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Report

Linaks Microelectronics Limited

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LINAKS MICROELECTRONICS LTD.

Regd. Office
12.6 Km. Barabanki Road, Chinhhat,
Lucknow - 227 105

SHARE HOLDERS INFORMATION
SHARE DEPARTMENT & INHOUSE SHARE
TRANSFER ARRANGEMENT :
Linaks Microelectronics Ltd.
12.6 Km., Barabanki Road, Chinhhat,
Lucknow 227 105

BOARD OF DIRECTORS

Mr. Anil K. Singh	- Managing Director
Mr. Udayan Singh	- Whole Time Director
Mr. R. K. Mehra	- Whole Time Director
Mr. Siddharth Singh	- Whole Time Director
Mr. Pradeep Kumar	
Mr. Y. S. Kapadia	
Dr. Gautam Singh	
Mr. Atul K. Singh	
Mr. R. S. Shukla	- IDBI Nominee

AUDITORS

S. R. Gupta & Co.

BANKERS

State Bank of India

DEMATERIALISATION STATUS OF SHARES OF THE COMPANY :

Trading in shares of the company has been made compulsory in dematerialised form w.e.f. 28-09-2000. Equity shares of the Company have been allotted ISIN-INE028C01019 with both CDSL and NSDL. The Company has appointed Beetal Financial and Computer Services (P) Ltd. as RTA for Depository mode only. The addresses of CDSL, NSDL & Beetal are given below :

1. Central Depository Services (India) Ltd
Phiroze Jeejeebhoy Towers 28th Floor
Dalal Street, Mumbai - 400 023
2. National Securities Depository Ltd
Trade World, 4th Floor, Kamala Mills Compound,
Senapati Bapat Marg,
Lower Parel, Mumbai - 400 013
3. Beetal Financial & Computer Services (P) Ltd.
321-S, Chirag Delhi
New Delhi - 110 017

STOCK EXCHANGES (WHERE COMPANY'S SHARES ARE LISTED)

1. The U.P. Stock Exchange Association Ltd.
Padam Towers 14/113,
Civil Lines, Kanpur (U.P.)
2. The Delhi Stock Exchange Association Ltd.
DSE House, 3/1 Asaf Ali Road,
New Delhi - 110 002
3. The Stock Exchange Mumbai
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai - 400 033

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NOTICE

Notice is hereby given that the Sixteenth Annual General Meeting of LINAKS MICROELECTRONICS LTD. will be held at the Registered office of the Company at 12.6 km. Barabanki Road, Chinhhat, Lucknow on Monday the 30th September, 2002 at 11:00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Annual Accounts alongwith Cash Flow statement of the Company for the year ended on 31st March, 2002 and reports of the Directors and Auditors thereon.
2. To appoint a director in place Mr. Y.S. Kapadia, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a director in place of Mr. Pradeep Kumar, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass with or without modification, if any, the following resolution as a special Resolution :

"Resolved, pursuant to Section 16 read with Section 94 and other applicable provisions of the Companies Act, 1956, that the authorised capital of the Company be and is hereby restructured and increased from Rs.7,00,00,000/- divided into 70,00,000 Equity Shares of Rs.10/- each to Rs.9,00,00,000/- divided into 50,00,000 Equity Shares of Rs.10/- each and 40,00,000 11% Cumulative Optionally Convertible Preference Shares of Rs.10/- each and that the existing Clause V of the Memorandum of Association of the Company be and is hereby altered by deleting the same and substituting in its place the following new Clause V:

"V. The Authorised Share Capital of the Company is Rs.9,00,00,000/- (Rupees nine crores) only divided into 50,00,000 (fifty laes) Equity Shares of Rs. 10/- (Rs. ten) each and 40,00,000 (forty laes) 11% Cumulative Optionally Convertible Preference Shares of Rs.10/- (Rs. ten) each with power to increase, reduce, convert, sub-divide and consolidate the same and to issue any of shares in the capital, original or increased, and to attach thereto respectively such preferential, qualified or special rights, privileges or conditions as regards the dividend and repayment of capital as may be determined by or in accordance with regulations of the Company with power to vary, modify or abrogate

any such rights, privileges or conditions in such manner as may, for the time being, be provided by the regulations of the Company and subject to the regulations of the Companies Act, 1956."

Resolved further 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 are hereby altered by changing the existing Clause 3 and substituting in its place the following Clause as new Clause 3:

"3. The Authorised Share Capital is Rs.9,00,00,000/- (Rs. Nine Crores) only divided into 50,00,000 (fifty laes) Equity Shares of Rs.10/- (Rs. ten) each and 40,00,000 (forty laes) 11% Cumulative Optionally Convertible Preference Shares of Rs.10/- (Rs. ten) each with power to sub-divide, consolidate, increase, reduce or convert the capital of the Company."

