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Linaks Microelectronics Limited

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LINA MICROELECTRONICS LIMITED

LINA MICROELECTRONICS LTD.**Regd. Office:**

12.6 Km. Barabanki Road, Chihat,
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. Suresh H. Shah

Mr. R.K. Ralhan - IDBI Nominee

AUDITORS

S.R. Gupta & Co.

BANKERS

State Bank of India

SHARE HOLDERS' INFORMATION
SHARE TRANSFER ARRANGEMENT AND
DEMATERIALISATION STATUS OF SHARES

The Company appointed M/s Beetal Financial & Computer Services Pvt. Ltd. as RTA for Physical and Dematerialised shares of the Company. The shares of the Company are compulsorily traded in Dematerialised form w.e.f. 28.09.2000 under ISIN-INE028C01019 with NSDL & CDSL. The addresses of NSDL, CDSL & Beetal are given below:

1. National Securities Depository Ltd.
Trade World, 4th Floor, Kamala Mills Compound,
Senapati Bapat Marg,
Lower Parel, Mumbai-400 013.

2. Central Depository Services (India) Ltd.
Phiroze Jeejeebhoy Towers, 28th Floor,
Dalal Street, Mumbai-400 022.

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.
DBE 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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LINAES MICROELECTRONICS LIMITED

NOTICE

Notice is hereby given that the Seventeenth Annual General Meeting of LINAES MICROELECTRONICS LTD. will be held at the Registered office of the Company at 12.6 km. Barabanki Road, Chinhat, Lucknow on Tuesday the 30th September, 2003 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, 2003 and reports of the Directors and Auditors thereon.
2. To appoint a director in place Dr. Gautam Singh, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a director in place of Mr. Udayan Singh, 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 an ordinary Resolution.

"Resolved that Mr. Suresh H. Shah be and is hereby appointed as Director of the Company, whose period of office will be liable to determination by retirement of Directors by rotation."

NOTES:

1. A member entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and vote instead of himself. Such Proxy need not be a member of the Company. Proxy in order 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 23.09.2003 to 30.09.2003 (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
Date : 18.08.2003

(Anil Kumar Singh)
Managing Director

ANNEXURE TO NOTICE

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

Reg. Item No. 5:

Mr. Suresh H. Shah was appointed a Director of the Company on 18.08.2003 as an addition to the Board. Pursuant to Section 260 of the Companies Act, 1956, the term of office of directorship of Mr. Suresh H. Shah will expire at the forth coming Annual General Meeting. The Directors recommend the resolution for approval of the members. Pursuant to Section 257 of the Companies Act, 1956, notice has been received from a member alongwith a deposit of five hundred rupees proposing that Mr. Suresh H. Shah be appointed as Director of the Company at this Annual General Meeting. Hence this resolution.

Except Mr. Suresh H. Shah none of the other Directors of the Company is concerned or interested in the resolution.

By the order of the Board

Place: Lucknow
Date: 18.08.2003

(Anil Kumar Singh)
Managing Director

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LINAKS MICROELECTRONICS LIMITED

LINAKS MICROELECTRONICS LIMITED DIRECTORS' REPORT

To,

The Members,

Your Directors hereby present the Seventeenth Annual Report of the Company for the year ended on 31st March 2003.

SUMMARISED FINANCIAL RESULTS

| | (Rs. in Lacs) | |
|--|------------------------------|------------|
| | <i>During the year ended</i> | |
| | 31.03.2003 | 31.03.2002 |
| Sales and other income | 264.69 | 751.93 |
| Profit/Loss before interest, amortisation and depreciation | (-) 57.51 | 10.67 |
| Less: Interest | (-) 238.48 | (-) 243.84 |
| Amortisation | (-) 54.41 | (-) 17.85 |
| Depreciation | (-) 83.72 | (-) 81.08 |
| Profit/Loss before Tax | (-) 436.12 | (-) 332.10 |

YEAR UNDER REVIEW

The Directors will like to inform you that, due to the delay in implementing the Negotiated Settlement, the year under review has received a severe set back. Negotiated settlement is delayed on account of inordinately long time taken in the legal vetting of various tripartite agreements and approval of the draft mortgage deed. This delay has further aggravated the working capital paucity, as the company has not been able to avail any new or additional limits from their Bankers, State Bank of India, who are also part of the settlement.

