	2246	1073
Net block	1947	4526	4500	3458	2703
Net current assets	11442	10174	7104	5392	2707
Debt-Equity Ratio	0.06	0.17	0.29	0.33	0.24
Per share data					
Earnings	Rs. 14	26 **	19 *	59	45
Book value	Rs. 160	152	123	197	144
Dividend	% 55	55	40 *	60	50
* Ex Bonus					
** Annualised					
Other information					
Number of shareholders	6976	6842	5950	5355	5572



NOTICE

Notice is hereby given that the Thirty Fourth Annual General Meeting of the Members of Asian Electronics Ltd. will be held at the Registered Office of the Company at D-11, Road No.28, Wagle Industrial Estate, Thane 400 604 on Thursday, 23rd September, 1999 at 11. A.M., for the purpose of transacting the following business.

1. To receive, consider and adopt the Audited Accounts of the Company and the Reports of the Directors and Auditors for the year ended March 31, 1999.
2. To declare Dividend.
3. To appoint a Director in place of Mr. H.N. Motiwalla, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Ashok Sharma, who retires by rotation and, being eligible, offers himself for reappointment.
5. To consider and, if thought fit, to pass the following resolution, with or without modification as an Ordinary Resolution :
"RESOLVED THAT Dr. N.P. Jain, a Director liable to retire by rotation and eligible for re-election and who has not offered himself for re-election is therefore not re-appointed as Director of the Company and the vacancy so caused be not filled up".
6. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

AS SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269 and 309, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the reappointment of Mr. Suresh H. Shah as Managing Director of the Company for a period of five years from 1st April, 1999 upon the terms and conditions including remuneration and perquisites as set out fully in the draft Agreement to be entered into between the Company and Mr. Suresh H. Shah, a copy whereof initialled by the Chairman for the purpose of identification as placed before the meeting, be and is hereby approved."

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 309 and 310 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the increase in the remuneration of Mr. A. M. Nadkarni, Executive Director & President and Mr. Jinendra Shah, Executive Director of the Company by way of salary from Rs.30,000/- per month to Rs.32,000/- per month each for the period from 1.4.99 to 31.3.2000."

"RESOLVED FURTHER THAT pursuant to the provisions of Sections 198, 309 and 310 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the increase in the remuneration of Mr. Atul Shah, Executive Director of the Company by way of salary from Rs.40,000/- per month to Rs.42,000/- per month and House Rent Allowance from Rs.20,000 per month to Rs.21,000 per month for the period from 1.4.99 to 31.3.2000."

"RESOLVED LASTLY THAT other terms and conditions including those pertaining to commission and perquisites payable to Mr. A M Nadkarni, Executive Director and President, Mr. Jinendra Shah, Executive Director and Mr. Atul Shah, Executive Director shall remain unchanged."

9. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:
"RESOLVED THAT pursuant to the provisions of Section 17 and other applicable provisions, if any, of the Companies Act, 1956, the objects contained in Clause III of the Memorandum of Association of the Company be and are hereby altered and amended in the following manner:-

After existing Sub-Clause 3(b), following be and is hereby inserted as new Sub-Clause 3(c) :-

3.(c) To carry on the business of purchasing, selling, hiring and letting on lease or sub-lease or hire in any part of India or abroad, whether directly or acting in the capacity of an intermediary, severally or jointly with anyone or otherwise, all kinds of immovable and movable properties including lands, buildings, machinery, whether manufactured by the Company or otherwise, plants, tools, jigs and fixtures, agricultural machinery, ships, trawlers, vessels, barges, automobiles and vehicles of every kind and description, computers, furniture and fixtures and office equipments of every kind and description, construction machinery of all types and descriptions, air conditioning plants, aircrafts and electronic and/or electrical equipments of all kinds and all consumer, commercial and industrial items and to deal with them in any manner whatsoever including resale or leaseback thereof regardless of whether the property purchased and leased be new or used.