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

"Resolved pursuant to Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of the appropriate authorities as may be necessary, that consent of the Company be and is hereby accorded to the Board of Directors for issuing such number of un-issued 11% Cumulative Optionally Convertible Preference Shares of the Company of the face value of Rs.10/- each after the increase of the Capital to the maximum of Rs.4,00,00,000/- (Rupees four crores) to any person or persons (whether or not such person or persons who on the date of offer is or are holder of equity shares of the Company) in any manner whatsoever to any extent and at such time as the Board of Directors of the Company in their absolute discretion think fit or in terms of negotiated settlement proposal as may be approved by the participating financial institutions and the BIFR and that the preference shares will be entitled to pro-rata dividend, if any, declared from the date of allotment and on amount paid thereon.

Further resolved that the Directors of the Company be and are hereby authorised to decide the terms of issue of Preference Shares including payment/rate of dividend, if any, and do all such acts, deeds and undertake such matters and things as may be necessary, usual, proper and expedient to give effect to these resolutions as above."

NOTES:

1. A member entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and vote

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By order of the Board
For Linaks Microelectronics Ltd.

instead of himself. Such Proxy form not to be effective must be received by the Company at its registered office not less than 48 hours before the time fixed for the meeting. A blank proxy form is enclosed.

2. The explanatory statement as required under Section 173(2) of the Companies Act, 1956 in respect of special business is annexed hereto.
3. The Register of members and share transfer books shall remain closed from 21.09.2002 to 30.09.2002 (both days inclusive).
4. Members are requested to bring along their copy of Annual Report for attending the meeting.
5. Members are requested to quote their Folio/Account no in all correspondence with the Company and inform the Company about their change of address, if any.
6. For convenience of members an attendance slip is annexed to the proxy form. Members are requested to affix their signature at the space provided thereof and handover the attendance slip at the place of meeting. The proxy of a member should mark on the attendance slip as proxy.

By order of the Board,

Place: Lucknow (Anil Kumar Singh)
Date : 30.07.2002 Managing Director

ANNEXURE TO NOTICE

Explanatory statement as required by Section 173 (2) of the Companies Act, 1956.

Item No. 5 & 6:

At present the Authorised Capital of the Company is Rs.7,00,00,000/- (Rs. seven crores) only divided into 70,00,000 (seventy laes) equity shares of Rs.10/- each. The Company has submitted a proposal of negotiated settlement to the financial institutions, which is at the advance stage of consideration by the Operating Agency M/s IDBI, wherein the Company has proposed to issue 11% Cumulative Optionally Convertible Preference Shares to the financial institutions as part of proposal for repayment of secured loans as and when necessary. For increase in share capital and its private placement, necessary alteration in the Memorandum and Articles of Association as also to pass the special resolutions for allotment of shares to persons other than existing share holders as per the Item 5 and 6 are necessary to be passed.

None of the Directors is interested in the said resolutions.

Place: Lucknow
Date: 30.07.2002

(Anil Kumar Singh)
Managing Director

LINAKS MICROELECTRONICS LIMITED DIRECTORS' REPORT

To,

The Members,

Your Directors hereby present the Sixteenth Annual Report of the Company for the year ended on 31st March 2002.

SUMMARISED FINANCIAL RESULTS

	<i>(Rs. in Laes)</i>	
	<i>During the year ended</i>	
	31.03.2002	31.03.2001
Sales and other income	751.93	723.83
Profit/Loss before interest, amortisation and depreciation	10.67	16.18
Less: Interest	(-) 243.84	(-) 268.76
Amortisation	(-) 17.85	(-) 17.85
Depreciation	(-) 81.08	(-) 73.79
Profit/Loss before Tax	(-) 332.10	(-) 344.22

YEAR UNDER REVIEW:

Your Directors are pleased to inform that your Company achieved a turnover of Rs.751.93 laes, the highest ever since its inception. However, the original projections, on which the BIFR scheme was based, envisaged a turnover of Rs. 21.27 crores during 2001-02 but the market assumption of the original scheme never held, as the sale price of PCBs crashed by almost 20%. Thus we gave a revised projection for the year as Rs.17.80 crores. Even this became unachievable because though the volumes picked in the first two quarters and we did a business of Rs.5.25 crores, the negative international business sentiments with 11/9 WTC tragedy had a very depressing impact on pricing which fell by another 20%, forcing us to further revising our estimates in OCT-NOV to Rs.10.76 crores. We were further handicapped by the shortage of working capital which was again a natural corollary of the unhealthy competition that developed in the subdued market conditions, as the customers

started using supplier credit as a bargaining tool. It is in the above light that our last year's business target achievement should be viewed.

