

**28th  
ANNUAL  
REPORT  
2006-2007**



**PRECISION ELECTRONICS LIMITED**

## PRECISION ELECTRONICS LIMITED

<b>Board of Directors</b>	:	MR. ASHOK KANODIA MR. PRADEEP KANODIA MR. S. C. SHARMA MR. RAHUL GOENKA BRIG. JOGINDAR SINGH (Retd.) MR. ANANT KANOI	- Managing Director - Executive Director - Director - Director - Director - Director
<b>Company Secretary</b>	:	MS. MEENU CHAUHAN	
<b>Registered Office</b>	:	D-1081, NEW FRIENDS COLONY, NEW DELHI-110 065	
<b>Corporate Office &amp; Works</b>	:	D-10, SECTOR-3, NOIDA - 201 301 (U.P.)	
<b>Branch Office</b>	:	134, BIPLABI RASH BEHARI BASU ROAD, (CANNING STREET), CALCUTTA-700 001.	
<b>Auditors</b>	:	M/S. RAJENDRA K. GOEL & COMPANY NEW DELHI	
<b>Bankers to the Company</b>	:	PUNJAB NATIONAL BANK UTI BANK LTD. STATE BANK OF BIKANER & JAIPUR	
<b>Registrars and Transfer Agent</b>	:	SKYLINE FINANCIAL SERVICES PVT. LTD. 246, 1st FLOOR, SANT NAGAR, EAST OF KAILASH NEW DELHI - 110 065	

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Regd. Office : D-1081, New Friends Colony, New Delhi-110065

## NOTICE OF THE 28<sup>TH</sup> ANNUAL GENERAL MEETING

NOTICE is hereby given that the 28<sup>th</sup> Annual General Meeting of Precision Electronics Ltd. will be held on Monday, 20<sup>th</sup> August, 2007 at India International Centre, 40 Max Mueller Marg, New Delhi-110 003 to transact the following business: **11 A. M.**

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Directors' Report, Audited Balance Sheet as on 31<sup>st</sup> March 2007 and the Profit and Loss A/c for the year ended on that date and the Auditors' Report thereon.
2. To re-appoint Mr. Anant Kanoi who retires by rotation and being eligible, offers himself for reappointment.
3. To re-appoint Brig. Jogindar Singh (Retd.) who retires by rotation and being eligible, offers himself for reappointment.
4. 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:

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 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 Vidur Kanodia, Chief officer (IT) of the Company to a gross remuneration of Rs. 90,000/- p.m. in the salary scale of Rs.90,000-125,000-150,000-200,000-250,000.p.m. w.e.f. 01.10.2007. 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".
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 293{1}{d} of the Companies Act, 1956, and other applicable provisions of the said Act, if any, and that of the Articles of Association, consent of the Company be and is hereby accorded to the Board of Directors to borrow money, from time to time, from any bank/financial institution/lenders, in any form or manner or tranches, whether unsecured or secured, on such terms and conditions as may be decided by the Board from time to time, notwithstanding that the moneys to be borrowed together with moneys already borrowed by the Company {apart from the temporary loans obtained / to be obtained from the Company's bankers in the ordinary course of business} exceed the aggregate of paid up share capital and free reserves of the Company, provided that the total amount of the borrowing by the Board, at any time, shall not exceed the limit of Rs. 100 Crores."

## PRECISION ELECTRONICS LIMITED

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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 293 {1} {a} of the Companies Act, 1956, and, other applicable provisions of the said Act, if any, and that of the Articles of Association, approval be and is hereby accorded to charge / mortgage / create security in respect of the whole or substantially the whole of the undertaking/s of the Company including all or any of its moveable or immovable property {ies}, both present and future, in any form or manner, from time to time, in one or more tranches, for securing the loan/s up to Rs. 100 crores availed / to be availed by the Company from any bank / financial institution/other lenders, on such terms and conditions as may be decided by the Board from time to time.”

**RESOLVED FURTHER** that the Board of Directors of the Company, be and is hereby authorized to finalise and execute such documents for creating the aforesaid mortgage and/or charge and to do all such acts and things as may be required for implementing this resolution.”

**By Order of the Board  
For Precision Electronics Limited**

**Place: New Delhi**  
**Date: 02.06.2007**

Sd/-  
(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 16<sup>th</sup> August, 2007 to 20<sup>th</sup> August, 2007 (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 5, 6 & 7 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 director to be re-appointed at the meeting are given in the Corporate Governance Section, of this Annual Report.