RESOLVED FURTHER THAT approval pursuant to Section 149 (2A) of the Companies Act, 1956, be and is hereby accorded to the Company for commencing and carrying on the business of leasing or sub-leasing in any part of India or abroad whether directly or acting in the capacity of an intermediary, severally or jointly with anyone or otherwise, all kinds of immovable and movable properties including plant, machinery and equipments whether manufactured by the Company or otherwise in terms of the above new Sub-Clause 3(c) as proposed to be inserted in the Memorandum of Association of the Company as specified in the foregoing Resolution."

10. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution :

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and is hereby altered as follows :

a. (1) The existing definition of 'Shareholder' and 'Members' in Article 2(h) be substituted by the following :

"Shareholder" or "Member" means the registered holder from time to time of the shares of the Company and includes the subscribers of the Memorandum of the Company and also every person holding equity shares of the Company and whose name is entered as beneficial owner in the records of the Depository.

(2) The following new definitions be added after Article 2(k):

(l) **Beneficial Owner** : "Beneficial Owner" shall mean the beneficial owner as defined in clause (a) of Sub-section (1) of Section 2 of the Depositories Act, 1996;



- (m) **"Depositories Act"** : "Depositories Act" means the Depositories Act, 1996 (22 of 1996) or any statutory modification or re-enactment thereof for the time being in force;
- (n) **"Depository"** : "Depository" shall mean a Depository as defined under clause (e) of Sub-section (1) of Section 2 of the Depositories Act, 1996;
- (o) **"Registered Owner"** : "Registered Owner" means a Depository whose name is entered as such in the records of the Company;
- (p) **"Security"** : "Security" means such security as may be specified by the Securities and Exchange Board of India from time to time.
- (3) The following proviso be added at the end of Article 12:
"Provided however that the provisions relation to progressive numbering shall not apply to the shares of the Company which have been dematerialised"
- (4) The existing Article 22 be substituted with following new Article 22:
"22. Except as ordered by a Court of competent jurisdiction or as required by law, the Company shall not be bound to recognise any equitable, contingent, future or partial interest in any share, or (except only as is by these Articles expressly provided) any right in respect of a share other than an absolute right thereto, in accordance with these articles, in the person whose name appears in the Register of Members as holder of shares or whose name appears as the Beneficial owner of the shares in the records of the Depository, but the Board shall be at liberty at their sole discretion to register any share in the joint names of any two or more persons or the survivor or survivors of them"
- (5) The following new Article 22A be inserted after the new Article 22:
"22A. Notwithstanding anything contained in the Articles of Association, the Company shall be entitled to dematerialise its shares, debentures and other securities for subscription in a dematerialised form. The Company shall further be entitled to maintain a Register of Members with the details of Members holding shares both in material and dematerialised form in any media as permitted by law including any form of electronic media."
- (6) The following proviso be added at the end of Article 23.
"Provided however that where the shares are dealt with in as Depository, the Company shall notwithstanding anything contained in Section 113 (1) of the Act, intimate the details of allotment of the shares to the Depository immediately on allotment of such shares"
- (7) The following new proviso be added at the end of Article 23 .
"Provided that where the shares, and other securities are held in a Depository, the records of the Beneficial ownership may be served by such Depository on the Company by means of electronic mode or delivery of floppies or discs"
- (8) The following new Articles 66 C and 66 D be inserted after the existing Article 66 B :
"66 C. In case of transfer of shares or other securities, where the Company has not issued any certificates and where such shares or other securities are being held in fungible form, provisions of the Depositories Act shall apply"
"66 D. Notwithstanding anything contained in the Articles of

Association, in the case of transfer of shares or other marketable securities, where the Company has not issued any certificates and where such shares or securities are being held in an electronic and fungible form, the provisions of the Depositories Act, 1996, shall apply"

b. Article 55 shall commence with the following words :

"In the absence of a nomination recorded in accordance with the Section 109A of the Act, which shall in any event have precedence " and the first word "The" of the present Article 55 shall be read as "the".

