

**29th
ANNUAL
REPORT
2007-2008**



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
	: Mr. S.C. Choudhary	-Director
	: Mr. Anant Kanoi	-Director
Company Secretary	: Mrs. Roopali Agarwal	
Registered office	: D-1081, New Friends Colony New Delhi- 110 065	
Corporate office & Works	: D-10, Sector-3 Noida- 201301 (U.P.)	
	: Plot No.9&10, KIE Industrial Estate Village Mundiya (Manglore), Roorkee Haridwar-249406, Uttarakhand (India)	
Branch office	: 134, Biplabi Rash Behari Basu Road, (Canning Street) Kolkatta-700 001	
Auditors	: M/s Rajendra K. Goel & Company New Delhi	
Bankers to the Company	: Punjab National Bank : Axis Bank Ltd.	
Registrar & Transfer Agent	: Skyline Financial Services Pvt. Ltd. 246, 1 st Floor, Sant Nagar, East of Kailash New Delhi- 110 065.	

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

NOTICE OF THE 29TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 29th Annual General Meeting of Precision Electronics Ltd. will be held on Thursday, 25th September, 2008 at 11.00 A.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 2008 and the Profit and Loss A/c for the year ended on that date and the Auditors' Report thereon.
2. To re-appoint Sh.Ashok Kanodia who retires by rotation and being eligible, offers himself for reappointment.
3. To re-appoint Sh. Rahul Goenka 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 an Ordinary Resolution:**

"Resolved that Sh S.C Choudhary who was appointed as an additional director of the Company w.e.f. 25th January, 2008 by the Board of Directors under the provisions of Section 260 of the Companies Act, 1956 and who shall vacate the office of additional director automatically at the starting of the Annual General Meeting and for whose co - option a notice has been received by the Company from one of the member under section 257 in writing proposing his candidature for the office of director be and is hereby elected and Co-opted as a director of the Company liable to retirement by rotation."

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

"RESOLVED THAT pursuant to Section 94(1)(a) of The Companies Act, 1956 and other applicable provisions, if any, the authorized share capital of the company be and is hereby increased from Rs. 150,000,000/- divided into 1,50,00,000/- Equity Shares of Rs. 10/- each **TO** Rs. 200,000,000/- divided into 2,00,00,000/- Equity Shares of Rs. 10/- each."

"RESOLVED further that the existing Clause V of the Memorandum of Association of the company as to share capital be and is hereby deleted and in its place the following clause (V) . be substituted:

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(V). "The Authorised Share Capital of the company is Rs. 200,000,000/- (Rupees 20 Crore) Divided into 2, 00, 00,000 (Two Crore) Equity Shares of Rs. 10/- (Rupees Ten) each."

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

**Place: New Delhi
Date: 28.06.2008**

**Sd/-
(Roopali Agarwal)
Company Secretary**

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 22.09.2008 to 25.09.2008 (both days 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 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)

In respect of Item No. 05:-

Shri S.C. Choudhary, aged 62 years, is having wide spectrum of experience, knowledge and judgement in the field of Telecom and Board room practice. Moreover, he is having 39 years of experience in Department of Telecom., Govt. of India, BSNL and was also on the Board of BSNL as Director-Operations. The brief profile of Mr. Choudhary is as under:

- Extensive experience across portfolio management, project initiation, planning & development, project implementation, operations management and manpower training and development in Telecom field.
- Adept at business strategy and experience in formulating the government's telecom policy for private voice and data networks.
- Represented Govt. of India during many International conferences and seminars across the globe.
- End to end program and project management experience to develop / upgrade both fixed line and mobile telecom networks across the country.
- Successful operation & maintenance of National Long Distance Telecom Network comprising of 355 Long distance transit exchanges, 5 lakh route KM OFC media, 0.7 lakh RKM radio system and over 300 Satellite stations and international long distance network within SAARC countries.
- Accomplished at capacity planning, identifying suitable technologies to meet projected growth and delivery of a wide range of telecom services.
- Worked in UAE as Sr. Project Director for Planning & Development of telecom transmission network and successful commissioning of Digital Microwave systems in whole of UAE.

