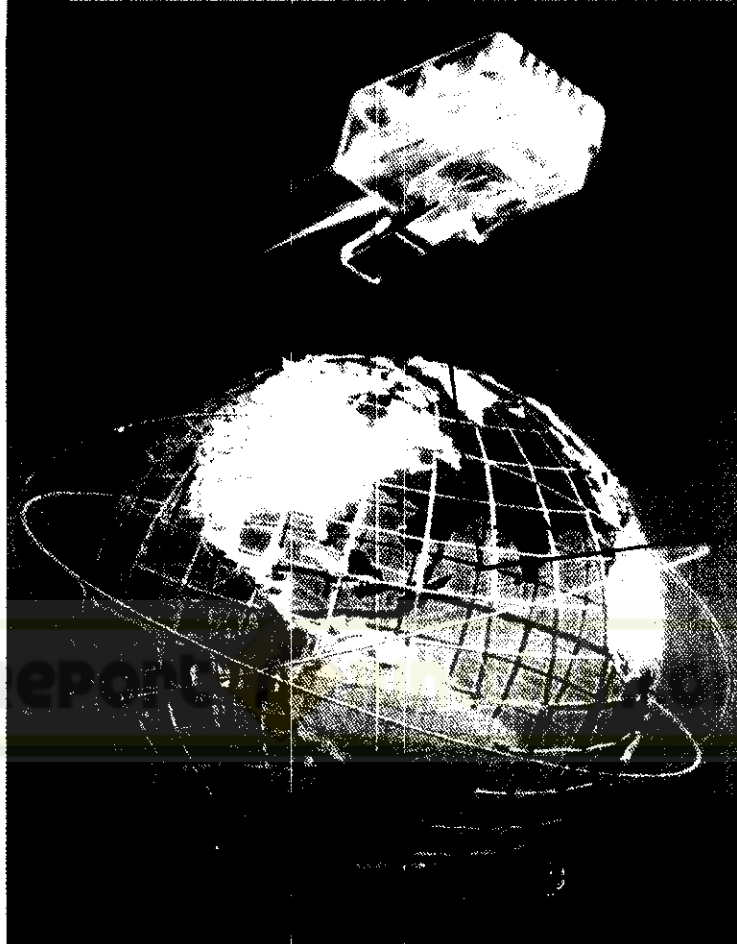


ANNUAL REPORT *1999 - 2000*



Deltron Limited

An ISO 9002 Company

Deltron Limited

BOARD OF DIRECTORS FOR DELTRON LIMITED

Dr. Gurpreet Singh
Chairman


Authorised Signatory

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

Punjab National Bank
ICICI Banking Corporation Limited
IDBI Bank

AUDITORS

M/s Raghunath Rai & Co.
9-B Mathura Road, Jangpura
New Delhi - 110 014.

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

Deltron Limited

DIRECTORS' REPORT

The Directors have pleasure in presenting the Eighteenth Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March, 2000.

The Year in Retrospect

For India, the year 1999-2000 was a year of many challenges - the Kargil war in Kashmir, the super-cyclone in Orissa and months of political uncertainty after the general elections. Despite this, the prevailing macro-economic conditions present a reasonably good picture and growth in the economy is finally gathering momentum.

Recent data suggest a buoyant turnaround in industrial growth with revival of output across all sectors of the industry. Other economic data, like increase in bank credit off-take, indirect tax collections, growth in exports, low level of inflation and consequent reduction in interest rates, etc all confirm this positive trend. With improvement in FDI inflow, foreign exchange reserves have risen to \$ 37 Bn.

However the lower growth of agriculture sector due to inclement weather and the steep increase in oil prices have negated the gains in the economy. India's GDP growth in FY2000 has been estimated at 5.6%, down from 6.8% a year ago.

Viewed in this backdrop of diverse results, the Company did well during the year under review.

Financial Results

The total income was Rs 4493 lacs against Rs 3025 lacs last year. The pre-tax profit was Rs 247 lacs against Rs 152 lacs last year after providing for depreciation of Rs 79 lacs. A provision of Rs 38 lacs has been made for taxation.

Dividend

The Directors have pleasure in recommending a Dividend of 30% for the year.

Exports

The export turnover of the company increased from Rs 59 lacs to Rs 104 lacs in the year under review. The company is actively pursuing other export business prospects including plans to increase its thrust on exports.

Future Outlook

The world is changing fast in the new millennium. The emergence of E-Commerce and Internet are changing the rules of business. The Company has its own website and has started purchasing /sourcing activities using e-commerce.

India with its immense intellectual resources could be well placed to enter and find an important place for itself in the Internet businesses. While the developed economies would continue to dominate the product development and the markets, India could move up the value chain, leveraging on its skilled resource pool and increasing its emphasis on research and development.

The Institute of Economic Growth (IEG) estimates that the Indian economy will grow at an average rate of 6.5% over the next four years. But a factor affecting this will be the stability of the Government given the diverse nature of its coalition. The IMF has recently laid emphasis on the need for further deregulation and privatisation so that even greater progress could be made in poverty alleviation.

The new EXIM policy of the Government has further liberalised imports posing new challenges to the domestic industry. This is likely to create hyper-competition and shift business models across virtually all segments of the industry resulting in increased pressure on margins. Today, companies are acutely aware that the only way to thrive in this landscape is to keep pace with innovation, increase customer service levels and reduce costs. Steps are being taken by the Company to sustain the gains of the previous year.

The next financial year should continue to offer reasonable growth opportunities to the Company. The gains made during the second half 1999-2000 are expected to continue and, given the opportunities that are likely to exist during 2000-01, the Company should be in a position to better its performance.