11. To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:
"RESOLVED THAT in accordance with the provisions of the Section 94 and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modifications or re-enactment thereof, for the time being in force), 1,50,00,000 (One Crore Fifty Lacs) Unclassified Shares of Rs. 10/- each be classified into 10,00,000 (Ten lacs) Cumulative Redeemable Preference Shares of Rs. 100/- each and 50,00,000 (Fifty Lacs) Equity Shares of Rs. 10/- each and consequently, the existing Clause V of the Memorandum of Association of the Company, relating to Share Capital, be and is hereby altered by deleting the same and substituting in its place and stead, the following as a new Clause V:

V. The Authorised Share Capital of the Company is Rs. 25,00,00,000/- (Rupees Twenty five Crores only), divided into 1,50,00,000 (One Crore Fifty Lacs) Equity Shares of Rs. 10/- (Rupees Ten) each and 10,00,000 (Ten Lacs) Cumulative Redeemable Preference Shares of Rs. 100/- (Rupees one hundred) each, with power to increase or reduce the capital of the Company and to divide the Shares in capital for the time being into several Classes and to attach thereto respectively such preferential, deferred, qualified or special right, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify or amalgamate or abrogate any such rights, privileges, or conditions in such a manner as may be for the time being be provided by the Articles of Association of the Company."

12. To consider and if thought fit, to pass, with or without modification, the following Resolution as a Special Resolution:
"RESOLVED THAT in accordance with the provisions of the Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modifications and re-enactment thereof, for the time being in force) and provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authority or bodies, the Articles of Association of the Company be and is hereby altered as follows:

The existing Article III .3. of the Articles of Association of the Company be and is hereby deleted and be substituted in its place by the following new Article III.3:

III.3. The Authorised Share Capital of the Company is Rs.25,00,00,000/- (Rupees Twenty five Crores only), divided into 1,50,00,000 (One Crore Fifty Lacs) Equity Shares of Rs. 10/- (Rupees Ten) each and 10,00,000 (Ten Lacs) Cumulative Redeemable Preference Shares of Rs. 100/- (Rupees one hundred) each, with power to increase or reduce the capital of the Company and to divide the Shares in capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special right, privileges or conditions as may be determined by or in accordance with the Articles of Association



of the Company and to vary, modify or amalgamate or abrogate any such rights, privileges, or conditions in such a manner as may be for the time being provided by the Articles of Association of the Company."

13. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution :
RESOLVED THAT pursuant to Sections 81(1A) and 94 and other applicable provisions, if any, of the Companies Act, 1956 and in terms of the Articles of Association of the Company, the consent of the Company be and is hereby accorded to the Board of Directors to offer in one tranche or several tranches 10,00,000 (Ten lac) Cumulative Redeemable Preference Shares of Rs. 100/- each to any persons (whether or not those persons include the persons who, at the date of the offer, are holders of the equity shares of the Company) in any manner whatsoever and that the Board of Directors be authorised to issue such preference shares upon the following terms and conditions and subject to the following rights :

- (i) The said Cumulative Redeemable Preference Shares shall be issued at par and linked with or without warrants and/or any other securities convertible into Equity Shares, subject to such terms of conversion and premium thereon as may be decided by the Board and shall entitle the holder to a fixed Cumulative Preferential Dividend not exceeding 12% per annum (as may be fixed by the Board at the time of issue) on the capital for the time being paid up thereon, from the date of allotment of the said shares.
- (ii) The said shares shall rank for dividend in priority to the Equity Shares for the time being of the Company.
- (iii) The said shares shall in winding up be entitled to rank, as regards repayment of capital and arrears of dividend, whether declared or not, upto the commencement of winding up, in priority to equity shares but shall not be entitled to any further participation in profits or assets.
- (iv) The voting rights of the persons holding the said shares shall be in accordance with the provisions of Section 87 of the Companies Act, 1956.
- (v) The Company shall be at liberty to issue from time to time further preference shares, which shall rank for dividend and capital and in all other respects *pari passu* with the aforesaid shares.

(vi) The Company shall redeem the said shares at par or at such premium as the Board may decide subject to the provisions of Section 80, and other applicable provisions, if any, of the Companies Act, 1956, at the end of 18 months or such other period as the Board may determine prior to the issue but not exceeding seven years from the date of allotment of the said shares, out of any proceeds which would otherwise be available for dividend on equity shares or out of any proceeds of a fresh issue of shares made for the purposes of the redemption or out of any moneys of the Company which may be lawfully applied for that purpose.

