

**26th
ANNUAL
REPORT
2004-2005**



PRECISION ELECTRONICS LIMITED

PRECISION ELECTRONICS LIMITED

Board of Directors : MR. ASHOK KANODIA - Managing Director
MR. PRADEEP KANODIA - Executive Director
MR. S. C. SHARMA - Director
MR. RAHUL GOENKA - Director
BRIG. JOGINDER SINGH (Retd.) - Nominee Director

Company Secretary : Ms. MEENU CHAUHAN

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 26th ANNUAL GENERAL MEETING

NOTICE is hereby given that the 26th Annual General Meeting of Precision Electronics Ltd. will be held on Monday, the 8th August, 2005 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 2005 and the Profit and Loss A/c for the year ended on that date and the Auditors' Report thereon.
2. To re-appoint Mr. S.C. Sharma 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 **Ordinary Resolution**:

“RESOLVED that pursuant to the provisions of Companies Act, 1956 Mr. Anant Kanoi be and is hereby appointed as a Director of the Company liable to retire by rotation.”

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

“RESOLVED that pursuant to Section 309(2) of the Companies Act, 1956 read with revised Clause 49 of the 'Listing Agreement' with the Stock Exchange-Mumbai, the Board of Directors of the Company be and is hereby authorised to decide the payment of sitting fees to the Directors other than Managing Director, Whole-Time Director, for attending the meeting of the Board of Directors or any committee thereof, up to a maximum of Rs. 10,000 per meeting.”

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

“RESOLVED that pursuant to the provisions of Section 269, 198, 309 and 311 of the Companies Act 1956 read with Schedule XIII to the Act and other applicable provisions, if any, of the Companies Act, 1956 or any amendments or modifications thereof, consent of the members be and is hereby accorded to the re-appointment of Mr. Ashok Kanodia, as the Managing Director of the Company for a period of 5 years with effect from 5th June 2005 on the remuneration and terms and conditions as set out herein in and the Explanatory Statement to this resolution.

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1. Salary: Rs. 14, 16,000 per annum
2. Commission @ 1 % of the net profits.
3. In addition to Salary, he shall be entitled to the following facilities:
 - a. Medical reimbursement: Medical expenses incurred for self and his family, as per rules of the Company; however not exceeding Rs 30,000/- per year.
 - b. Leave Travel Allowance: For self and his family, as per rules of the Company; however not exceeding Rs. 100,000 once in two years.

Mr. Ashok Kanodia shall also be eligible to the following perquisites, which shall not be included in the computation of the ceiling on remuneration specified in paragraph 1 above:

- i) Contribution to provident fund, superannuation fund or annuity fund to the extent these are not taxable under the Income Tax Act 1961.
- ii) Gratuity payable at the rate not exceeding half a month's salary for each completed year of service,
- iii) Encashment of leave at the end of tenure.

He will be entitled for following fringe benefits for official purposes which will be taxed at Company as per the provisions of the Fringe Benefit Tax (FBT) and will not be a part of the perquisites:

- i) Use of telephone including mobile
- ii) Use of Company car
- iii) Reimbursement of expenses incurred for the business of the Company in any manner whatsoever.

For aforesaid purpose a family means the spouse, dependent children.

The perquisites to be evaluated as per Income Tax Rules wherever applicable."

"RESOLVED FURTHER that in the event of any loss, absence or inadequacy of profits of the Company in any financial year, the remuneration as mentioned herein, except the commission, shall be paid to Mr Ashok Kanodia as Minimum remuneration, provided that total remuneration by way of salary and perquisites shall not exceed Rs. 15, 00,000 per annum or Rs. 125,000 per month as stated in Part II, Section II, 1 (A) of Schedule XIII of the Companies Act, 1956."

"RESOLVED FURTHER that the Board of Directors be and is hereby authorised to alter and vary the terms and conditions of the said re-appointment so as not to exceed the maximum limit for payment of managerial remuneration prescribed in the Schedule XIII of the Companies Act, 1956 or any amendment thereto, or any guideline issued by the Central Government from time to time."

