

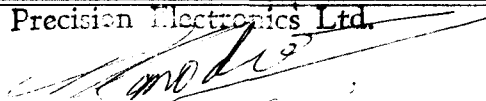
**24th
ANNUAL
REPORT
2002-2003**



PRECISION ELECTRONICS LIMITED

CERTIFIED TRUE COPY

For Precision Electronics Ltd.


Authorized Signatory

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 | |

PRECISION ELECTRONICS LIMITED

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

NOTICE OF THE 24th ANNUAL GENERAL MEETING

NOTICE is hereby given that the 24th Annual General Meeting of Precision Electronics Ltd. will be held on Saturday the 22nd November, 2003 at 11.00 A.M. at India International Centre, 40 Max Mueller Marg, New Delhi-110 003 to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Directors' Report, Audited Balance Sheet as on 31st March 2003 and the Profit and Loss A/c for the year ended on that date and the Auditors' Report thereon.
2. To reappoint Shri Pradeep Kanodia 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 in accordance with the applicable provisions of the Companies Act, 1956, the Securities Contracts (Regulation) Act, 1956, the Listing Agreement with the Stock Exchange, Clause 5 and 6 and other applicable Clauses of the SEBI (Delisting of Securities) Guidelines, 2003 or any amendments or modifications thereof and subject to such other approvals as may be necessary and such conditions and modifications as may be prescribed or imposed by the Authorities in the concerned Stock Exchanges while granting such approvals, permissions or sanctions which may be agreed to by the Board of Directors of the Company, consent be and is hereby accorded to delist the equity shares of the Company from the Delhi Stock Exchange Association Limited, The Calcutta Stock Exchange Association Ltd. and Ahmedabad Stock Exchange having regard to the fact that trading volumes in the Company's equity shares at the said Exchanges are either nil or insignificant".

"Resolved further that authority be and is hereby accorded to the Board/Person(s) authorized by the Board to settle all questions, difficulties, if any, that may arise in this connection and to do all such acts, deeds as may be necessary and expedient for giving effect to this resolution".

By Order of the Board

Place : New Delhi

Date : 25-09-03

(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 22nd November, 2003.
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 item 4 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.
6. The company's shares have been activated for dematerialization both with National Securities Depository Ltd. and Central Depository Services Ltd. Members can hold their shares in dematerialized form through any of the depositories as above.
7. Corporate members intending to send their authorised representatives are required to send a duly certified copy of Board Resolution authorising their representative to attend and vote at the Annual General Meeting.
8. Consequent upon the introduction of section 109A of the Companies Act 1956 shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nomination are requested to send their requests in Form 2B to the Company.

PRECISION ELECTRONICS LIMITED

EXPLANATORY STATEMENT

[Pursuant to Section 173(2) of the Companies Act, 1956]

In respect of Item No. 4

The equity shares of the company are presently listed at the following Stock Exchanges:

- The Delhi Stock Exchange Association Ltd., DSE House, 3/1, Asaf Ali Road, New Delhi. (DSE)
- The Stock Exchange – Mumbai, Pheroze Jeejeebhoy Towers, Dalal Street, Mumbai. (BSE)
- The Calcutta Stock Exchange Association Ltd., Lyons Range, Kolkata. (CSE)
- The Stock Exchange - Ahmedabad , Kamdhenu Complex, Opp. Sahajanand College, Panjarapole, Ahmedabad. (AHSE)

Other than at the BSE, trading volumes in the company's shares at CSE, DSE and AHSE are either nil or insignificant. Continued listing on these Stock Exchanges would not serve the interests either of the members/ investors or that of the company.

In view of the above, the Board of Directors have recommended for approval of the members the proposal to voluntarily delist the company's equity shares from the CSE, DSE and AHSE. The company's shares will, however, continue to be listed at the BSE. Delisting of the company's shares from the above Exchanges would lead to reduction in costs in the form of listing fees apart from yielding to administrative convenience.

In accordance with the SEBI (Delisting of Securities) Guidelines, 2003, consent of the members by special resolution is being sought for voluntary delisting from the above Exchanges.

None of directors are interested or deemed to be interested in the above resolution.

By Order of the Board

Place : New Delhi

Date : 25-09-03

(Ravi Batra)
Company Secretary

PRECISION ELECTRONICS LIMITED**DIRECTORS' REPORT**

To the Members of
Precision Electronics Ltd.,

The Directors have pleasure in presenting the 24th Annual Report of the Company along with the audited statements of accounts for the year ended March 31, 2003.

PERFORMANCE OF THE COMPANY

Summary of the financial results is as under :

| | CURRENT YEAR (Rs. In Lac) | PREVIOUS YEAR (Rs. In lac) |
|--|--|---|
| Total income | 2215 | 1674 |
| Total expenditure | 3565 | 2530 |
| Net profit / (-) loss | (-)1350 | (-)856 |
| Exceptional Item | 2 | 40 |
| Net Profit/(-) loss after exceptional item | (-)1348 | (-)816 |
| Profit / (-) loss brought forward | (-)5916 | (-)5100 |
| Balance carried forward | (-)7264 | (-)5916 |

MANAGEMENT DISCUSSION AND ANALYSIS**Industrial Structure**

The Company is engaged in the business of manufacturing, selling and trading of PCBs and Telecom Transmission products.

