

Annual Report for
The Period ended
31-12-2003

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MONICA ELECTRONICS LIMITED

MONICA ELECTRONICS LIMITED

BOARD OF DIRECTORS

B. P. Yadav
S.K. Shukla
K. Tyagi

COMPANY SECRETARY

Sunil Bhatia

AUDITORS

Goel Garg & Co.
Chartered Accountants,
102, Skylink,
E-588, Greater Kailash-II,
New Delhi-110 048

REGD. OFFICE

GA-2, B-1 Extn.
Mohan Co-operative Industrial Estate,
Mathura Road, Badarpur,
New Delhi-110 044.

REGISTRAR & SHARE TRANSFER AGENT

Intime Spectrum Registry Ltd.
A-31, 3rd Floor, Naraina Industrial Area,
Phase-I, New Delhi-110 028.

SECURITIES LISTED AT :

Delhi
Mumbai
Calcutta
Chennai
Ahmedabad

MONICA ELECTRONICS LIMITED

NOTICE

NOTICE is hereby given that the twenty eighth annual general meeting of the members of the MONICA ELECTRONICS LIMITED will be held on 28th day of June, 2004 at 9.00 A.M. at E-22, Ansal Satbari, Chattarpur, New Delhi to transact the following business:

AS ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st December 2003 and Profit & Loss Account for the period ended on that date along with the reports of Auditors and Directors' thereon.
2. To appoint a Director in place of Mr B. P. Yadav, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s Goel Garg & Co., Chartered Accountants to hold office from the conclusion of this meeting till the conclusion of the next annual general meeting and fix their remuneration.

By order of the Board

Sunil Bhatia
Company Secretary

Noida, 30th April, 2004

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE SHOULD BE DULY STAMPED, COMPLETED AND SIGNED AND MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT TIME OF THE MEETING.
2. The register of members and share transfer books of the company will remain closed from 13th June 2004 to 28th June, 2004 (both days inclusive).
3. Pursuant to the provision of section 205A of the Companies Act, 1956, as amended, dividend for the financial year ended 31st March 1995, which remained unpaid or unclaimed for a period of seven years, has been transferred to the Investor Education and Protection Fund of the Central Government.
4. It will be appreciated that queries, if any, on accounts and operations of the company are sent to the company ten days in advance of the meeting so that the answer may be made readily available.
5. Members are requested to produce the enclosed attendance slip duly signed, in accordance with specimen signatures registered with the company for admission to the meeting hall.

MONICA ELECTRONICS LIMITED

DIRECTORS' REPORT

TO THE MEMBERS

The directors submit their report and accounts for the period ended December 31, 2003.

OPERATIONS

During the period under review, the sales and other income were Rs 238.76 lacs as against Rs 2143.67 lacs in the previous financial year. The loss during the period was Rs 2549.65 lacs as against Rs 202.81 lacs in 2002-03.

DIVIDEND

The directors do not recommend any dividend.

DEBENTURES

Due to liquidity problems the company could not pay the redemption and interest amount on due dates. The Board has approved a Scheme of Arrangement with the debenture holders. A petition under Section 391 of the Companies Act, 1956 has been filed with the High Court for issuing a directive for seeking the approval of debenture holders at the meeting of debenture holders. After obtaining required approval the court will be approached again for approval of the scheme. After getting approval of the scheme from the High Court the outstanding dues of the debenture holders' will be settled in accordance with the scheme.

AUDITOR'S REPORT

Auditor's observations and management's response have been explained in annexure 'A' which forms part of this report.

DIRECTORS' RESPONSIBILITIES STATEMENT

As required under section 217(2AA) of the Companies Act, 1956, the directors hereby confirm the following:

- i) Except Accounting Standard – 10, regarding "Accounting of Fixed Assets", the financial accounts are prepared in conformity with the accounting standards issued by the Institute of Chartered Accountants of India and requirements of the Companies Act, 1956 to the extent applicable to the company.
- ii) The accounting policies used in preparation of financial statements have been consistently applied. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, such financial statements reflect in a true and fair manner, the state of affairs of the Company at the period ended on 31.12.2003 and loss of the Company for the period ended 31.12.2003.
- iii) Proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 has been taken for safeguarding the assets of the company and preventing and detecting fraud and other irregularities, to the best of our knowledge and ability.
- iv) The annual accounts have been prepared on a going concern and on accrual basis.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and article 115 of Articles of Association of the company, Mr B. P. Yadav, Director retires by rotation and offers himself for re-appointment.