"RESOLVED FURTHER that the Board of Directors of the company be and is hereby authorised to do all such acts deeds and things as may be necessary to give effect to this resolution and other matter incidental thereto".

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

“RESOLVED that pursuant to the provisions of Section 269, 198, 309 and 311 of the Companies Act 1956 read with Schedule XIII to the Act and other applicable provisions, if any, of the Companies Act, 1956 or any amendments or modifications thereof, consent of the members be and is hereby accorded to the re-appointment of Mr. Pradeep Kanodia, as the Executive Director of the Company for a period of 5 years with effect from 5th June 2005 on the remuneration and terms and conditions as set out herein in and the Explanatory Statement to this resolution.

1. Salary: Rs. 14, 16,000 per annum
2. Commission @ 1 % of the net profits.
3. In addition to Salary, he shall be entitled to the following facilities:
 - a. Medical reimbursement: Medical expenses incurred for self and his family, as per rules of the Company; however not exceeding Rs 30,000/- per year.
 - b. Leave Travel Allowance: For self and his family, as per rules of the Company; however not exceeding Rs. 100,000 once in two years.

Mr. Pradeep Kanodia shall also be eligible to the following perquisites, which shall not be included in the computation of the ceiling on remuneration specified in paragraph 1 above:

- i) Contribution to provident fund, superannuation fund or annuity fund to the extent these are not taxable under the Income Tax Act 1961.
- ii) Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
- iii) Encashment of leave at the end of tenure.

He will be entitled for following fringe benefits for official purposes which will be taxed at Company as per the provisions of the Fringe Benefit Tax (FBT) and will not be a part of the perquisites:

- i) Use of telephone including mobile
- ii) Use of Company car
- iii) Reimbursement of expenses incurred for the business of the Company in any manner whatsoever.

For aforesaid purpose a family means the spouse, dependent children.

The perquisites to be evaluated as per Income Tax Rules wherever applicable.”

“RESOLVED FURTHER that in the event of any loss, absence or inadequacy of profits of the Company in any financial year, the remuneration as mentioned herein, except the commission, shall be paid to Mr Pradeep Kanodia as Minimum remuneration, provided that total remuneration by way of salary and perquisites shall not exceed Rs. 15, 00,000 per annum or Rs. 125,000 per month as stated in Part II, Section II, 1 (A) of Schedule XIII of the Companies Act, 1956.”

“RESOLVED FURTHER that the Board of Directors be and is hereby authorised to alter and vary the terms and conditions of the said re-appointment so as not to exceed the maximum limit for payment

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of managerial remuneration prescribed in the Schedule XIII of the Companies Act, 1956 or any amendment thereto, or any guideline issued by the Central Government from time to time”.

“RESOLVED FURTHER that the Board of Directors of the company be and is hereby authorised to do all such acts deeds and things as may be necessary to give effect to this resolution and other matter incidental thereto”.

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

“RESOLVED that pursuant to the provisions of Section 314 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the prior approval of Central Government, the consent of the Company be and is hereby accorded to increase the remuneration payable to Shri Nikhil Kanodia, President of the Company to a gross remuneration of Rs. 125,000/- p.m. inclusive of all allowances and perquisites in the salary scale of Rs (125,000 - 150,000 - 200,000 - 2,50,000) p.m. w.e.f. 01.10.2005. He will also be eligible for reimbursement of expenses incurred in discharge of his duties and for official purposes including of business promotion and other expenses based on actuals”.

