

**23rd
ANNUAL
REPORT
2001-2002**



PRECISION ELECTRONICS LIMITED

For Precision Electronics Ltd.


Ravi Batra
Company Secretary

PRECISION ELECTRONICS LIMITED

Board of Directors : SHRI MOHAN SINGH - Nominee RCTC
BRIG. JOGINDER SINGH (Retd.) - Nominee BIFR
SHRI ASHOK KANODIA - Managing Director
SHRI PRADEEP KANODIA - Executive Director

Company Secretary : SHRI RAVI BATRA

Registered Office : D-1081, NEW FRIENDS COLONY
NEW DELHI-110 065

Corporate Office & Works : D-10, SECTOR - 3,
NOIDA - 201 301 (U.P.)

Branch Office : 134, BIPLABI RASH BEHARI BASU ROAD,
(CANNING STREET), CALCUTTA - 700 001.

Auditors : M/S. RAJENDRA K. GOEL & COMPANY
NEW DELHI

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PRECISION ELECTRONICS LIMITED

Regd. Office : D-1081, New Friends Colony, New Delhi - 110 065

NOTICE OF THE 23rd ANNUAL GENERAL MEETING

NOTICE is hereby given that the 23rd Annual General Meeting of Precision Electronics Ltd. will be held on Tuesday the 24th September, 2002 at 2.00 P.M. at India International Centre, 40 Max Mueller Marg, New Delhi-110003 to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Directors' Report, Audited Balance Sheet as on 31st March 2002 and the Profit and Loss A/c for the year ended on that date and the Auditors' Report thereon.
2. To reappoint Shri Mohan Singh who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, and to fix their remuneration. M/s. Rajendra K. Goel & Co., Chartered Accountants, the retiring Auditors hold office till conclusion of this meeting and are eligible for reappointment.

SPECIAL BUSINESS :

4. To consider, and, if thought fit, to pass, with or without modification (s), the following resolution as a **Special Resolution** :

"RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Act, the Articles of Association of the Company be and are hereby altered in the following manner:

Insert the following heading and Article along with the marginal notes as Article 17A after Article 17:

17A BUY- BACK OF SECURITIES

The Company is permitted to buy- back its securities, including shares, in accordance with the provisions of Sections 77A, 77AA and 77B and such other applicable provisions of the Companies Act, 1956 and as per the rules and procedures prescribed therein and in compliance with the prevailing regulatory provisions and any future amendments or re-enactments.

5. To consider, and, if thought fit, to pass, with or without modification (s), the following Resolution as a **Special Resolution**:

"RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Act, the Articles of Association of the Company be and are hereby altered in the following manner:

Insert the following heading and Article along with the marginal notes as Article 116A after Article 116 :

116A POSTAL BALLOT

The Company may pass such resolution by postal ballot in the manner prescribed by Section 192A of the Companies Act, 1956 ("the Act") and such other applicable provisions of the Act and any future amendments or re-enactments. Notwithstanding anything contained in the provisions of the Act, the Company, being a listed company, shall in case of resolution relating to such business, as the Central Government may, by notification, declare to be conducted only by postal ballot, get such resolution passed by means of a postal ballot instead of transacting the business in a general meeting of the Company.

PRECISION ELECTRONICS LIMITED**Explanatory Statement***Pursuant to Section 173(2) of the Companies Act, 1956***ITEM NO. 4**

As per the provisions of Section 77A read with Sections 77AA and 77B of the Companies Act, 1956, a company could purchase its own securities (hereinafter referred to as "the buy-back") if it is complied with certain conditions that includes the buy-back proposal should be authorised by its Articles of Association.

The present Articles of Association of the Company do not have this provision. In view of this is proposed to insert new Article 17A in the Articles of Association of the Company to give effect to the said provisions in the Special Resolution.

The Board recommends to the shareholders to adopt the proposed resolution as a Special Resolution.

None of the Directors of the Company are concerned or interested in the said Resolution.

A copy of the existing Articles of Association of the Company together with a copy of the proposed amendment will be open for inspection by the shareholders at the Registered Office of the company between the hours of 10.00 a.m. and 12.00 noon on all days except Saturdays, Sundays and holidays, until the date of the Annual General Meeting or any adjournment thereof.

ITEM NO. 5

As per the provisions of Section 192A of the Companies Act, a Company may pass such resolution by postal ballot in the manner prescribed therein. However, the present Articles of Association of the Company do not have any provision authorising postal ballot.

In view of this it is proposed to insert new Section 116A in the Articles of Association of the Company to give effect to the said provisions in the Special Resolution.

The Board recommends to the shareholders to adopt the proposed resolution as a Special Resolution.

None of the Directors of the Company are concerned or interested in the said Resolution.

A copy of the existing Articles of Association of the Company together with a copy of the proposed amendment will be open for inspection by the shareholders at the Registered Office of the Company between the hours of 10.00 a.m. and 12.00 noon on all days except Saturdays, Sundays and holidays, until the date of the Annual General Meeting or any adjournment thereof.

By Order of the Board**Place : New Delhi****Date : 27/7/02****(Ravi Batra)**
Company Secretary

PRECISION ELECTRONICS LIMITED

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 a proxy need not be a member of the Company.
2. Proxies in order to be effective should be duly completed and signed in the enclosed form and must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed on 24th September, 2002.
4. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their queries to the Managing Director/ Company Secretary of the Company at-least seven days before the date of the meeting so that the information required may be made available at the meeting.
5. An Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 pertaining to the business contained in items 4 and 5 above is annexed. All the documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Company between the hours of 10.00 a.m. and 12.00 noon on all days except Saturdays, Sundays and holidays, until the date of the Annual General Meeting or any adjournment thereof.