(vii) The dividend on said shares becoming liable to redemption under the foregoing provisions shall cease to accrue as from the date of redemption thereof.

RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot such number of Equity Shares as may be required to be issued and allotted upon conversion of the said warrants/any other Securities pursuant to the terms of issue which the Board is hereby authorised to determine including whether or not such shares will rank *pari passu* with the existing Equity Shares of the Company as to dividend, voting or otherwise.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to make such inclusions, amendments, modifications or variations to the above terms and conditions as may be warranted by the relevant circumstances prevailing at the time of issue.

FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to do all such acts, deeds and things as may be necessary to give effect to this Resolution.

By Order of the Board of Directors
For Asian Electronics Ltd.

R D Goradia
Vice President (Finance) &
Company Secretary

Thane, 6th August, 1999

Regd. office :
D-11, Road No. 28
Wagle Indl. Estate
Thane - 400 604

Notes:

- [a] The explanatory statement relating to the special business mentioned in the notice as required under Section 173[2] of the Companies Act, 1956, is annexed to the Notice.
- [b] A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- [c] The Register of Members and Share Transfer Books of the Company will remain closed from 1st September, 1999 to 23rd September, 1999 [both days inclusive]
- [d] If dividend on shares as recommended by the Directors is approved at the meeting, payment of such dividend will be made to those members whose names appear on the Company's Register of Members on 23rd September, 1999.
- [e] Members are requested to quote their folio number in all correspondence with the Company.

- [f] The company has already transferred unclaimed dividends declared upto the financial year ended 31st March 1995 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Those shareholders who have so far not claimed or collected their dividend upto the aforesaid financial year may claim their dividend from the Registrar of Companies, Maharashtra, Hakoba Compound, 2nd floor, Kalachowki, Mumbai 400 033.

Members who have not encashed their dividend warrants for the subsequent financial years are requested to write to the Company either for obtaining duplicate dividend warrants or revalidating the old warrants lying with them.

- [g] The Companies (Amendment) Act, 1999 has introduced nomination facility for Shareholders. Those shareholders who are interested in making nomination are requested to file with the Company the prescribed Form 2 B which is enclosed.



EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

ITEM NO. 7

The appointment of Mr. Suresh H. Shah as Managing Director for a period of five years from 1st April, 1994 to 31st March, 1999 was approved by the Members at the 29th Annual General Meeting held on September 24, 1994. His term of appointment expired on 31st March, 1999.

Mr. Suresh H. Shah has been re-appointed as Managing Director of the Company from 1st April, 1999 for a further period of 5 years by the Board of Directors at its meeting held on March 30, 1999 subject to the approval of the Company in General Meeting upon the terms and conditions including remuneration and perquisites payable to him, as set out in the draft Agreement to be entered into by the Company with Mr. Suresh H. Shah.

It is proposed to increase salary of Mr. Suresh H. Shah from Rs. 52,000/- p.m. to Rs. 55,000/- p.m. for the period from 1st April, 1999 to 31st March, 2000. Consequently House Rent Allowance payable to Mr. Shah at 50% of Salary will increase from Rs. 26,000/- to Rs. 27,500/- p.m. for the said period. All other terms and conditions including those pertaining to commission and perquisites payable to Mr. Suresh H. Shah shall remain unchanged.

The remuneration and perquisites payable to Mr. Suresh H. Shah are in conformity with the requirements and limits stipulated under Schedule XIII of the Companies Act, 1956. Consequently, no approval of the Central Government is required for his reappointment.

The Board of Directors considers that the proposed increase in the remuneration to be paid to the Managing Director, Mr. Shah, is commensurate with his duties and responsibilities and therefore recommends Resolution at Item No. 7.

This may be treated as abstracts of the terms of remuneration payable to the Managing Director for the period 1.4.99 to 31.3.2000 for the purpose of Section 302 of the Companies Act, 1956.