The market in the year under review also remained depressed and in fact a major segment of yester years namely telecommunications saw PCB requirement dip to abysmal levels which had a very negative impact on the market per se, as it became a buyers market and the PCB pricing saw a further erosion. The regression in demand saw the rise of unhealthy competition where PCB manufacturers started using credit as a competitive tool further straining our finances.

Due to uneconomical pricing the company moved out of the existing bulk market that was the energy meter segment and started foraying into new areas like automation, controls, etc. This was also one of the reasons for business contractions.

Your Directors would further like to inform you that the NS proposal is now in its final stages of negotiation and almost all jagged edges have been smoothened. It is expected that the same shall be implemented by the end of the second quarter of the current fiscal year. The business in the current year will surely look up once the fresh funds are tied up because in the fiscal year under review the company has cultivated a new crop of customers.

OUTLOOK FOR THE CURRENT YEAR

The market outlook for the current year is bound to be better than last year as your company has moved away from volume and low value added segment to high value added market segment. It has moved with Ministry of Defence for approval as well has submitted samples for approval of higher layer count PCBs to various existing and new customers. Thus, your company is ready to take on the new and more reliable and less volatile market segment of instrumentation, automation, defence, etc.

Secondly, the company's efforts at increasing export business has

also met with success as your Company has been able to identify some new customers in Europe, but everything hinges on the early and successful implementation of the financial package which is under final stages of implementation with the financial institutions.

DIVIDEND

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

DIRECTORS

During the period, since the last report, Mr. R.K. Ralhan has been appointed by IDBI as their nominee in substitution of Mr. R.S. Shukla w.e.f. 13.09.2002, who shall continue as Director of the Company at the pleasure of IDBI. Mr. J.B. Shah was appointed as a Director as an addition to the Board w.e.f. 25.10.2002, who has since resigned w.e.f. 18.08.2003. Further, Mr. Suresh H. Shah has been appointed as a Director as an addition to the Board w.e.f. 18.08.2003. In accordance to the provision of Section 260 of the Companies Act, 1956, the term of Office of Mr. Suresh H. Shah, as a Director, is liable to termination at the forth coming Annual General Meeting. A notice has, however, been received from a member pursuant to Section 257 of the said Act proposing the candidature of Mr. Suresh H. Shah for his appointment as a Director liable to retire by rotation.

Moreover, Mr. Atul Kumar Singh has resigned from the Directorship of the Company w.e.f. 27.06.2003. Your Directors take this opportunity to place on record their deep appreciation for the valuable services and guidance rendered by Mr. R.S. Shukla, Mr. Atul Kumar Singh and Mr. J.B. Shah during their respective tenures as Directors of the Company.

Dr. Gautam Singh and Mr. Udayan Singh 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:

- a. Reg. Point no. 2 of the Auditors' Report for non-providing of compound & penal interest on loans from financial institutions, it is hereby submitted that the Company has submitted a Negotiated Settlement proposal wherein all interest including penal & compound interest 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 implementation of the approved NS Proposal has been delayed as various tripartite agreements and Mortgage Deed, being vetted by institutions, has till date not been finalised by them.

- b. Reg. Point no 17 of the Annexure to the Auditors' Report- It is submitted that during the year under review, due to paucity of funds, the Company could not make timely payments of the Provident Fund dues.
- c. Reg. 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)(o) 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

Your Company has already implemented the requirement of Clause 49 of the Listing Agreement i.e. Corporate Governance w.e.f. the date of implementation i.e. 31st March, 2003. Pursuant to Clause 49 of the Listing Agreement, a Management Discussion and Analysis Report and Directors' Report on Corporate Governance are given alongwith this report.

AUDIT COMMITTEE

An Audit Committee comprising of three independent directors viz Mr. Y.S. Kapadia, Mr. Pradeep Kumar and Mr. Atul Kumar Singh was formed in compliance with the requirement of Clause 49 of the Listing Agreement with Stock Exchanges. However, the Committee has been reconstituted w.e.f. 18.08.2003 and is now consisting of Mr. Pradeep Kumar, Mr. R.K. Raihan and Dr. Gautam Singh. The Committee will have such functions as are required in terms of Clause 49 of the Listing Agreement with the Stock Exchanges.