AUDITORS

The auditors M/s Goel. Garg & Co., Chartered Accountants retire at the conclusion of the forthcoming annual general meeting and being eligible offer themselves for re-appointment. A confirmation in terms of Section 224(1B) of the Companies Act, 1956 has been received from them.

ARTICULARS OF EMPLOYEES, CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EARNINGS AND OUTGO

The company does not have any employee whose remuneration falls under the limits prescribed under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975. The information under section 217 (1) (e) of the said act read with the Companies(Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 is set out in annexure 'B' and forms part of this report.

MONICA ELECTRONICS LIMITED

ACKNOWLEDGEMENT

Your directors wish to thank and deeply acknowledge the valuable assistance; co-operation and support extended by the Central and State government authorities during the year under review and look forward to their continued support in future. The Board also gratefully acknowledges the support and goodwill extended by shareholders of the company.

For and on behalf of the Board of Directors

(B.P. Yadav)

Director

(S.K. Shukla)

Director

Date: 30th April, 2004

Place: Noida

ANNEXURE 'A' TO DIRECTORS' REPORT

MANAGEMENT'S COMMENTS IN RESPECT OF REMARKS OF AUDITORS UNDER SECTION 217(3) OF THE COMPANIES ACT, 1956.

> OBSERVATION

As the Company has failed to redeem its debentures on due dates and the default continued for more than one year, the directors are disqualified under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

> RESPONSE

The company defaulted last on 14th April 2000 when the company failed to pay last redemption instalment and interest there on its debentures. This default is still continuing. All the directors who had been directors in the relevant year, from the due date to the expiry of one year after the due date have not been re-appointed in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 read with clause (b) of Companies (Disqualification of Directors under section 274(1)(g) of the Companies Act, 1956) Rules, 2003. The directors as on date on the Board of Directors have been appointed after one year of relevant date i.e. 14th April 2000. The company's view is that they are not disqualified under the aforesaid section and rules.

> OBSERVATION

The company has not charged Rs 15.90 lacs on plant and machinery, electric Hoist Lift, dies and moulds and instruments as these were not put to use.

> RESPONSE

The company has closed its operations and the workers and staff barring three employees have been retrenched. As the manufacturing activities are not being carried out, the depreciation on plant and machinery, electric Hoist Lift, dies and moulds and instruments has not been charged.

> OBSERVATION

Provision for additional interest on unpaid redemption and interest amount has not been made.

> RESPONSE

Due to liquidity problems the company could not pay the redemption and interest amount on due dates. The Board has approved a Scheme of Arrangement with the debenture holders. A petition under Section 391 of the Companies Act, 1956 has been filed with the High Court for issuing a directive for seeking the approval of debenture holders at the meeting of debenture holders. After getting approval of the scheme from High Court the outstanding dues of the debenture holders' will be settled in accordance with the scheme.

> OBSERVATION

Fixed Assets aggregating to Rs 59.40 lacs retired from active use have stated at book value instead of lower of net book value or net realisable value which is not in accordance with Accounting Standard - 10.

> RESPONSE

The net realisable value of these fixed assets could not be ascertained. Moreover, the company is evaluating the option of re-starting the manufacturing operations. Hence no adjustment was made.

> OBSERVATION

The accounts have been made on a going concern basis inspite of the fact that during the earlier year the company has closed down its manufacturing operations and its entire net worth has been eroded.

MONICA ELECTRONICS LIMITED

RESPONSE

The company is evaluating the option of re-starting the manufacturing operations.

OBSERVATION

The Company has revalued its stocks as per AS-2. As a result, the losses for the period are higher by Rs 1,47,72,200/-.

RESPONSE

The company has revalued its stocks as per AS-2 as certified by a professional Chartered Engineer.

OBSERVATION

Miscellaneous income includes Rs 184.66 lacs is comprised of surplus on settlement of Non-convertible debentures and various unclaimed liabilities of sundry creditors, advances from customers, dealership security and other liabilities written back.

RESPONSE

Sundry creditors, advances from customers, dealership security and other liabilities which have been lying for more than three years have been written back after obtaining legal opinion. Revenue portion of surplus generated from settlement of debentures has been included in miscellaneous income, the balance amount has been transferred to capital reserve.

ANNEXURE 'B' TO DIRECTORS' REPORT

1. CONSERVATION OF ENERGY

a. Energy conservation measures taken

The operations of the company remained closed during the year and no energy was consumed. Hence, no measures were taken.

b. Additional investments and proposals, if any, being implemented for reduction of energy.