Deltron Limited

Public Deposits

Deposits of the amount of Rs. 111 lacs were received / renewed during the year under review as at 31st March, 2000.

Directors

Mr. Ashoke Bir, 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 Company is not a major consumer of energy. Nevertheless, in its efforts to conserve and optimize the use of energy the Company had commissioned a Vapour Absorption Machine (VAM) during the year.

Technology Absorption & Adaptation

Although the company has not imported any new technology, substantial upgradation was undertaken during the year in manufacturing facilities, including automation on some operations to meet new challenges and competition.

R & D

The in-house R&D efforts of the Company have resulted in several new products being introduced in the market during the year. The programmes undertaken include hardware and software support to the customers to meet the emerging market needs and to provide a competitive edge for their products. The company can look forward to additional business from these products in the coming years.

In acknowledgment of its efforts, the Company has received "In-House R&D" recognition from the Government of India.

Foreign Exchange

During the year under review, the total foreign exchange outflow (including on Capital Goods) amounted to Rs 939 lacs and the earnings through exports were Rs 104 lacs.

Y2K preparedness level

The Company had taken appropriate and effective steps to address the Y2K issue and all its computer systems were Y2K compliant on 1st January, 2000. The transition into the new millennium passed off smoothly.

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.

Acknowledgment

The Directors place on record their appreciation to the Shareholders, Associates, Bankers, Customers, Vendors, Officers and the 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
20th April, 2000

Gurpreet Singh
Chairman

Deltron Limited**AUDITORS' REPORT**

To The Members

We have audited the attached Balance Sheet of M/s DELTRON LIMITED as at 31st March, 2000, and the Profit & Loss Account for the year ending on 31st March, 2000, annexed thereto, and report that :

1. As required by the Manufacturing & Other Companies (Auditors' Report) Order, 1988, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in Annexure a statement on the matters specified in paragraphs 4 & 5 of the said order.
2. Further to our comments in the Annexure referred to in Paragraph 1 above, we state that :
 - (a) 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.
 - (b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of such books.
 - (c) The Balance Sheet dealt with by the report is in agreement with the books of account.
 - (d) In our opinion, the Profit & Loss Account & Balance Sheet comply with the accounting standards referred to in sub section 3(c) of section 211.
 - (e) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet read together with the notes thereon, gives the information required by the Companies Act, 1956 in the manner so required and gives a true and fair view;
 - (i) in so far as it relates to the Balance Sheet of the state of affairs of the Company as at 31st March, 2000 and
 - (ii) in so far as it relates to the Profit & Loss Account of the Profit of the Company for the year ended on that date.

for RAGHU NATH RAI & CO.,
Chartered Accountants

New Delhi
20th April, 2000

Prem Prakash
Partner

ANNEXURE TO THE AUDITORS' REPORT

Referred to in Paragraph 1 of our report of even date:

1. The Company has maintained proper records showing full particulars including quantitative details and situation of all Fixed Assets shown in Schedule 'D'. All the assets have not been physically verified by the Management during the year but there is a regular programme of verification 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.
2. None of the Fixed Assets have been revalued during the year.
3. The stock of finished goods, spare parts and raw materials have been physically verified during the year by the Management. In our opinion, the frequency of verification is reasonable.
4. The procedures of physical verification of stocks followed by the Management are reasonable & adequate in relation to the size of the company and the nature of its business.
5. The discrepancies noticed on verification between the physical stocks and the book records were not material in relation to the operations of the company and the same have been properly dealt with in the books of account.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of the stocks is fair & proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.

Deltron Limited

7. No loans have been taken from companies, firms or other parties listed in the Registers maintained under Section 301 and 370 (1B) of the Companies Act, 1956, or from Companies under the same Management.
8. No loans have been granted to companies, firms or other parties listed in the Registers maintained under Section 301 and 370 (1-C) of the Companies Act, 1956, and from companies under the same Management.
9. Loans and Advances have been given to the staff members and others, and are generally free of interest. There are no fixed stipulations as to repayment and these are periodically being recovered or adjusted.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials including components, plant and machinery, equipment and other assets and with regard to the sale of goods.
11. In our opinion and according to the information and explanations given to us, there are no transactions of sale of goods and materials but there were purchase of goods, materials and services made in pursuance of contracts or arrangements entered in the Registers maintained under Section 301 and aggregating during the year to Rs 50,000/- or more in respect of each party, and have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services which have been made with other parties.
12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores and raw materials. Adequate provision has been made in the accounts for the loss arising on the items so determined.
13. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58-A of the Companies Act, 1956, and the rules framed thereunder, with regard to deposits accepted from the public.
14. As explained to us, the Company maintains reasonable records for the sale and disposal of scrap. We are informed that no realisable by-products are generated by the Company's operations.
15. The Company has appointed a firm of Chartered Accountants to carry out its internal audit. In our opinion the same is commensurate with the size and nature of its business.
16. The company is not required to maintain Cost records under Section 209(1)(d) of the Companies Act, 1956.
17. According to the records of the Company, Provident Fund and Employees State Insurance dues have been regularly deposited during the year with the appropriate authorities.
18. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty and excise duty were outstanding as at 31st March, 2000, for a period of more than six months from the date they became payable.
19. According to the information and explanations given to us and the records of the company examined by us, no personal expenses of the employees or directors have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted practices.
20. The company is not a sick industrial company within the meaning of Clause (o) of sub section (1) Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. In respect of the trading activities of the Company damaged goods have been determined and provisions have been made for the loss.

for RAGHU NATH RAI & CO.,
Chartered Accountants

New Delhi
20th April, 2000

Prem Prakash
Partner