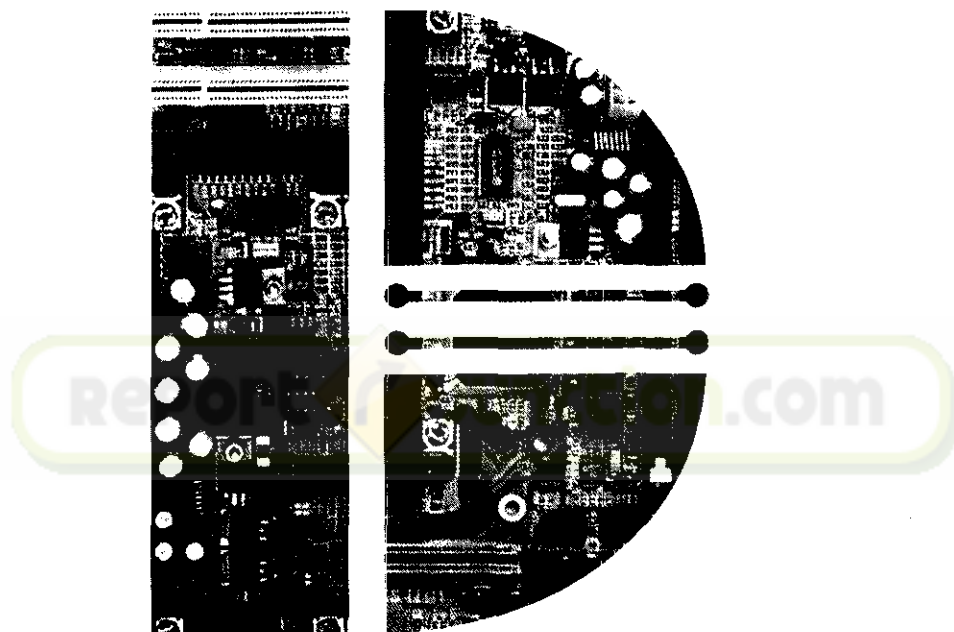


Deltron Limited



ANNUAL REPORT 1998-99

Deltron Limited

NOTICE

NOTICE is hereby given that the Seventeenth Annual General Meeting of the Members of Deltron Limited will be held at Sapru House Auditorium, Barakhamba Road , New Delhi-110 001 on Tuesday, the 27th July, 1999 at 3.00 P.M. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1999 and the Profit & Loss Account for the period ended on that date and the Reports of Directors and Auditors thereon.
2. To consider, and if thought fit, to declare a dividend.
3. To appoint a Director in place of Lt. Gen. I.D. Verma(Retd), who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

By order of the Board of Directors

New Delhi
19th May, 1999

Kumar Srinivasan
Director

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER. PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING. A BLANK PROXY FORM IS ENCLOSED.
2. The dividend on the Shares, as recommended by the Board of Directors, if approved, will be payable to those members whose names appear in the Register of Members of the Company as on 31st May, 1999.
3. Members are requested to intimate changes, if any, in their registered address immediately so as to reach the Company as early as possible, and before the date of closure of books.
4. Members/Proxies should bring the Attendance slips sent herewith, duly filled in, for attending the meeting.
5. Members are requested to send their queries, if any, in writing, so as to reach the Company's registered office atleast 10 days before the date of the meeting so that information can be made available at the meeting.
6. As a measure of economy, copies of Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies of the Annual Report to the meeting.

CERTIFIED TRUE COPY

By order of the Board of Directors

For DELTRON LIMITED

Kumar Srinivasan
Director

New Delhi
19th May, 1999


Authorised Signatory

Deltron Limited

Board of Directors

Dr. Gurpreet Singh
Chairman

Dr. Bansi Dhar
Director

Lt. Gen. I.D.Verma (Retd.)
Director

Ashoke Bir
Director

Inderdeep Singh
Director

Kumar Srinivasan
Wholetime Director

COMPANY SECRETARY

Arvinder Singh

BANKERS

ANZ Grindlays Bank

ICICI Bank

IDBI Bank

AUDITORS

M/s Raghunath Rai & Co.
Manisha Building
75-76, Nehru Place
New Delhi - 110 019.

REGISTERED OFFICE

C-120, Naraina Industrial Area
New Delhi - 110 028.
Phones : (011) 5796150-53

WORKS

132, Industrial Area
Chandigarh - 160 002.
Phones : (0172) 650557-58

VERIFIED TRUE COPY

For **DELTRON LIMITED**

Ways
Authorised Signatory

Deltron Limited

DIRECTORS' REPORT

The Directors have pleasure in presenting the Seventeenth Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March, 1999.