The Company caters mainly to Industrial Electronic Equipment manufacturers and Public Undertakings comprising of Bharat Sanchar Nigam Ltd, Ministry of Defence etc.

The Company's gross sales during the current year 2002-03 increased to Rs. 2215 Lac from Rs. 1674 Lac achieved during the previous year (2001-02). The increase is a result of short-term demand for Company's Primary Multiplexers by BSNL. The Company was able to generate a small operational surplus. Losses though continued due to abnormal interest burden on loans outstanding on the Company. Current order position is weak however, the Company expects business to fructify from the enquiries under evaluation.

PCB Division :

Performance of the PCB division has further deteriorated and the division is incurring substantial cash losses. PCB sales in the current year are only Rs. 289 Lac as against Rs. 408 Lac in the last year. Plant is 14 years old and is unable to offer PCB of the specifications that are being asked for by the customers. Some of the machines are unusable as they are beyond economic repair. Indian PCB industry being fragmented do not have world class capacities & technology and are therefore not competitive. Future prospects are bleak with import duty protection being completely removed.

PRECISION ELECTRONICS LIMITED

Telecom Division :

Performance of the telecom division has been better than last year. Demand of MUX to provide leased line data circuits by BSNL has given a boost to the company. BSNL is now looking for new generation technology products. For sustained business, PEL needs to upgrade its technology and product mix soonest. Telecom manufacturing sector is suffering due to imports of finished equipment. Small and marginal players with limited access to technology would find it difficult to survive specially since industry is to face the zero import duty regime from January 2005. The division needs reorientation.

OUTLOOK

The Company business prospects are closely linked to the IT / Telecom policy and development of telecom infrastructure in the country. Substantial growth in the telecom market is expected in the near future. Given the challenging market environment, stiff competition, lack of coherent government policy for electronics hardware manufacturing industry and delay in induction of funds, it is difficult to make an optimistic prediction in the business prospects in the coming years.

The Company, however, continues to evaluate ways and means for sales growth in the challenging industry environment.

RISK AND CONCERN

The Company depends to a significant extent on acceptance of its One Time Settlement proposal for settlement of its debts with the lenders and induction of funds by the strategic investor/promoter. Company's present product mix is technologically obsolete and requires induction of new technology products and upgradation of its infrastructure to maintain its market access. This, to a large extent, is dependent upon induction of funds by the strategic investor.

INTERNAL CONTROL SYSTEM

The Company has adequate internal control procedure commensurate with its size and nature of business. The internal control system provides for laid down policy, guidelines and approval procedure. This control procedure ensures efficient use and protection of resources, compliance with established company policy and guidelines and compliance of statutes.

The Company has an internal audit system, which carries out independent periodic audit. The scope of internal audit covers variety of operational and financial matters, follow up and review of implementation of recommendations made for corrective action. The prime object of such audit is to test the adequacy, effectiveness and adherence of all internal control laid down by the management and to suggest improvement. Quarterly audit reports are prepared for Board of Directors.

FINANCIAL REVIVAL SCHEME

The One Time Settlement proposal of the Company has been accepted by most of the lenders. The rehabilitation scheme is to be submitted shortly by the Operating Agency to the Hon'ble BIFR for its approval. Under the present scenario, this is the only viable route for rehabilitation of the Company.

EXPENDITURE ON R&D

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

PRECISION ELECTRONICS LIMITED

HUMAN RESOURCES

The Company continues to have harmonious relation with its employees at all levels. The Company recognises the potential and performance of its employee, provides opportunities for growth in order to enhance the skill of the employees.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

During the year under review no new technology has been inducted in the Company.

ENVIRONMENTAL PROTECTION, HEALTH AND SAFETY

EHS continue to receive highest priority in all operational and functional areas at factory. The Company continues to keep excellent track record on safety. The site had no accidents during the year 2002-03.

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.

CORPORATE GOVERNANCE

As a Listed Company, necessary measures are taken to comply with the Listing Agreements with the Stock Exchanges. A report on Corporate Governance, alongwith a certificate of compliance from the Auditors, forms part of this Report.

FOREIGN EXCHANGE

Foreign Exchange equivalent to Rs. 488971.00 was earned during the year. Export sales were Rs. 488971.00 during the year (2002-03). Exports can only be increased upon upgradation of existing infrastructure.

FIXED DEPOSITS

The Company has not accepted any deposit from the Public during the year.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Board of Directors of your Company confirm:

- 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 judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company for the year ended on the date;
- iii. That the Directors had 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 the going concern basis.