As a result of the above shortfall the Company's cash accruals were way below the projections. Although, we did not have any operating cash loss and had a positive EBDITA (Earning Before Depreciation, Interest, Tax and Amortisation) but the volumes were far too low to address the interest dues of the Institutions. Since the Bank kept debiting its interest dues on WCTL & PTL, the Company could not make Lease Rent payments to PICUP. As informed in the previous report the revised proposal pending with the Operating Agency, M/s IDBI, was subsequently converted to a Negotiated Settlement Proposal envisaging down payment of approx. 70% of the Principal Outstanding of Term Loans and conversion of the remaining approx. 30% into Preference Shares. The said OTS proposal is at an advance stage of negotiation with all the participating financial institutions and we are hopeful that the same would be through in the coming few months.

OUTLOOK FOR THE CURRENT YEAR:

The domestic market this year should see a boom in energy meter segment as well as in the instrument and controls that goes into the capital goods industry, but as the telecom market is depressed as yet it is going to have a tremendous impact on the sale price which is going to remain depressed. As materially the domestic situation has not changed much and nor have been able to avail of any greater working capital limits the business volumes are not going to dramatically increase or improve in this financial year unless and until we are able to induct more funds. Exports prospects look substantially better than last year and it will be our endeavour to increase the share of exports over domestic business, provided the security situation remains as it is and there is no conflagration on the LOC.

TARGETS FOR 2002-03

Quarter Number	Domestic		Exports		Total in
Rs. Lacs	MLB in M2	DS in M2	MLB in M2	DS in M2	Rs. Lacs
ONE	400	1000	50	500	250
TWO	900	6000	100	500	400
THREE	1200	7000	250	850	450
FOUR	1200	9000	400	900	550

DIVIDEND

In view of the continued losses, no dividend payout for the year under review is being recommended.

DIRECTORS

During the period, since last Annual General Meeting, there has been no change amongst the Directorships of the Company. Mr. Y.S. Kapadia and Mr. Pradeep Kumar are persons, who have been longest in the office since the last appointment of Directors and in terms of the provision of Section 255 of the Companies Act, 1956 as determined by lot the terms of their offices are liable to retire by rotation at the forthcoming Annual General Meeting. However, they are eligible for their reappointment.

AUDITORS

You are requested to appoint auditors for the current year and fix their remuneration. The retiring auditors M/s S.R. Gupta & Co., Chartered Accountants, Kanpur are eligible for reappointment and have given their consent and also furnished certificate as required by Section 224(1B) of the Companies Act, 1956.

ACCOUNTS AND COMMENTS IN THE AUDITORS' REPORT.

The points referred to by the Auditors in their report are self-explanatory and are covered in the Notes to Accounts. However, as regards the point no. 2 of the Auditors' Report and 17 & 20 of the Annexure to the Auditors' Report is concerned your Directors have to state as under:

- Point no. 2 of the Auditors' Report regarding non-providing of compound & penal Intt. on loans from financial institutions it is hereby submitted that the Company has submitted a Negotiated Settlement proposal wherein all interest including penal & compound intt. is to be waived off. However, as calculated in the previous balance sheet, the Simple Interest on Term Loans has been charged for the year under review. The NS Proposal is at an advanced stage of negotiations with IDBI, Operating Agency of BIFR and the other participating institutions. Company expects the acceptance of the said proposal hence no provision for compound & penal Intt. is made.
- Point no 17 of the Annexure to the Auditors' Report- It is submitted that during the year under review, on few occasions, due to paucity of funds, the Company could not make timely payments of the Provident Fund dues, which have since been paid in the current year.
- Point no 20 of the Annexure to the Auditors' Report- It is submitted that consequent upon the

Company becoming a sick industrial undertaking within the meaning of Section 3(1)(g) of the Sick Industrial Companies (Special Provisions) Act, 1985, your Directors made a reference under SICA to BIFR in Nov '98 and the Company has implemented the BIFR approved rehabilitation scheme with the revised cut off date of 31.03.2000.

CORPORATE GOVERNANCE:

The Board has already taken initiative to comply with the requirement of Clause 49 of the Listing Agreement i.e. Corporate Governance although the date of implementation in case of your Company is 31st March, 2003.