There being no energy conservation, no additional investments and proposals were being implemented for reduction of energy.

c. Impact of (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production.

Not applicable

2. RESEARCH AND DEVELOPMENT

a. Specific areas in which R&D carried out by the company.

All the employees of the company having being retrenched and operations being closed, no R&D activity was carried out.

b. Benefits derived as a result of above R&D

Not applicable.

c. Future plan of action.

Not applicable.

d. Expenditure on R&D

Depreciation on fixed assets of R&D has been charged under primary heads of accounts.

3. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION.

a. Efforts made towards technology absorption, adaptation and innovation.

Not applicable.

b. Benefits derived as a result of above efforts.

Not applicable.

c. Particulars relating to improved technology.

Not applicable.

4. FOREIGN EXCHANGE EARNINGS AND OUTGO

a. Activities relating exports

As the manufacturing activities of the company are closed, no export initiatives were taken.

b. Total foreign exchange used and earned:

(i) Earnings	Nil
(ii) Outgo by way of import of raw material and other expenditure	Nil

MONICA ELECTRONICS LIMITED**DIRECTORS REPORT ON CORPORATE GOVERNANCE****1. Board of Directors**

The Board of Directors monitors company performance, approves and reviews policies / strategies and evaluates management performance. The Board ensures legal and ethical conduct and accurate financial reporting.

i) Composition & Category

The Board of Directors of the company comprises of three members. All the other three Directors are non-executive. The non-executive Directors are independent i.e. independent of management responsibilities, free from business or any other relationship, which could materially interfere with the exercise of their independent judgment. The following is the composition of the Board as on 31st December 2003:

Directors	Category
Mr A.C. Mehta ¹	Independent & Non-Executive Director
Mr Kaushal Tyagi	Independent & Non-Executive Director
Mr S K Shukla ²	Independent & Non-Executive Director
Mr B P Yadav	Independent & Non-Executive Director

1 – Ceased to be a director on 26.09.2003

2 – Appointed as a director on 26.09.2003

ii) Attendance of each Director at the Board Meetings and the last Annual General Meeting:

Name of the Director	No. of Board Meetings		Attendance at last AGM
	Held during the tenure of Director	Attended	
Mr A.C. Mehta ¹	3	3	Yes
Mr Kaushal Tyagi	4	4	Yes
Mr B. P. Yadav	4	4	Yes
Mr S K Shukla ²	1	1	Not Applicable

1 – Ceased to be a director on 26.09.2003

2 – Appointed as a director on 26.09.2003

Note:

a) None of the directors is related to any other director.

iii) During nine month ended December 31, 2003 the Board of Directors of Monica Electronics Limited met 4 times i.e. on May 30th 2003, June 26th 2003, July 30, 2003 and October 30, 2003. The maximum gap between any two meetings was not more than four months. A detailed agenda is sent to each Director in advance of Board and Committee meetings.

2. Other Directorship/Membership and Committees of the Board

Number of outside directorship of the members of Board of Directors:

Name	No. of outside directorship held	Chairmanship held in Committee of Directors	committee of Directors
Mr A.C. Mehta ¹	Nil	Nil	Nil
Mr Kaushal Tyagi	4	Nil	Nil
Mr B. P. Yadav	Nil	Nil	Nil
Mr S K Shukla ²	Nil	Nil	Nil

1 – Ceased to be a director on 26.09.2003

2 – Appointed as a director on 26.09.2003

MONICA ELECTRONICS LIMITED

Note:

- Private Limited Companies, Foreign Companies and Companies constituted under section 25 of the Companies Act, 1956 are excluded for the above purpose.
- Only Audit Committee, Investors Grievance Committee and Remuneration Committee are considered for the purpose of Committee positions as per Listing Agreement.
- None of the Director is a member of more than ten Board level committees or a chairman of five such committees as required under clause 49 of the listing agreement.