DIRECTORS

Shri Pradeep Kanodia retires by rotation and, being eligible, offers himself for re-appointment. The Board recommends their re-appointment.

PRECISION ELECTRONICS LIMITED

REGISTRATION WITH NSDL & CDSL

The Company has signed agreement with NSDL & CDSL for trading of shares in Demat form only. Presently shares are traded in Demat Form only.

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.

The Management replies to the audit observations are contained in Schedule 14 forming part of the Accounts. The notes to the Accounts referred to in the Auditors Report are self explanatory; and, therefore, do not call for any further explanations.

LISTING OF SECURITIES

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

- The Delhi Stock Exchange Association Ltd., DSE House, 3/1, Asaf Ali Road, New Delhi.
 - The Stock Exchange - Mumbai, Pheroze Jeejeebhoy Towers, Dalal Street, Mumbai.
 - The Calcutta Stock Exchange Ltd. *, Lyons Range, Calcutta.
 - 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 the Company has paid Annual listing fee upto the current financial year to Delhi and Bombay Stock Exchanges.

Other than BSE, trading volumes in the company's share at AHSE, CSE, and DSE are either nil or insignificant for quite a few years. It is proposed to seek voluntary delisting from these stock exchanges subject to the approval of shareholders and in compliance of the existing SEBI (Delisting of shares) Guidelines, 2003. The delisting of shares will lead to reduction in costs apart from providing administrative convenience. The company's shares will continue to be listed on the Stock Exchange at Mumbai.

PERSONNEL

There was no employee in respect of whom information is required to be given pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

ACKNOWLEDGEMENT

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.

FOR AND ON BEHALF OF THE BOARD

Place : New Delhi

Date : 25-09-03

(PRADEEP KANODIA)

Executive Director

(ASHOK KANODIA)

Managing Director

PRECISION ELECTRONICS LIMITED**CORPORATE GOVERNANCE****(A) COMPANY PHILOSOPHY**

The Company is conscious of its responsibility as a good corporate citizen. The spirit of Corporate Governance prevailed in the Company and its system of functioning long before the guidelines came to be codified. In fact, the Company's essential character and its complexion are shaped by the very values of transparency, professionalism and accountability. The Company could not set up Board Sub Committees under listing agreement due to Company being registered with BIFR and no outside Director are willing to join the company at this stage. Any how for the time being all the listing requirement are now being handled by Board of Directors of the company.

(B) BOARD OF DIRECTORS**i) Executive Director (Promoters' Directors)**

1. Mr. Ashok Kanodia
2. Mr. Pradeep Kanodia

ii) Non-Executive Director (Independent Directors)

1. Mr. Mohan Singh
2. Brig. Joginder Singh (Retd.)

The ratio between executive and non-executive directors is 2:2

During the year four Board meetings were held on 19.6.2002 adjourned & held on 27.7.2002, 23.12.2002 and 25.2.2003.

AGM was conducted on 24th September 2002.

Attendance of Directors at the Board Meetings and the last Annual General Meeting.

| Name of Directors | No. of Board Meeting attended | Attended last AGM | No. of other Directorships other than Pvt Ltd. | Members in other Board/ Committees |
|------------------------------|-------------------------------|-------------------|--|------------------------------------|
| Mr. Ashok Kanodia | 4 | Yes | 1 | - |
| Mr. Pradeep Kanodia | 3 | Yes | - | - |
| Mr. Mohan Singh | 3 | Yes | - | - |
| Brig. Joginder Singh (Retd.) | 3 | Yes | 2 | - |

Company on its Board Meeting held on 25.2.2003 has passed a resolution and made an application with SEBI for an exemption from clause 49 of the listing agreement,

Managing Director informed the Board that the SEBI, vide its letter no. SMDRP/POLICY/CIR-10/2000 dated February 20, 2000 amended the Standard Listing Agreement by adding a new Clause 49 termed as Corporate Governance Code, which was based on the recommendations of Kumar Mangalam Birla Committee.

This new clause of the Listing Agreement among other things talks about composition of Board of Directors and setting up of Audit Committee. The brief provisions related to the composition of Board of Director and constitution of Audit Committee, as per Clause 49 are as follows :

Clause 49**(i) Board of Directors**

- (A) The Company agrees that the Board of Directors of the Company shall have an optimum combination of Executive and non- Executive Directors with not less than fifty percent of the board of Directors comprising of non- Executive Directors. The number of independent Directors would depend whether the Chairman is executive or non- executive. In the case of a non-executive Chairman, at least one- third of board should comprise of independent Directors and in the case of an Executive Chairman, at least half of the board should comprise of independent Directors.

(ii) Audit Committee

- A. The Company agrees that a qualified and independent audit committee shall be set up and that :
- (a) The audit committee shall have minimum three members, all being non-executive directors, with the majority of them being independent, and with atleast one director having financial and accounting knowledge;
 - (b) The chairman of the committee shall be an independent director.