A Copy of the draft Agreement referred to above is open for inspection at the Registered Office of the Company between 10 A.M. and 1.00 P.M. on any working day except Saturday, upto and including the date of the Annual General Meeting.

Mr. Suresh H. Shah is concerned and interested in the Resolution at Item No. 7 since it relates to his own appointment and remuneration. None of the other Directors of the Company is, in any way, concerned or interested in the Resolution.

ITEM NO. 8

The remuneration of Mr. A.M. Nadkarni, Executive Director & President and Mr. Jinendra Shah, Executive Director for the period from 1.4.1998 to 31.3.1999 by way of salary of Rs. 30,000/- per month for each of them was approved by the Members at the 33rd Annual General Meeting held on 3rd July, 1998. It is proposed to increase the salary of Rs. 30,000/- per month to Rs. 32,000/- per month for each of them from 1.4.1999 to 31.3.2000.

The remuneration of Mr. Atul Shah, Executive Director for the period from 2.5.1998 to 31.3.1999 by way of salary of Rs. 40,000/- per month was approved by the Members at the 33rd Annual General Meeting held on 3rd July, 1998. It is proposed to increase the salary of Mr. Atul Shah from Rs. 40,000/- per month to

Rs. 42,000/- per month from 1.4.1999 to 31.3.2000. Consequently, House Rent Allowance payable to Mr. Atul Shah at 50% of the Salary will increase from Rs. 20,000/- p.m. to Rs. 21,000/- p.m. for the said period.

All other terms and conditions including those pertaining to commission and perquisites payable to Mr. A. M. Nadkarni, Mr. Jinendra Shah and Mr. Atul Shah shall remain unchanged.

The Board of Directors considers that the proposed increase in remuneration to be paid to the Executive Directors is commensurate with their duties and responsibilities and therefore recommends the Resolution at Item No. 8 of the Notice. Approval of the members is necessary in view of the provisions of Schedule XIII to the Companies Act, 1956.

This may be treated as abstracts of the terms of remuneration payable to Executive Directors for the period 1.4.99 to 31.3.2000 for the purpose of Section 302 of the Companies Act, 1956.

Copies of the draft Agreements referred to above are open for inspection at the Registered Office of the Company between 10 A.M. and 1.00 P.M. on all working days except Saturday, upto and including the date of the Annual General Meeting.

Mr. A.M. Nadkarni, Mr. Jinendra Shah and Mr. Atul Shah are concerned and interested in the Resolution at Item No. 8 since it relates to their own remuneration. None of the other Directors of the Company is, in any way, concerned or interested in this Resolution.

ITEM NO. 9

The Company has been advised that it would be appropriate to make suitable provisions in the object Clause of the Memorandum of Association for undertaking the business of leasing or sub-leasing of equipments whether directly or acting in the capacity of an intermediary, severally or jointly with anyone or otherwise, all kinds of immovable/movable properties including equipments whether manufactured by the Company or otherwise. The proposed amendment will enable the Company to carry out the business economically and efficiently to attain its main purpose and to enlarge and change its areas of operation to carry on business activities which can be conveniently and advantageously be combined with the existing business activities of the Company i.e. Energy Saving Equipments and Devices.

It is, therefore, proposed to alter the object Clause III of the Memorandum of Association as set out in the Resolution.

The sanction of the members is also sought for commencing the proposed new business in pursuance of Section 149 (2A) of the Companies Act, 1956.

The Board of Directors recommends the Resolution for acceptance of the members.

A Copy of the Memorandum of Association of the Company together with the proposed alteration referred to in the special Resolution as Item No. 9 of the Notice will be available for inspection by the members at the Registered Office of the Company between 10.00 A.M. and 1.00 P.M. on any working day except Saturday, upto and including the date of the Annual General Meeting.

None of the Directors of the Company is, in any way, concerned or interested in this Resolution.

**ITEM NO. 10**

- (a) Consequent to the passing of the Depositories Act, 1996 and introduction of the depository system, some of the Articles in the Articles of Association of the Company pertaining to issue, holding, transfer and dealing in shares and other securities as also certificates thereof require to be amended so as to facilitate the joining of the depository system and ensure that the provisions relating to the foregoing in the Articles are in conformity with the applicable provisions of the Depositories Act, 1996.