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 INE028C01019 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 has been absorbed.

- c. **Foreign Exchange Earning and Outgo :**

Foreign exchange earning during the year under review were equivalent to Rs. 25.85 lacs (previous year Rs. 20.91 Lacs). The total outgo in foreign currency amounted equivalent to Rs. 14.85 lacs on Revenue A/C (previous year Rs. 103.79 Lacs).

- 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.

- C. **Director's Responsibility Statement**

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

- (i) that in the preparation of the accounts for the financial year ended 31st March, 2003, 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;
- (iv) that the Directors have prepared the accounts for the financial year ended 31st March, 2003 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

Place: Lucknow
Date: 18.08.2003

(Udayan Singh)
Director

(Anil Kumar Singh)
Managing Director

LINA KS MICROELECTRONICS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry structure & Development:

PCB industry consists of a handful of medium sized units and a number of small-scale units which are mostly independent i.e. they are not part of any large conglomerate excepting a couple of units. The units were historically promoted by technocrat entrepreneurs who in the old days received bank finance easily to promote industrial growth. Most of these units were set up in mid 80's and some of them have ceased to operate.

The survivors are those, which from time to time have been investing in technology and capacity. Initially the units were manufacturing simple single sided and double sided PCBs, but now there are units like AT&S who are making PCBs with 24 layers, buried vias, 4 mil line and spaces, etc. In the area of single sided PCBs we have some units that are now manufacturing flexible circuits.

Still on the whole industry is small because the actual demand for PCBs for manufacturing various types of Electronic equipment is still not very large in India, largely due to screw-driver-kit-assembly nature of the Indian equipment industry.

Opportunities & Threats: The industry has a domestic market, which initially was driven by telecommunication, but thanks to the lopsided custom tariff structure telecom manufacturing has shallowed out resulting in steep decline in PCB demand. Although the telecom infrastructure has grown by leaps and bounds but the downstream electronic component demand has not seen any growth since all fresh demand for equipment has been met largely through imports. Thus, now the domestic requirement is dependent on diverse segments like automation, control, instrumentation, metering and automotive. Automotive electronics, though a massive growth engine, can be volatile as it is subject to global business swings in this connected world of automotive business with only a handful of players. The gradual easing of custom duties is happening on account of India being a signatory to ITA and these duties for InfoTech items would become ZERO by 2005. But this threat is also an opportunity because it applies to the developed countries too who are still levying duty on Indian imports.

In fact India with a low cost technical manpower enjoys tremendous advantage as an export-manufacturing base and especially to the high cost developed countries of Europe and the US. The industry and moreover Linaks should leverage this advantage. The company is already working towards it as they have a clutch of regular and reliable customers in Europe and they are also in the process of developing new ones in Eastern Europe and Americas.

Risks and Concerns: The major risk the industry faces is of over dependence on one market segment and the industry in India, Linaks included has faced this prospect because many a times their fortunes have fluctuated with those of the telecommunication sector.

Then there is always the over riding concern of fast technological obsolescence, which entails constant drain on resources at times impeding ones capability to service one's customers.

Overview: On the whole the industry has a lot of promise provided one is able to keep up with the demands of the market place.

Financial performance: The financial performance is directly related to the company's ability to remain competitive.

Resource & Liquidity: Resource position would remain comfortable if the company is able to trade profitably and liquidity is the direct function of the above.

The company has not been able to meet its financial goals because due to extraneous circumstances it went into losses and the rehabilitation package drawn under BIFR has also been buffeted by the uncertainty of the market place.

Outlook: The outlook is positive provided the Negotiated Settlement proposal is implemented and with it fresh funds are infused into the company.

Internal Control System: Your Company's management continuously reviews the internal control system and procedures to ensure orderly and efficient conduct of business. Your Company adheres to its written corporate policies with respect to all transactions, financial reporting and budgeting to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition, and that transactions are authorised, recorded and reported correctly.

The Company regularly conducts internal audits either through external or internal resources to monitor the effectiveness of internal control in the organisation.

Audits are finalised and conducted based on internal risk assessment. Significant findings are brought to the notice of the Audit Committee of the Board and corrective measures recommended for implementation. Reports of the internal auditor are also regularly reviewed by the Management and corrective action initiated to strengthen the controls and enhance the effectiveness of the existing systems.