Sh S.C Choudhary was appointed as an additional director of the Company w.e.f. 25th January, 2008 by the Board of Directors under the provisions of Section 260 of the Companies Act, 1956 and who shall vacate the office of additional director automatically at the starting of the Annual General Meeting. As required by section 257 of the Act, a notice has been received by the Company from one of the member in writing signifying his intention to propose appointment of Sh S.C Choudhary as a director along with a deposit of Rs 500. The Board considers it desirable that the Company should continue to avail itself of his services.

Directors recommend your approval of the said resolution.

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

In respect of Item No. 06:-

To implement the business plans of the company, more funds are required. The existing Authorized capital is not sufficient to allot further shares to raise capital of the Company. Therefore, it is proposed to increase the Authorized capital from Rs 150,000,000/- divided into 1,50,00,000/- Equity Shares of Rs. 10/- each TO Rs. 200,000,000/- divided into 2,00,00,000/- Equity Shares of Rs. 10/- each."

Accordingly clause V of the Memorandum of Association of the Company is to be amended. The Board recommends the approval of the resolution.

None of the directors of the Company is in any way, directly or indirectly, concerned or interested in the above resolution.

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

**Place: New Delhi
Date: 28.06.2008**

**Sd/-
(Roopali Agarwal)
Company Secretary**

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DIRECTORS' REPORT

To the Members of
Precision Electronics Ltd.,

Your Directors have pleasure in presenting the 29th Annual Report on the business and operations of the Company along with the audited statements of accounts for the financial year ended March 31, 2008.

PERFORMANCE OF THE COMPANY

Summary of the financial results is as under:

(Rs. in Million)

PARICULARS	CURRENT YEAR	PREVIOUS YEAR
Revenue	263	314
Profit before Depreciation, Interest, & Tax	21	66
Depreciation	12	10
Interest	1	1
Net profit before Tax	8	55
Provision for Tax	2	17
Net profit after tax	6	38
Profit brought forward from Balance Sheet	55	17
Amount available for appropriation	61	55
Appropriation: Transfer to General Reserve	--	--
Profit Carried forward to Balance Sheet	61	55

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.263 million compared to previous financial year revenue of Rs.314 million after tax for the year ended March 31, 2008. Net profit after tax for the year was posted at Rs.6 million as compared to Rs.38 million in the previous fiscal. Earnings per Share (EPS) for the financial year ended 31st March 2008 is arrived at Rs. 0.46 as against Rs.2.71 on expanded capital post issue of bonus shares in the ratio of 3 shares for every 2 shares held in the previous year (2007-08).

The primary cause for the decrease in revenue and consequent decrease in profits during the financial year ending March 31, 2008 is the non-supply of Digital Voice Recording systems to the Indian Air Force. Technical evaluation could not complete in time even though the full PO quantity was available for delivery. The effect on the revenue due to this is about Rs110 million. Supply has started in the Q1 of the current financial year (2008-09).

OPERATIONAL EXCELLENCE

Product Development:

PEL has broken the mould of being a Communications-only Company by developing a tank intercom system which is currently under evaluation by the Indian Army. Contingent to PEL emerging as the contracted vendor in a competitive bidding environment, it would receive the mandate to upgrade the tank intercom system of every armored vehicle in the Indian Army which amounts to 6968 numbers. In addition to aforementioned, PEL is diligently pursuing business opportunities for V/UHF tactical radios and datalinks for land, sea, and airborne platforms; SATCOM terminals for land and sea platforms; interoperability solution in military and paramilitary agencies; and Command & Control systems for land-based and Naval platforms. Your Company is investing in development C2I (Command, Control and Intelligence) systems in its Noida facility.

PEL has offered an indigenously designed a Unit Level Tactical Voice Switch in an Indian Army RFP which is also being trial evaluated. Numerous advances have been made this year in the area of Information Assurance. We have in our portfolio devices capable of Network Security including MIL-grade IP encryption as also Bulk Encryption Units capable of up to STM-1 (155 Mbps) data rates.

The PST-34M High Capacity Line-Of Sight (HCLOS) radio that was developed in previous years has nearly completed a rigorous evaluation of the Indian Army and the project is expected to be contracted within the current financial year (2008-09). A major accessory of this radio, the telescopic mast has been qualified to the highest standards of ruggedness by the Indian Army and is suitably matured to find a market in foreign countries. PEL plans to invest in promotional activities for the mast system along with other ruggedized enclosures for the domestic and export market.