AUDIT COMMITTEE:

An Audit Committee Comprising of three independent directors viz Mr. Y.S. Kapadia, Mr. Pradeep Kumar and Mr. Atul Kumar Singh has been formed in compliance with the requirement of Clause 49 of the Listing Agreement with Stock Exchanges. The Committee will have such functions as are required in terms of Clause 49 of the Listing Agreement with the Stock Exchanges within the stipulated time.

DEMATERIALISATION OF THE SHARES OF THE COMPANY:

Trading in shares of the Company has been made compulsory in dematerialised form w.e.f. 28.09.2000 by all investors as per directives given by SEBI. Accordingly the Equity Shares of the Company are available for dematerialisation under ISIN-INF028C01019 with both CDSL and NSDL.

INFORMATION UNDER SECTION 217 OF THE COMPANIES ACT, 1956:

A. Information in respect of Conservation of Energy, Technology Absorption and Foreign Exchange Earning and Outgo:

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption and foreign exchange earning and outgo are as under:

a. Conservation of Energy:

Taking advantage of high power diversity factor in the PCB fabrication process your Company has opted for fully captive modular generation in units of 125 KVA each. This is providing flexibility of usage thereby keeping the power consumption low. Other ongoing measures like Power factor improvement, use of new breed of low wattage high luminescence fittings etc. have been carried out.

b. Technology Absorption:

i. Research and Development (R&D).

Since the Company does not have any R & D department or have carried R&D activities, the information in this regard is Nil. However, we do lot of reverse engineering to develop our own formulations and machine control circuits.

ii. Technology Absorption, Adaptation and Innovation

MLB technology is under absorption.

c. Foreign Exchange Earning and Outgo.

Foreign exchange earning during the year under review were equivalent to Rs. 20.21 Laes (previous year Rs. 29.60 Laes). The total outgo in foreign currency amounted equivalent to Rs. 103.79 Laes on Revenue A/C (previous year Rs.104.43 Laes).

B. Particulars of Employees:

None of the employees of the Company was in receipt of a remuneration of Rs. 200000/- or more p.m. if employed for a part of the year under review or Rs.2400000/- or more p.a. if employed throughout the said year, the particulars of which are required to be given pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 217(2)(A) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) That : the preparation of the accounts for the financial year ended 31st March, 2002, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of financial year and of the profit or loss of the Company for the year under review;
- (iii) That the Directors have taken proper and sufficient care 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;

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- (iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2002 on a 'going concern' basis.

ACKNOWLEDGEMENT:

Your Directors record their appreciation to its team of employees for their unstinted and single minded devotion to the task at hand. We are also grateful to the financial institutions for their constructive support and assistance.

For and on behalf of the Board of Directors.

(UDAYAN SINGH)
Director

(ANIL KUMAR SINGH)
Managing Director

Place: Lucknow
Date: 30.07.2002

S.R. GUPTA & CO. 24/24C KARACHI KHANA
Chartered Accountants KANPUR

AUDITORS' REPORT

To,
The Members of
LINAKS MICROELECTRONICS LTD.

We have audited the attached Balance Sheet of Linaks Microelectronics Ltd. as at 31st March 2002 and also the annexed Profit & Loss Account for the year ending on 31st March 2002.

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order 1988, issued by the Company Law Board in terms of the information and explanation given to us and on the basis of such checks as we considered appropriate, we enclose in the annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
2. Further to our comments referred to in paragraph (1) above and subject to following :-
"That in computing Profit/Loss simple rate of interest had been charged on Term Loans from financial institutions. In the event of applying compound and penal rate of interest loss would have been increased by Rs. 144.72 lacs (previous year Rs. 98.44 lacs)."

We report that:

We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit. In our opinion, the Company has kept proper books of accounts as required by law as far as it appears

from our examination of the books.

The Balance Sheet and Profit & Loss Account annexed with this report are in agreement with the books of account.

In our opinion, the Profit and Loss Account and the Balance Sheet comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanation given to us, the said accounts read together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required: -

- (i) Insofar as it relates to the Balance Sheet, of the state of affairs of the Company as at 31st March 2002.
- (ii) Insofar as it relates to the Profit & Loss account of the loss of the Company for the year ending on 31st March 2002.

For: S.R. Gupta & Co.
Chartered Accountants

Place : Lucknow
Date : 30.07.2002

V.K.Gupta
Partner

S.R. GUPTA & CO. 24/24C KARACHI KHANA
Chartered Accountants KANPUR

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 fixed assets. The management has physically verified the fixed assets at reasonable intervals and no material discrepancies with respect to book records were noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. The stock of finished goods, stores, spare parts, raw materials have been physically verified during the year by the Management and in our opinion the frequency of verification was reasonable.
4. The procedure of physical verification of stocks followed by the Company are reasonable and adequate commensurate with 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