Human Resources: The Company gives full and fair consideration to all employees with regard to their particular aptitudes and abilities. Training, career development and promotion are, as far as practicable, considered for all employees according to their skills and abilities. The Company consistently seeks to recruit, develop and employ throughout the organisation suitably qualified, capable and experienced people, irrespective of race, religion or sex. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit.

Our development, performance and rewards system is linked to organisation performance. The Company strives to provide excellent staff welfare measures to promote employee satisfaction and thereby attract and retain efficient manpower. Training needs are regularly identified and imparted with the help of both internal trainers and external professional faculties of repute. We have built team driven organisation where all employees work together to create our future.

Cautionary Statement: The statement made in this Report describing the Company's projections, expectations and estimations may be a forward looking statement within the meaning of applicable securities laws and regulations. These statements are based on certain assumptions and expectations of future events. Actual results may differ from those expressed or implied in this Report due to the influence of external and internal factors, which are beyond the control of the Company.

For and on behalf of the Board of Directors

Place: Lucknow
Date: 18.08.2003

(Udayan Singh)
Director

(Anil Kumar Singh)
Managing Director

LINAKS MICROELECTRONICS LIMITED

DIRECTORS' REPORT ON CORPORATE GOVERNANCE

Philosophy:

Linaks Corporate Governance principles uphold its standing at the forefront of Corporate Governance best practices. Linaks envisages the attainment of the highest levels of transparency, accountability and ethics, in all facets of its operations. It has been committed to the principles of transparency, integrity, accountability and responsibility. The Company takes feedback into account, on its periodic reviews of the guidelines, to ensure their continuing relevance, effectiveness and responsiveness to the needs of its investors. Linaks considers that all its operations and actions must serve the underlying goal of increasing employee and customer satisfaction and enhancing overall Shareholder value.

Board of Directors:

The Company has an optimum combination of executive and non-executive Directors with non-executive Directors constituting 56 per cent of the Board as against minimum 50 per cent prescribed. As per the Listing Agreement, 'Independent' or Non-Executive Directors have been defined as directors who apart receiving Directors remuneration do not have any other material pecuniary relationship or transactions with the Company, its promoters, its management or its subsidiaries, which in the judgement of the Board may affect independence of judgement of the Director. Independent Directors play an important role in deliberations at the Board Meetings and the Company benefits from their expertise in achieving its strategic direction. The Directors bring to the Board a wide range of experience and skills. The Board is constituted as under:

| Name | Category | No. of outside Directorships held | As Chairman / Member of Board Committees |
|---------------------|--------------------------------------|-----------------------------------|--|
| Mr. Anil K Singh | Managing Director | Nil | Nil |
| Mr. Udayan Singh | Whole-time Director | Nil | 1 |
| Mr. Siddharth Singh | Whole-time Director | Nil | 1 |
| Mr. R.K. Mehra | Whole-time Director | Nil | 1 |
| Mr. Y.S. Kapadia | Independent & Non-Executive Director | 1 | 1 |
| Mr. Pradeep Kumar | Independent & Non-Executive Director | Nil | 1 |
| Dr. Gautam Singh | Independent & Non-Executive Director | Nil | 1 |
| Mr. Suresh H. Shah | Independent & Non-Executive Director | 1 | 1 |
| Mr. R.K. Ralhan | Nominee IDBI | Nil | 1 |

Note: (1) Private Limited Companies and Companies constituted under Section 25 of the Companies Act, 1956 are excluded for the above purpose. (2) Only Audit Committee, Investors' Grievance Committee and Remuneration Committee are considered for the purpose of Committee positions as per listing Agreement.

Responsibilities:

The Board of Directors represent the interests of the Company's shareholders in optimising long-term value by providing the management with guidance and strategic direction on the Shareholder's behalf. The Board's mandate is to oversee the

Company's strategic decision, review corporate performance, authorise and monitor strategic investments, ensure regulatory compliance and safeguard interests of Shareholders. Board members ensure that their other responsibilities do not impinge on their responsibility as a Director of Linaks.