COMMITTEES OF THE BOARD

Currently there are three committees of the Board – the Audit Committee, Investors Grievance Committee and Share Transfer committee. The composition and the number of meetings held during the financial year and the related attendance are provided below:

i) Audit Committee

The terms of reference of the Audit Committee covers the areas mentioned under clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

The audit committee met thrice during the period ended December 2003. The minutes of the Audit Committee were placed before the Board. The names of the members of the Audit Committee and the attendance of them was as under :

Members	Held during the tenure of Director	Meetings Attended
Mr A.C. Mehta ¹	1	1
Mr Kaushal Tyagi	3	3
Mr B. P. Yadav	3	3
Mr S K Shukla ²	2	2

1 – Ceased to be a director on 26.09.2003

2 – Appointed as a director on 26.09.2003

ii) Shareholders/Investors Grievances Committee

The Investors Grievance Committee of the company oversees redressal of shareholder and investors grievances. The Committee also oversees the performance of the Registrar and Transfer Agents, and recommends measures for overall improvement in the quality of investor services. Mr Sunil Bhatia, Company Secretary of the company has been designated as the Compliance Officer. As on 31st December 2003 the shareholders/Investors Grievances committee consist of Mr. B.P. Yadav, Mr. Kaushal Tyagi and Mr. S.K. Shukla. All the members of the committee are Independent & Non-Executive Directors of the company. During the period ended 31st December 2003 four meetings of the Investors Grievance Committee were held.

At the beginning of period on April 1, 2003, 276 complaints were pending. During the period ended December 31, 2003, the company had received 194 complaints from shareholders/investors, stock exchanges and SEBI. Out of complaints 448 complaints had been solved. At the close of the period 22 complaints were pending.

iii) Share Transfer Committee

Share Transfer Committee approves the transfer/transmission/split of shares and consists of Mr B.P. Yadav, Mr Kaushal Tyagi and Mr S.K. Shukla. During the period ended December 31, 2003 six meetings of the committee were held.

Procedures at Committee Meetings

Company's guidelines relating to Board Meetings are applicable to Committee Meetings as far as may be practicable. The Board takes note of the proceedings of each of the Committee meeting.

iv) Remuneration of Directors

Non-Executive independent directors are paid the sitting fees for attending the Board / Committee meetings within the limits prescribed under the Companies Act, 1956.

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Directors	Positions	Sitting fees	Salary & Perquisites	Commission	Total
Mr A.C. Mehta ¹	Director	*	—	—	—
Mr Kaushal Tyagi	Director	*	—	—	—
Mr B. P. Yadav	Director	7,500/-	—	—	7,500/-
Mr S K Shukla ²	Director	*	—	—	—

1 – Ceased to be a director on 26.09.2003

2 – Appointed as a director on 26.09.2003

* – Director have forgone sitting fees.

3. Annual General Meetings

Location and time for the last three Annual General Meetings were as follows:

Year	Location	Date	Time
2000-01	Airforce Auditorium, Subroto Park, New Delhi – 110010	13 th September, 2001	12.30 P.M
2001-02	E-22, Ansal Satbari, Chattarpur, New Delhi	31 st December, 2002	9.00 A.M
2002-03	E-22, Ansal Satbari, Chattarpur, New Delhi	26th September, 2003	10.00 A.M

During the nine month ended 31st December, 2003, no resolution was put to vote through postal ballot.

4. Disclosures

- a) Disclosures on materially significant related party transactions i.e. transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the company at large.

None of the transactions of material nature with any of the related parties was in conflict with the interest of the company at large.

- b) Details of non-compliance by the company, penalties, strictures imposed on the company by Stock Exchanges or Securities and Exchange Board of India, or any statutory authority, on any matter related to capital markets, during the last three years.

The Company has complied with all the requirements of regulatory authorities except non-payment of listing fee to Chennai, Ahmedabad and Calcutta Stock Exchanges.

5. Means Of Communication

Half yearly report sent to each household of Shareholder	No
Quarterly Results which newspaper normally published in	Financial Express/Veer Arjun
Any Website, where displayed	No
Whether it also displays official news releases and presentations made to institutional investors/Analysts	No
Whether MD & A is a part of Annual Report	Yes
Whether shareholder information section forms part of the Annual Report	Yes

6. General Shareholder Information

i) Resume of Director being appointed

B. P. Yadav

Mr B.P. Yadav was appointed as a director of the company on 31st December, 2002 and has been recommended for re-appointment as a director of the company at the ensuing annual general meeting. He is 45 years old. Mr Yadav was educated at Maharishi Dayanand University. He began his career in 1987 with Onida Saka Limited. In 1989 he joined Monica Electronics Limited and moved over to Koniva Advertising Limited in September 1993. At present he is a Senior Manager (P&A) with Twenty Second Century Security and Allied Services Private Limited. Mr Yadav has 17 years of experience in the field of administration.