The alterations proposed to be made in the Articles of Association for the above purpose are set out in detail in the text of the Special Resolution at item No. 10 of the Notice and are self-explanatory.

- (b) As per the recently introduced Sections 109 & 109 B of the Companies Act, 1956, every shareholder or debenture holder of a Company may at any time nominate in the prescribed manner, a person to whom his shares in or debentures of the Company shall vest, in the event of his death. It is therefore, necessary to amend Article 55 of the Articles of Association as set out in the resolution accordingly.

The above Resolution for alteration of the Articles of Association of the Company is set out as a Special Resolution for approval by the members in terms of section 31 of the Companies Act, 1956.

The Board of Directors accordingly recommends the Special Resolution for approval of the Members.

A copy of the Articles of Association of the Company together with the proposed alterations referred to in the Special Resolution at Item No.10 of the Notice will be available for inspection by the Members at the Registered Office of the Company between 10.00 A.M. and 1.00 P.M. on any working day except Saturday, upto and including the date of the Annual General Meeting.

None of the Directors is concerned or interested in the Resolution.

ITEM NO. 11, 12 & 13

The present Authorised Share Capital of the Company is Rs.25,00,00,000/- (Rupees Twenty five Crores only) divided into 1,00,00,000 (One Crore) Equity Shares of Rs. 10/- each and 1,50,00,000 (One Crore Fifty Lacs) Unclassified Shares of Rs.10/- each. It is proposed to classify 1,50,00,000 Unclassified

Shares of Rs. 10/- each into 10,00,000 (Ten Lacs) Cumulative Redeemable Preference Shares of Rs. 100/- each and 50,00,000 (Fifty Lacs) Equity Shares of Rs. 10/- each. The classification of the Unclassified Shares is recommended to enable the Company, inter alia, to issue Preference Shares upto the amount not exceeding Rs. 10,00,00,000/- at an appropriate time(s) as the Board may decide.

The alteration of the Capital Clause V of the Memorandum of Association and the Article III.3 of the Articles of Association of the Company is purely consequential to the classification of the Unclassified Shares in the Authorised Capital of the Company, as contemplated in Item Nos. 11 and 12 of the Notice.

With a view to finance the Long Term Working Capital requirements of the Company, it is proposed to issue Cumulative Redeemable Preference Shares upto an amount not exceeding Rs. 10,00,00,000/- (Rupees Ten Crores only) on Private Placement Basis in one or several tranches and on such terms and conditions as the Board may decide.

Section 81 of the Companies Act, 1956, provides inter alia that whenever it is proposed to increase the subscribed capital of the Company by allotment of further shares, such further shares be offered to the persons who, at the date of the offer, are holders of the Equity Shares of the Company, in proportion to the capital paid up on those shares at that date unless the members offer the shares to any other persons by passing a Special Resolution to that effect in a General Meeting. Therefore, the consent of the members by a Special Resolution is being sought to authorise the Board of Directors of the Company to issue Cumulative Redeemable Preference Shares to persons other than the shareholders.

The Directors recommend that an Ordinary Resolution as contemplated in Item No. 11 and Special Resolutions as contemplated in Item No. 12 & 13 of the Notice be approved by the members.

None of the Directors of the Company is concerned or interested in these Resolutions, except to the extent that the Preference Shares may be issued to Financial Institutions or Bodies Corporate of which also such Directors may be Directors.

By Order of the Board of Directors
For Asian Electronics Ltd.

R D Goradia
Vice President (Finance) &
Company Secretary

Thane, 6th August, 1999

Regd. Office :
D-11, Road No. 28
Wagle Indl. Estate
Thane - 400 604



DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the Thirtyfourth Annual Report of the Company on the business and operations of the Company for the year ended March 31, 1999.