The Year in Retrospect

The year 1998-99 witnessed continuing political and economic uncertainties in large measures. During the year the country saw the presentation of two Union Budgets, an increase in the rate of inflation, some additional policy reforms, and also some policy rollbacks. Trade and current account deficit deteriorated further, despite fall in oil prices. Although foreign exchange reserves rose to \$32Bn, thanks largely to the success of the Resurgent India Bonds, the stock markets remained depressed through most of the year.

It was a year of nuclear tests in India and its neighbouring country. The resultant economic sanctions by several countries has had its toll on the economy. The country's sovereign credit ratings were lowered and business and market sentiments fell to their lowest level.

Despite uncertainties, the country's economy grew at about 5.8% during the year, largely due to a record agricultural production. Growth in industrial production was, however, down to 3-5% from 6-7%. Prices and profit margins were under pressure in most industries due to falling domestic demand and increasing competition from cheaper imports.

The international scenario was no better. The worst hit were the East Asian countries where industrial output fell by an estimated 7.7% last year. The volatile and depressed situation prevailing in the international markets also affected Indian exports.

Despite this backdrop of a depressed market and uncertain economy, the Company did well during the year, registering a total income growth of about 39% over the previous year.

Financial Results

The total income was Rs 3025 lacs as against Rs 2175 lacs last year. The pre-tax profit was Rs152 lacs against Rs 109 lacs last year after providing for depreciation of Rs 54 lacs. A provision of Rs 31 lacs has been made for taxation. The book value per share is Rs 40.88.

An amount of Rs 75 lacs has been transferred to General Reserve. An additional amount of Rs 75.2 Lacs was added to Reserves through the Share Premium account consequent to the company allotting 8 lacs equity shares on a preferential basis at a price of Rs 19.40 per share, as approved by the shareholders at the last Annual General Meeting.

Dividend

The Directors have pleasure in recommending that a Dividend of 25% be maintained for the year.

Exports

On account of the adverse market conditions and fall in the global demand, the export turnover of the company reduced from Rs 183 lacs to Rs 59 lacs in the year under review. While the situation is likely to remain the same during 1999-2000, the Company is increasing its thrust on exports. The Company took part in a major electronics exhibition in Europe, and is now in the process of getting approvals from potential customers.

Future Outlook

The present political scenario is very volatile following the collapse of the coalition Government at the centre. This is likely to further affect the financial and economic reforms process and the country's economy. One can only hope for return of stability at the centre quickly.

Although the risk of a deep global recession has receded somewhat in the recent months, the crisis in the emerging markets is likely to be deeper and more prolonged than the earlier assessments. However, early signs of revival of the economy are beginning to be visible in the market, and if the new policy initiatives announced by the Government on infrastructure development, external trade and fiscal management are carried forward, one can hope for acceleration of Industrial production.

Deltron Limited

With continuing political uncertainty, the year 1999-2000 is expected to be another difficult year where both volumes and margins will be under pressure. Steps are being taken to sustain the gains of the previous year.

Public Deposits

Deposits of the amount of Rs 43.5 lacs were accepted during the year under review as at 31st March, 1999.

Directors

Lt. Gen. I.D. Verma (Retd), a Director of the Company retires by rotation and, being eligible, offers himself for re-appointment. The Board recommends his re-appointment.

Energy Conservation

The manufacturing process of the Company is not energy-intensive. Even so, the Company has an on-going programme for energy conservation. Continuous efforts are made to utilise power optimally.

Technology Absorption & Adaptation

The company has not imported any new technology but is constantly reviewing and evaluating newer technologies to upgrade its products and processes in order to meet new challenges, customer expectations, and competition.

R & D

Several new products were developed in the Industrial & Telecom Segments during the year with focus on indigenisation and value engineering. Programmes were also undertaken for indigenisation and development of new products, especially using the SMT technology for new areas of application in the domestic market. The company can look forward to securing additional business from these products in the coming years

Foreign Exchange

During the year under review, the total foreign exchange outflow (including on Capital Goods) amounted to Rs 601 lacs and the earnings through exports were Rs 59 lacs.

Y2K preparedness level

The Company has taken appropriate and effective steps to address the Y2K issue and all its computer systems are Y2K compliant.

Auditors

M/s Raghunath Rai & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment. They have furnished a certificate to the effect that the proposed re-appointment, if made, will be in accordance with the provisions of Section 224(1B) of the Companies Act, 1956.

Personnel

The Statement showing particulars of the employees as required under Section 217(2A) of the Companies Act, 1956, and the rules framed thereunder is annexed and forms an integral part of this report.

Acknowledgement

The Directors place on record their appreciation to the Shareholders, Associates, Bankers, Customers, Vendors, Officers and Staff of the company for their continued cooperation and assistance during the year under review.

For and on behalf of the Board of Directors

New Delhi
19th May, 1999

Bansi Dhar
Director

Inderdeep Singh
Director