Board Meetings:

The Meetings of Directors are normally held in Lucknow. Meetings are generally scheduled well in advance and the Notice of each Board Meeting is given in writing to each Director. The Members of the Board have complete access to all information of the Company. Senior Management is invited to attend the Board Meetings so as to provide additional inputs to the items being discussed by the Board.

During the year under review, the Board of Linaks Microelectronics Ltd. met 5 times i.e. on April 30, 2002, July 30, 2002, October 25, 2002, January 30, 2003 and March 24, 2003. The maximum gap between any two Meetings was around 3 calendar months.

Attendance of each Director at the Board Meetings & at last Annual General Meeting:

| Name | No. of Board Meetings | | Attendance at Last AGM |
|----------------------|-----------------------|----------|------------------------|
| | Held | Attended | |
| Mr. Anil K Singh | 5 | 5 | NO |
| Mr. Udayan Singh | 5 | 4 | Yes |
| Mr. Siddharth Singh | 5 | 3 | Yes |
| Mr. R.K. Mehra | 5 | 5 | Yes |
| Mr. Y.S. Kapadia | 5 | 2 | NO |
| Mr. Pradeep Kumar | 5 | 1 | NO |
| Dr. Gautam Singh | 5 | NIL | NO |
| # Mr. R.K. Ralhan | 3 | 2 | NO |
| # Mr. Suresh H. Shah | 1 | NIL | NO |
| * Mr. R.S. Shukla | 2 | 1 | N.A. |
| * Mr. Atul K Singh | 5 | 1 | NO |
| **Mr. J.B. Shah | 3 | NIL | N.A. |

Appointed Directors on 13.09.2002 and 18.08.2003, respectively.

* Ceased to be Directors w.e.f. 13.09.2002 and 27.06.2003, respectively.

** Remained Director from 25.10.2002 to 18.08.2003 only.

Board Committees:

To enable better and more focussed attention on the affairs of the Company, the Board delegates' particular matters to Committees of the Board set up for the purpose. These Committees prepare the groundwork for decision-making and report at the subsequent Board Meeting.

Audit Committee:

During 2002-2003 the Audit Committee comprised solely of Non-executive, Independent Directors namely, Mr. Y.S. Kapadia, Pradeep Kumar and Atul K Singh. All the Members have sound financial, accounting, audit and company law knowledge.

The Audit Committee reviews, acts and reports to the Board of Directors with respect to:

- 1 various auditing and accounting matters,
- 1 review of annual budgets,
- 1 annual internal audit plan,
- 1 compliance with legal and statutory requirements including accounting standards,
- 1 review of investment guidelines,
- 1 major accounting policies and practices.

The Audit Committee reviews the quarterly, half yearly and yearly financial results with the Management before being submitted to the

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Board for its consideration and approval.

The Audit committee met 2 times during the year on the following dates namely on April 30, 2002 and October 25, 2002. Another meeting could not be held for want of quorum. Mr Anil K Singh, Managing Director, is permanent invitee for the Audit Committee Meetings.

| Name | No. of Audit Committee Meetings | |
|-------------------|---------------------------------|----------|
| | Held | Attended |
| Mr. Y.S. Kapadia | 2 | 2 |
| Mr. Pradeep Kumar | 2 | 1 |
| Mr. Atul K Singh | 2 | 1 |

Remuneration Committee:

The Company's Remuneration Committee consists of three non-executive Directors (all of whom are independent) namely, Mr. Pradeep Kumar, Dr. Gautam Singh and Mr. Suresh H. Shah. The salary of the Managing/Whole-time Directors is recommended by the Remuneration Committee and approved by the Board. No remuneration is paid to the Non-Executive Directors. As the remuneration of the Managing/Whole-time Directors was last fixed in February 1999 for five years, the same is valid upto February 2004. Therefore, a meeting of the Remuneration Committee would be duly convened in February 2004 for reviewing the remuneration payable to Managing/Whole-time Directors.

The terms of reference of the Remuneration Committee include review and recommendation to the Board of Directors on compensation payable to the Executive Directors. The committee also ensures that the compensation policy of the Company provides for performance-oriented incentives to senior management and staff.

Remuneration Policy:

The Company has adopted a remuneration policy that attracts and maintains talented and motivated executives so as to encourage enhanced performance of the Company. The remuneration policy envisages a clear relationship between performance and remuneration, including the remuneration paid and overall corporate performance.