Financial Results

	[Rupees in Lacs]	
Year ending March 31,	1999	1998
Gross revenue	11790	13971
Operating profit (PBIDT)	1789	2836
Interest	163	230
Depreciation	464	548
Profit before tax	1162	2058
Provision for tax	5	—
Profit after tax	1157	2058
Balance brought forward	293	246
Balance available for Appropriation	1450	2304
Appropriation		
Dividend recommended	468	442
Dividend tax	51	44
Transfer to Special Reserve	—	325
Transfer to General Reserve	400	1200
Balance carried to Balance Sheet	531	293

Dividend

Your Directors recommend dividend @ 55% for the year ended 31st March, 1999 on the Equity Share Capital of the Company. The dividend pay out for the year inclusive of dividend tax will be Rs.519.08 lacs as compared to Rs.486.61 lacs in the previous year, an increase of 7%.

Operations & Business Restructuring

Capacitor Division

In last year's report you were informed about the Company's proposal to transfer this division as a going concern to Electronic Hitech Components Ltd. [EHC], your Company's joint venture with Siemens Matsushita, who are world leaders in capacitor industry. With the co-operation of all concerned, specially the employees of the Capacitor Division and those of EHC, the process of sale and transfer was completed in a smooth manner. We would also point out with a measure of satisfaction that the completion of the process was relatively painless as the related employees were absorbed by the joint venture partner as also by Siemens Limited who are marketing the products of joint venture in India. Marginal redundancies were handled on equitable basis.

The Capacitor Division of your Company achieved a turnover of Rs. 2463 lacs for half year ended 30th September, 1998 against a turnover of Rs. 1731 lacs in the corresponding period of the previous year. The capacitor division now stands transferred to EHC with effect from 1st October, 1998.

With the sale of this division, your Company is left with surplus assets such as Tarapur premises and machinery at Nasik which is not related to the capacitor business. The Company is in process of disposing of such surplus assets.

As already indicated last year, investment of your Company in the

Equity Capital of EHC has increased from Rs.162.5 lacs to Rs.780 lacs.

Energy Servicing (ESCO) Division -

With the hiving off of the A.C. Capacitor business, your Company has restructured its business mainly as an Energy Servicing Company (ESCO). While manufacture and sale of Automatic Load Monitoring Systems (ALMS) continue to be the mainstay of your Company's business, the Company has taken active steps towards other energy saving products such as tube lights, etc.

The turnover of ESCO Division, which consisted of sale of energy saving products as also rentals received on lease of such equipment, mainly from utilities, aggregated to Rs.8490 lacs as against Rs.9406 lacs in the preceding year.

The hiving off of the A.C. Capacitor Division naturally had its impact on the operational performance of the company with the aggregate revenue coming down to Rs.118 crores as against Rs.140 crores in the previous year. You are aware of the recessionary conditions prevailing in the country in the past year and uncertainties witnessed on the political, commercial, economic and foreign exchange fronts. The results of the year under report may be viewed in the light of the above. Your Company thought it prudent to consolidate its operations and conserve its resources for fruitfully seizing opportunities that are likely to arise after chaotic times.

Your company decided not to utilise the term loan of USD 16 million which could have been drawn from IFC for deploying in energy servicing assets under ESCO contracts. Adequate alternative arrangements have been made with the leading financial institution, i.e. Industrial Development Bank of India (IDBI) to meet the Company's requirements of funds including the Foreign Currency Loan earlier sanctioned by IFC.

You would recall that in the last year's Directors' Report we had referred to the progress of the energy saving tube light and had also conveyed that Patent Application was filed. However, during extensive field trials, it was realised that further refinements were needed for commercialisation of the product. This resulted in some inevitable delays, but has also resulted in a much more reliable product with the latest technology. We are happy to announce that this has been achieved by us in association with a small unit in Pune.

For the fast expanding field of telecommunications, power supply systems are an important input. A Chennai based joint sector company (between the State of Tamil Nadu and private promoters) has been identified by us for venture into this field. With this company, known as the Elcot Power Controls Limited, we have entered into a joint manufacturing programme for production and marketing of power supply systems. From around February 1999 till end of July, 1999, we have been able to log sales of over Rs.5 crores under the arrangement.