PRECISION ELECTRONICS LIMITED**DIRECTORS' REPORT**

To the Members of
Precision Electronics Ltd.,

The Directors have pleasure in presenting the 23rd Annual Report of the Company along with the audited statements of accounts for the year ended March 31, 2002.

PERFORMANCE OF THE COMPANY

Summary of the financial results is as under:

	CURRENT YEAR (Rs. in Lac)	PREVIOUS YEAR (Rs. in Lac)
Total Income	1674	1225
Total expenditure	2530	2274
Net profit / (-) loss	(-) 816	-1027
Profit / (-) loss brought forward	(-) 5100	-4073
Balance carried forward	(-) 5916	-5100

Operations of the Company improved during the year and the turnover increased by 38% from 1211L (during 2000-01) to Rs. 1671Lac. This was possible mainly due to execution of the balance order of about Rs.700L of Ministry of Defence. The Company was able to generate a small operational surplus. Losses though continued due to abnormal interest burden on loans outstanding on the Company.

BUSINESS PLAN**PCB Division :**

Requirement continues to plummet due to steep fall in production of electronics equipment in the Country. Government has reduced import duties on the finished goods without commensurate reduction in the duty structure of the components/input for production. Local products thus face competition from imported finished goods. Nearly all the Computer and Digital Switching Exchange are being imported in finished and/or assembled PCB form. This was a big market segment for indigenous PCB manufacturers. With excess installed capacity, rates are under severe pressure and have reached a level where it barely covers the direct input material cost. Exports of PCB have become a trickle due to very competitive international price structure and your Company's inability to meet the present technical requirement. Significant investment is needed for facility upgradation. A serious view needs to be taken on future operations of this division.

Telecom Division :

Demand for Data Circuit continues to be strong which has come as a boon for the Company. Primary Multiplexer with the Data Card Interface developed in-house has contributed maximum towards the sale of the Telecom division. As was indicated earlier, customer is now demanding advanced flexible/data multiplexer to service the ever changing bandwidth requirement of the customer. Your Company has added this product in the product mix but requires funds for aggressive marketing of the product. Follow-up orders from the Ministry of Defence are in process and with satisfactory execution of the order in hand, your Company expects good orders in future.

Main impediment for sustained growth is the liquidity crunch and BIFR status of the Company. The Company is unable to bid for projects which otherwise it is capable of. Only answer is acceptance of the one time settlement offered by the Company. Without this financial restructuring the Company would not have access to funds that is badly needs.

DIVIDEND

No dividend is possible for the year.

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FINANCIAL REVIVAL SCHEME

The company has been registered with Board for Industrial & Financial Reconstruction (BIFR) u/s 15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 as a sick industrial company for need based relief and concessions for financial reconstruction. IFCI has been appointed as Operating Agency. IFCI, ICICI, IDBI and Canara Bank have agreed to accept OTS proposal of the company for Term Loan. Approval from United Bank of India is awaited. Also awaited is the acceptance of the Banks for working capital liabilities.

EXPENDITURE ON R&D

Research, development and improvement of products is an in-built ongoing activity within the existing manufacturing operations of the Company. Expenditure on R&D is not separately allocated and identified.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

During the year under review technology absorption for Control Electronics has been put on hold due to liquidity constraints.

CONSERVATION OF ENERGY

The Company follows a regular schedule of preventive maintenance and servicing of all its energy intensive machines and equipment to ensure that they operate at optimum energy consumption levels.

FOREIGN EXCHANGE

Foreign Exchange equivalent to Rs. 4,70,736 was earned during the year. Export sales were Rs. 4,70,736 during the year and are expected to increase further in future. The company has identified export business as its thrust area.

FIXED DEPOSITS

No deposit falling within the purview of Section 58A of the Companies Act, 1956 has been accepted by the Company.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2000 the Directors confirm; that in the preparation of the annual accounts, the applicable accounting standards have been followed. Appropriate accounting policies have been selected and applied consistently, and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31st, 2002 and of profit & loss of the Company for the period April 1st 2001 to March 31st, 2002. Proper and sufficient care has been taken 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 and the annual accounts have been prepared on a going concern basis.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association Shri Mohan Singh, Director of the Company, retires by rotation from the Board of Directors and, being eligible, to offer himself for reappointment.

AUDITORS

M/s. Rajendra K. Goel & Co., the auditors of the Company, retire at this year's annual general meeting and offer themselves for reappointment.

LISTING OF SECURITIES

The Shares of the Company are listed with the following stock exchanges:

- The Delhi Stock Exchange Association Ltd., 3&4/4B, Asaf Ali Road, New Delhi
- The Stock Exchange - Mumbai, Pheroze Jeejeebhoy Towers, Dalal Street, Mumbai.
- The Calcutta Stock Exchange Ltd.*, Lyons Range, Calcutta.

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- The Stock Exchange - Ahmedabad*, Kamdhenu Complex, Opp. Sahajanand College, Panjarapole, Ahmedabad.

* Listing fees for Ahmedabad Stock Exchange is paid upto '97 and for Calcutta Stock Exchange '98.

It is confirmed that Annual listing fee upto the current financial year has been paid by the Company to Delhi and Bombay Stock Exchanges.

ACKNOWLEDGMENTS

The Directors wish to thank the Government authorities, financial institutions, bankers, other business associates and shareholders for their encouragement and co-operation. The Directors also acknowledge the dedication and contribution made by the employees at all levels.

No employee of the Company is getting salary which falls within the purview of Section 217(2A) of the Companies Act, 1956.

FOR AND ON BEHALF OF THE BOARD

Place: New Delhi
Date: 27.07.2002

(PRADEEP KANODIA)
Executive Director

(ASHOK KANODIA)
Managing Director