By Order of the Board
For Precision Electronics Limited

Place : New Delhi

Date : 28-05-2005

(Meenu Chauhan)
Company Secretary

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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. Members are requested:
 - To kindly notify the change of address, if any, to the Company/The Registrar & Transfer Agent/ Depository Participants, as the case may be.
 - To bring their copy of Annual Report.
 - To deposit duly completed Attendance slip at the meeting.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 6th August, 2005 to 8th August, 2005 (both inclusive).
5. 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.
6. Explanatory Statement(s) pursuant to Section 173(2) of the Companies Act, 1956 pertaining to the business contained in items 4,5,6,7 & 8 above is annexed. All the documents referred to in the aforesaid notice are open for inspection at the registered office of the Company between 11.00 A.M. to 1.00 P.M. on all the working days except Saturday up-to the date of the Annual General meeting.
7. The particulars of directors to be re-appointed/ appointed at the meeting are given in the Corporate Governance Section, of this Annual Report.

By Order of the Board
For Precision Electronics Limited

Place : New Delhi

Date : 28-05-2005

(Meenu Chauhan)
Company Secretary

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EXPLANATORY STATEMENTS

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

In respect of Item No. 04

Mr. Anant Kanoi aged 26 years is a Graduate of Univ. of Michigan with specialization in Industrial & Operations Engineering and has about 4 years of working experience with international Companies like PepsiCo Inc. and Ford Motor.

Notice under Section 257 of the Companies Act, 1956 along with requisite deposit has been received from a member signifying his intention to propose the candidature of Mr. Anant Kanoi as Director retiring by rotation.

Your directors feel that induction of Mr. Anant Kanoi as independent director in the Company shall strengthen the Board of Directors of the Company and the Company shall be benefited from his experience of diverse industrial background.

Directors recommend your approval of the said resolution.

None of the directors is interested in the above resolution.

In respect of Item No. 05

The revised Clause 49 of the Listing Agreement states that all fees and compensation paid to non-executive directors, including independent directors, shall be fixed by the board of directors and shall require prior approval of shareholders at a general meeting.

Regarding sitting fees paid to non-executive directors, members are advised that the Company is paying sitting fees upto Rs.2,000 per Board Meeting(s) and Rs.1,000 per Sub Committee meeting(s) whereas the maximum sitting fees that could be paid pursuant to Government notification GSR 580(E), dated 24th July 2003 is Rs. 10,000 per meeting.

For the purpose of administrative convenience, members are requested to authorise the Board of Directors to decide the quantum of sitting fees payable to non-executive directors upto a limit of Rs 10,000 per meeting after taking into consideration the expertise and the knowledge they bring to the Company and their contribution to the performance of the Company

None of the directors except Brig. Joginder Singh, Mr. S.C. Sharma and Mr. Rahul Goenka is interested in this resolution.

In respect of Item No. 06

Mr. Ashok Kanodia was re-appointed as Managing Director of the Company for a period of 5 years from 5th June 2000 to 4th June, 2005 on the remuneration as approved by the shareholders of the Company. As the term of office of Mr. Ashok Kanodia as Managing Director of the Company expires on 4th June, 2005, the Board of Directors of the Company at its meeting held on 28th May, 2005 re-appointed him as Managing Director of the Company for a period of 5 years w.e.f. 5th June, 2005 on revised remuneration as approved by the Remuneration Committee as provided in the resolution itself.

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Mr. Ashok Kanodia is an Electrical Engineer and a Business Management graduate from Massachusetts Institute of Technology (M.I.T.), USA and has over 30 years of experience in the field of Electronics. He is having around 30 years of experience in the field of Electronics & Telecom.

Mr. Ashok Kanodia is the Founder and has been associated with the Company since 1979. He is holding the office of Managing Director in the Company since 1990. The Company's strategy and operation are managed by him under the guidance of the Board of Directors. His leadership extends to shaping National Policies and Regulations as Member of the IT/Telecom Hardware Task Force set up by the Prime Minister of India and as President of the Telecommunication Equipment Manufacturers Association (TEMA) of India. He served back-to-back terms from 1999-2000. He is a member of high level "Kelkar Committee" set-up by the Defence Minister for recommending policy instruments and procedures to facilitate participation of the Private industry in Defence related production and development.

He is currently the Chairman of the Specialist group on Defence Communications and Information Warfare of the Confederation of Indian Industry (CII), an apex Forum for Industry in India and has made several contributions as industry representative in CII-Defence seminars, exhibitions and delegations around the world.