Remuneration paid to Directors:

Managing/Whole-time Directors of the Company have been appointed on a contractual basis on the approval of the Shareholders. Remuneration package of Executive Directors is determined by the Remuneration Committee of Directors within the permissible limits under the applicable provisions of law and is approved by Shareholders. It comprise salary and other allowances, perquisites as approved by Shareholders. Non-Executive Directors have so far not been paid any remuneration/commission apart from sitting fees. Details of remuneration to Directors is as follows:

| Director | Relation with Linaks | Sitting fees | Remuneration paid during 2002-2003 | | |
|---------------------|----------------------|--------------|------------------------------------|------------|----------|
| | | | Salary & Perquisites | Commission | Total |
| Mr. Anil K Singh | Managing Director | NIL | 1,08,000 | NIL | 1,08,000 |
| Mr. Udayan Singh | Whole-time Director | NIL | 1,08,000 | NIL | 1,08,000 |
| Mr. Siddharth Singh | Whole-time Director | NIL | 1,09,200 | NIL | 1,09,200 |
| Mr. R.K. Mehra | Whole-time Director | NIL | 72,000 | NIL | 72,000 |

Share Transfer & Investor's Grievances Committee:

The Members of the Share Transfer & Investors' Grievance Committee of the Company are Mr. Udayan Singh, Mr. R.K. Mehra and Mr. Siddharth Singh. The Committee is authorised to approve

LINAKS MICROELECTRONICS LIMITED

transfer of shares and also monitors other investor grievances. The details of the transfers are reported to the Board of Directors. The Meetings were held on monthly basis or as and when required, to consider matters placed before it.

| Name | Nos. of Share Transfer committee Meetings | |
|-----------------|---|----------|
| | Held | Attended |
| Udayan Singh | 11 | 8 |
| R.K. Mehra | 11 | 11 |
| Siddharth Singh | 11 | 7 |

Details on Annual General Meetings

Location, date and time, where last three AGMs held:

| Year | Location | Date | Time |
|---------|--|------------|------------|
| 2001-02 | 12.6 km Barabanki Road, Chinhat, Lucknow | 30.09.2002 | 11.00 a.m. |
| 2000-01 | 12.6 km Barabanki Road, Chinhat, Lucknow | 28.09.2001 | 12.00 Noon |
| 1999-00 | 12.6 km Barabanki Road, Chinhat, Lucknow | 29.09.2000 | 11.00 a.m. |

Generally, all the resolutions in the AGM are passed through show of hands. None of the Special Resolutions passed at the above Annual General Meetings were required to be put to vote through Postal Ballot.

Disclosure:

The Company entered into no transaction of material nature with the promoters, Directors, the management or their relatives that could have had a potential conflict with the interest of the Company. The Register of contracts containing the transactions in which the Directors are interested is regularly placed before the Board. There were no pecuniary transactions with the independent/non-executive Directors, other than payment for expenses/fee for attending Board Meetings.

Means of Communication:

The financial results were published in the Hindustan Times & Indian Express in English and Hindustan & Jansatta in Hindi, the vernacular newspaper. All material information about the Company is promptly sent through facsimile to the Stock Exchanges where the Company's Shares are listed and released for dissemination to the public at large.

General Shareholders' Information

| | |
|---|---|
| Annual General Meeting: | |
| Date and Time | September 30, 2003 at 11.00 a.m. |
| Venue | 12.6 km. Barabanki Road, Chinhat Lucknow-227 105. |
| Financial Calendar: | |
| Results for the quarter ended on 30.06.03 | 30.07.2003 (Actual) |
| Results for half year ending 30.09.03 | Last week of October, 2003 (Tentative) |
| Results for the quarter ending 31.12.03 | Last week of January, 2004 (Tentative) |
| Results for the Quarter ending 31.03.04 | Last week of April, 2004 (Tentative) |

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|--|--------------------------|
| Book closure Date | 23.09.2003 to 30.09.2003 |
| Dividend payment Date | N.A. |
| Stock Exchange where the Company's shares are listed | Kanpur, Delhi and Mumbai |
| Stock Code at BSE | 517463 |
| Demat ISIN Numbers in NSDL & CDSL for Equity Shares | INE-028C01019 |