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## EXPLANATORY STATEMENTS

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

### Item No. 05

Mr. Vidur Kanodia, son of Mr. Pradeep Kanodia, Executive Director of the Company is holding the office of Chief Officer (IT) in the Company on CTC of Rs. 49940 per month. Mr. Vidur Kanodia joined the Company in October 2005 and heads the Company's IT & PCB division.

Mr. Vidur Kanodia is a Bachelor in Electrical Engineering with Major in 'E-Commerce' from University of Sydney, Australia. During his studies, he worked as Research Assistant with Prof. Rafael Calvo at the University of Sydney, Australia and carried out various case studies in the field of .LRN and E-learning.

In view of his commendable performance in IT & PCB division, Selection & Compensation Committee approved the increase in his remuneration to Rs. 90,000 p.m. w.e.f. 01 October, 2007 in the salary scale of Rs.(90,000-125,000-150,000-200,000-250,000) p.m. accordingly and recommended to the Board.

The Board after taking into consideration the expertise and the knowledge of Mr. Vidur Kanodia brought to the Company and his contribution to the performance of the Company, proposed to increase the remuneration payable to him to Rs. 90,000 p.m. w.e.f. 01 October, 2007 in the salary scale of Rs.(90,000-125,000-150,000-200,000-250,000.) p.m.

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

Mr. Pradeep Kanodia being relative of Mr. Vidur Kanodia may be deemed to be concerned or interested in the resolution.

### Item No. 06

At the 11<sup>th</sup> Annual General Meeting of the Company held on 2<sup>nd</sup> July, 1990, consent of the members had been obtained for the directors to borrow up to a maximum amount of Rs. 20 Cr apart from the temporary loans raised from the bankers of the Company in the ordinary course of business. The expansion and diversification plan of the Company is being carried out in full swing. The Company is in process of applying with Punjab National for enhancement of existing financial facilities. It is therefore proposed to increase the present limit to Rs. 100 Cr.

Under Section 293(1) (d) of the Companies Act, 1956, the Board of Directors cannot borrow more than the aggregate of paid up capital and free reserves of the Company except with the consent of members at a general meeting. Hence, the approval of shareholders is being sought in the forthcoming Annual General Meeting.

None of the directors is interested in the proposed resolution except as a member of the Company.



**Item No. 07**

As a security for the proposed increase in borrowing limits from Rs.20 Cr. to Rs.100 Cr from any Bank/ financial institution or person or persons, the Company would be required to give mortgage of all the immovable properties of the company both present and future from time to time. Hence, the approval of shareholders is being sought in the forthcoming Annual General Meeting.

Section 293(1)(a) of the Companies Act, 1956, provides, inter-alia that the Board of Directors of a Public Company shall not without the consent of such public Company in general meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company.

None of the Directors is interested in the resolution except as a member of the Company.

**By Order of the Board  
For Precision Electronics Limited**

**Place: New Delhi**  
**Date: 02.06.2007**

**Sd/-**  
**(Meenu Chauhan)**  
*Company Secretary*

## PRECISION ELECTRONICS LIMITED

### DIRECTORS' REPORT

To the Members of  
Precision Electronics Ltd.,

Your Directors have pleasure in presenting the 28<sup>th</sup> Annual Report on the business and operations of the Company along with the audited statements of accounts for the financial year ended March 31, 2007.

#### PERFORMANCE OF THE COMPANY

Summary of the financial results is as under:

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
		(Rs. in Million)
Revenue	314	319
Profit before Depreciation, Interest, & Tax	66	73
Depreciation	10	9
Interest	1	2
Net profit before Tax	55	62
Provision for Tax	17	23
Net profit after tax	38	39
Profit brought forward from Balance Sheet	17	55
Amount available for appropriation	55	94
Appropriation: Transfer to General Reserve	—	77
Profit Carried forward to Balance Sheet	55	17

#### DIVIDEND

In view of conservation of financial resources of the Company, your directors do not recommend any dividend for the financial year under review.

#### MANAGEMENT DISCUSSION AND ANALYSIS

##### FINANCIAL AND OPERATIONAL PERFORMANCE:

Your Company earned total revenue of Rs.314 million compared to previous financial year revenue of Rs.319 million. Net profit after tax for the year ended March 2007 was posted at Rs.38 million as compared to Rs.39 million in the previous fiscal. Earnings per Share (EPS) for the financial year ended 31<sup>st</sup> March 2007 is arrived at Rs.2.71 on expanded capital post issue of bonus shares in the ratio of 3 shares for every 2 shares held.