It has always been the philosophy of your Company to promote greenfield ventures and help them to build up. The unit in Pune that we referred to above is one such which goes by the name of Power Synthesis Pvt. Ltd.. With our assistance and encouragement, the Company has been able to achieve laudable progress in developing the electronic ballast for the tube lights as also Switch Mode Power Supplies (SMPS) a critical component required by your Company



for production of ALMS. This forms part of our plans for strategic alliances with companies who, in the process of contributing to our business, will also achieve significant progress of their own.

"Surya" or "Sun" is the greatest source of energy known to mankind. Your Company has been pursuing actively Solar power in which the Company sees immense potential. The very first successful target has been the bagging of an order for 300 kWp of solar power generation from a prestigious organisation like Brahma Kumaris & World Renewal Spiritual Trust. In terms of value, this project would be worth about Rs.24 crores. Similarly, another order which can be showcased would be the order for 25 kWp from the Indian Institute of Technology, Delhi. In this business we expect to draw on the expertise of our joint venture partner i.e. Siemens who are also world leaders in production of solar photovoltaic cells.

Accounts

The accompanying Financial Statements of the Company have been prepared on a going concern basis.

In preparation of these accounts, the Accounting Standards made applicable by the Institute of Chartered Accountants of India have been followed.

We have selected appropriate accounting policies which have been applied consistently and have made judgements and estimates that are reasonable and prudent so as to ensure that the accounts give a true and fair view of the state of affairs of the Company as at 31st March, 1999 and of the profit of the Company for the year ended on that date.

We have taken proper and sufficient care for maintenance of appropriate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.

Subsidiary Company

Pursuant to the provisions of Section 212 of the Companies Act, 1956, the Annual Accounts for the year ended 31st March, 1999 of Steuerung Anlage Ltd., a Subsidiary of the Company are annexed.

Personnel

The industrial relations continue to be cordial. A significant progress was made towards higher manpower productivity and enhancement of technical and managerial skills. The Board takes this opportunity to thank all employees for the joint efforts put in to achieve the Company's target.

Particulars of the Employees

As required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the Annexure to the Directors Report. However, as per the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Report and the Accounts is being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder

interested in obtaining such particulars may write to the Secretary at the Registered Office of the Company.

Directors

In accordance with Article 156 of the Articles of Association of the company, Mr H.N.Motiwalla, Mr. Ashok Sharma and Dr. N.P. Jain are retiring by rotation and are eligible for reappointment. Dr.N.P.Jain has not offered himself for re-appointment. It is proposed not to fill up the vacancy caused by the retirement by rotation of Dr.N.P.Jain.

Your Directors place on record their deep sense of appreciation for the contribution made by Dr. Jain towards achieving the present growth of the Company.

Auditors

M/s. Dalal Desai & Kumana, Auditors of the Company will retire at the ensuing Annual General Meeting and they are eligible for reappointment. They have confirmed their willingness to accept the office, if reappointed.

Year 2000 Compliance

Status on Y2K Compliance :

- All the hardware and application software have been made Y2K compliant.
- The Company has sufficient internal resources to address any system disruption due to Y2K issues.

Conservation of Energy, Technology Absorption etc.

Information on Conservation of Energy, Technology Absorption, Foreign Exchange Earning and Out-go as required to be disclosed pursuant to Section 217 [1] (e) of the Companies Act, 1956, read with Companies [Disclosures of Particulars in the Report of Board of Directors] Rules, 1988 is given in the Annexure forming part of this Report.

Nomination facility

The Companies (Amendment) Ordinance, 1999 had provided for a facility of nomination in the shares of a company. Your Company is pleased to offer the facility of nomination to the Members. A format of the Nomination Form (Form 2 B) alongwith the instructions is enclosed. In case the members wish to avail this facility, they are requested to send the duly completed Form to the Company.

Acknowledgements

Your Directors thank the customers, vendors, investors and bankers for their continued support. Your Directors place on record their appreciation of the contribution made by employees at all levels, their competence, hard work, solidarity, co-operation and support for enabling the Company to maintain its growth.

On behalf of the Board of Directors

Place : Mumbai
Date : 6th August, 1999.

Suresh H Shah
Chairman & Managing Director