Pursuant to the provisions of Section 269 read with Schedule XIII of the Companies Act, 1956, the approval of the members is required to be obtained with regard to the re-appointment of Mr. Ashok Kanodia as Managing Director and payment of remuneration as above.

The Directors recommend the resolution for your approval.

Mr. Ashok Kanodia himself and Mr. Pradeep Kanodia being his relative may be deemed to be concerned or interested in the resolution.

The terms and conditions of re-appointment as provided above & in the resolution may be treated as an abstract of the terms and conditions of appointment of the Managing Director as required under Section 302 of the Companies Act, 1956.

In respect of Item No. 07

Mr. Pradeep Kanodia was re-appointed as Executive Director of the Company for a period of 5 years from 5th June 2000 to 4th June, 2005 on the remuneration as approved by the shareholders of the Company. As the term of office of Mr. Pradeep Kanodia as Executive Director of the Company expires on 4th June, 2005, the Board of Directors of the Company at its meeting held on 28th May, 2005 re-appointed him as Executive Director of the Company for a period of 5 years w.e.f. 5th June, 2005 on revised remuneration as approved by the Remuneration Committee as provided in the resolution itself.

Mr. Pradeep Kanodia earned a Honours degree in Commence from St. Xavier's College, Calcutta. He is having around 31 years of experience in the field of Electronics & Telecom. He is one of the Promoter Directors of the Company and has been associated with the Company since 1979. He is holding the office of Executive Director in the Company since 1990. He looks after the day-to-day commercial and administrative functioning of the company.

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Pursuant to the provisions of Section 269 read with Schedule XIII of the Companies Act, 1956, the approval of the members is required to be obtained with regard to the re-appointment of Shri Pradeep Kanodia as Executive Director and payment of remuneration as above.

The Directors recommend the resolution for your approval.

Mr. Pradeep Kanodia himself and Mr. Ashok Kanodia being his relative may be deemed to be concerned or interested in the resolution.

The terms and conditions of re-appointment as provided above & in the resolution may be treated as an abstract of the terms and conditions of appointment of the Executive Director as required under Section 302 of the Companies Act, 1956.

In respect of Item No. 08

Mr. Nikhil Kanodia, son of Mr. Ashok Kanodia, Managing Director of the Company is holding the office of President in the Company on gross monthly remuneration of Rs. 45,000 per month.

Mr. Nikhil Kanodia joined the Company in 2002 and heads the Company's technology strategy which includes the business development, product development and R&D groups.

He earned his B.S. and M.S. degrees in Electrical and Computer Engineering from Carnegie Mellon University, USA. Research interests included mobile (ad-hoc) networks and RF propagation in buildings for unlicensed bands.

He worked at Fujitsu Network Communications in Texas, USA for 4 years where he contributed in developing next generation optical transmission products. He also contributed significantly to the research of Gigabit Ethernet technology and holds an Intellectual Patent for his invention on Gigabit Ethernet Link Aggregation.

The Board after taking into consideration the expertise and the knowledge Mr. Nikhil Kanodia brought to the Company and his contribution to the performance of the Company, proposed to increase the remuneration payable to him from Rs. 45,000 p.m. to Rs. 125,000 p.m. w.e.f. 1st October, 2005 in the salary scale as provided in the resolution. The increased remuneration shall be inclusive of all allowances and perquisites payable to Mr. Nikhil Kanodia.

Pursuant to the provisions of Section 314 of the Companies Act, 1956, for payment of such remuneration to Mr. Nikhil Kanodia, prior approval of Shareholders by way of Special resolution passed at the General Meeting and prior approval of Central Government is required.

Directors recommend your approval of the said resolution.

None of the directors except Mr. Ashok Kanodia and Mr. Rahul Goenka is interested in the above resolution.

By Order of the Board
For Precision Electronics Limited

Place : New Delhi

Date : 28-05-2005

(Meenu Chauhan)
Company Secretary