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 ISO 27001 standards for the 'Information Security Management System'. We are confident to achieve this milestone within the current year.

Your Company has implemented advanced quality tools such as policy deployment and balanced scorecard with success.

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Project Management:

The Project management team of the Company has been further strengthened by addition of experienced professionals. The team 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.

ERP Implementation:

ERP has been implemented in your Company with few modules undergoing customization to meet the specific needs. Implementation of ERP modules 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 the Roorkee facility has become 'operational' and infrastructure is being developed to handle sophisticated MILCOM products. First batch of engineers have gone through the training. Machines are being installed and the first floor is expected to be ready during the current year (2008-09).

This year (2007-08) the Company has executed orders from BSNL for protocol converters from this facility amounting to Rs.31.9 million. The supply of Digital Voice and Data Recorder (DVDR) to the Indian Air-force and Army Aviation and the supply of 2 MBPS PCM MUX to the Indian Army are in the pipe line. As a matter of fact first batch of DVDR has gone through the DGAQA evaluation of the customer (IAF).

This unit has been designed to cater and manufacture advanced technology products, to undertake platform integration of the military vehicles and to meet the stringent quality standards of the defence customer. Complete MIL validation & verification equipment is being installed to ensure MIL spec compliance as well as shorter development cycle. It 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 11% in quantity and by about 39% in revenue over the previous year and has turned the corner and made profits. The market is improving with increased electronic equipment manufacturing activity. The plant needs investment in modernization of the machinery to keep pace with the technical requirements of the market.

Telecom Division

Telecom division's performance suffered due to reasons stated earlier. Revenue during the year ended 31st March 2008 decreased by about 28% to Rs.194million as against revenue of Rs.269 million in the previous year. This was mainly due to the Company's inability to deliver goods, (DVDR) worth about Rs.111 million due to technical evaluation not being complete. This has affected the revenues as well as the profitability of the division and the company as a whole. However, the division



has started the current fiscal year with the order booking of about Rs.210 million and is expected to Turn in a robust performance in the current year (2008-09).

OPPORTUNITIES, THREATS, RISK & CONCERNS

Opportunities

Electronics equipment manufacturing is getting the impetus and attention of the Ministry of Communication that was missing for a long time. Ministry of Communication has estimated an inflow of more than USD 10 billion in the next five years which includes facility for chip manufacturing in the country. This will catalyze the growth in the electronics hardware manufacturing sector. Eligibility requirements of BSNL tender are more conducive to the locally manufactured equipment. This is a boost to the Company like yours with an approved manufacturing infrastructure. Consequently, PCB requirement is expected to grow significantly in the coming years.

Your Company has planned aggressively to offer equipment to the operators to roll out their broadband 'triple play' services. The subscriber base is planned to increase multifold (from 3mn to 18mn) by 2010. This represents a strong opportunity for the Company to offer products like converters, modems, radio technology etc for providing broadband to rural subscribers and other IP based access systems. It is estimated that the government operator BSNL's yearly requirement would exceed Rs.7 billion for the next three years for these products. In addition, the Company is evaluating systems that are required by the cellular operators who are adding nearly 8 million connections every month in their network.

A major shift has taken place in the defence sector. 'Defence Procurement Procedure' announced by the Government in August 2006 (DPP-2006) has far reaching consequences for meaningful induction of private industry in the main stream defence sector. Armed forces have planned massive upgrade programs with emphasis on Net Centricity and interoperability. Special attention is being given to the Communication infrastructure, Command & Control programs including the Battlefield Management Systems and to the Electronic Warfare capability of the country. Expenditure on the above programs is projected to about USD 3 billions. The policy of 'Offset' will create additional business opportunities of about USD 6 billion during the 11th plan. All in all the addressable market in defence sector is large for your Company.

Threats, Risk & Concerns

Your Company deals with the Government procurement procedure in both its commercial and defence vertical that is tender oriented. It has an inherent risk of delays, uncertainties and competition from both local and multinational Companies. Risk mitigation strategy followed by PEL includes regular market and competition analysis, continuous development to offer most competitive products and sourcing the optimum technology suitable for our conditions. In addition technology obsolescence and PEL has an on going training program for development and up-gradation of skills of its personnel to meet its requirements.