The decrease in revenue during the financial year ending 2007 was primarily because of BSNL changing its procurement strategy for MUX that caused disruption in our projected delivery schedule, price reduction negotiated by the purchaser and deferring of various defence orders to next financial year (2007-08).





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## **OPERATIONAL EXCELLENCE**

### **PRODUCT DEVELOPMENT:**

The Design & Development department of the Company unveiled the 34 Mbps digital radio system model 'PST-34M' that has been designed in-house to specific requirements of the armed forces. The system utilizes a Directive Beam along with Automatic Antenna Alignment technology which provides long range, highly resilient and line-of-sight communications in a hostile tactical environment. PST-34M is currently under technical evaluation by the user.

Additionally, the PEL team has completed final validation of Communication Secrecy products such as Multi-role high data rate Bulk Encryption Units, which would be offered against customer requirements in 2007-08.

### **QUALITY:**

Your Company continues to be an ISO 9001:2000 certified company. It is also registered with the Director General Quality Assurance (DGQA) - the quality wing of the Army, DGAQA- quality wing of the Air Force, CGMQA- the quality wing of Dept of Communication (DOT) etc.

Your company is in the process of implementing advanced quality tools such as policy deployment and balanced scorecard.

### **Project Management:**

The Project management team of the company is well established with all necessary tools and practices to handle turn-key assignments for both civil & defence customers. Training on 'Project Management' and 'leadership' was imparted to the managers during the year and is to continue during the current year.

### **ERP Implementation:**

Your company continues to augment IT infrastructure with a view to leverage the latest developments in IT field to improve business performance. Implementation of ERP modules is at an advanced stage and is expected to result in accelerated product development, lower operating costs, optimum utilization of human resources and better knowledge management.

### **NEW UNIT AT ROORKEE**

Your directors are pleased to inform you that with the growth rate envisaged there is need for additional capacity creation. Resultantly, your company is in-process of setting up a new unit in Roorkee. Location of Roorkee was selected due to various incentives being offered by the Uttarakhand Government that will strengthen the company's competitive position in certain segments of the business.

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Ground breaking ceremony of the new unit was done in August 2006. Construction is moving at a fast pace and is on schedule for initiating production by year end. The new unit is located at Plot No.9 &10 (measuring 6800 square meters), KIE Industrial Estate, Village: Mundiya, District: Roorkee, Haridwar, Uttranchal-247667, India.

This unit has been designed to cater to advanced technology products and to meet the stringent *quality standards of the defence customer and would provide PEL the ability to bid for and deliver*, in time, large volume of electronic equipment / system to both commercial and defence sector customers.

### **SEGMENT -WISE PERFORMANCE**

#### **PCB DIVISION**

PCB division's performance has shown further improvement during the year. Production increased by about 47% over the previous year but the division continues to incur a loss. The market is improving with increased electronic equipment manufacturing activity and the division is expected to break even this year.

#### **TELECOM DIVISION**

Telecom division performance suffered due to reasons stated earlier. Revenue during the year ended 31<sup>st</sup> March 2007 decreased by 5% to Rs.269 million as against revenue of Rs.283 million in the previous year. The profit in the current financial year is Rs.60 million as against Rs.71 million in the previous year (2005-06). Reduction in profit was due to competitive pressures and increase in input cost. Introduction of new products to cater to the Broadband and internet service requirement as also large defence order being finalized that will be delivered in the present financial year; the division expects to turn in a robust performance in the current year (2007-08).

### **OPPORTUNITIES, THREATS, RISK & CONCERNS**

#### **OPPORTUNITIES**

Electronics equipment manufacturing is going through a major shift due to explosive growth in the Telecom sector led by the Cellular industry. This has altered the economics which in turn has attracted major international players to set up manufacturing base in India. Ministry of Communication has estimated an inflow of more than USD 10 billion in the next five years that includes facility for chip manufacturing in the country. This will catalyze the growth in the electronics hardware manufacturing sector. PCB requirement is expected to grow significantly in the coming years.

2007 has been pronounced as the 'Broadband Year' and 20 million subscribers is the target set by the Ministry of Communication by 2010 from the present base of 2.2 million. Internet connections are projected to touch 40 million by 2010 as against present user population of about 21 million. These represent a strong opportunity for the Company to offer products like converters and modems. It is estimated that the government operator BSNL's yearly requirement would exceed Rs.7 billion for the next three / four years for these products.