

**30th
ANNUAL
REPORT
2008-2009**



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 : Ms. Taraj Mittal

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) Calcutta-700 001

Auditors : M/s Rajendra K. Goel & Company
 New Delhi

Bankers to the Company : Punjab National Bank
 : Axis Bank Ltd.
 : State Bank of Bikaner & Jaipur

Registrar & Transfer Agent : Skyline Financial Services Pvt. Ltd.
 246, 1st Floor, Sant Nagar, East of Kailash
 New Delhi- 110 065.

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NOTICE OF THE 30TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 30th Annual General Meeting of Precision Electronics Ltd. will be held on Tuesday 15th September, 2009 at 10.30 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 2009 and the Profit and Loss A/c for the year ended on that date and the Auditors' Report thereon.
2. To re-appoint Sh. 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.

 By Order of the Board
For Precision Electronics Limited

Place: New Delhi
Date: 25.06.2009

(Taraj Mittal)
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.

(1)



- 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 11th September 2009 to 15th September 2009 (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. All the documents referred to in the aforesaid notice are open for inspection at the registered office of the Company between 10.30 A.M. to 12.30 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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DIRECTORS' REPORT

To
The Members of
Precision Electronics Ltd.,

Your Directors have pleasure in presenting the 30th Annual Report on the business and operations of the Company along with the audited statements of accounts for the financial year ended March 31, 2009.

1. PERFORMANCE OF THE COMPANY

Summary of the financial results is as under:

(Rs. in Million)

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Revenue	397	263
Profit before Depreciation, Interest, & Tax	52	21
Depreciation	15	12
Interest	4	1
Net profit before Tax	33	8
Provision for Tax	(5)*	2
Net profit after tax	38	6
Profit brought forward from Balance Sheet	61	55
Amount available for appropriation	99	61
Appropriation: Transfer to General Reserve	—	—
Profit Carried forward to Balance Sheet	99	61

*Provision for tax is in negative due to Deferred Tax

2. 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

3. FINANCIAL AND OPERATIONAL PERFORMANCE:

Your Company earned total revenue of Rs.397 million compared to previous financial year revenue of Rs.263 million after tax for the year ended March 31, 2008. The revenue growth is impressive at 51%. Net profit after tax for the year was posted at Rs.38 million as compared to Rs.6 million in the previous fiscal. Earnings per Share (EPS) for the financial year ended 31st March 2008 is arrived at Rs.2.75 as against Rs.0.46 for the year ended 31 March 2008. The year witnessed a strong performance of both the PCB and the telecom division. Sales to the armed forces increased substantially and the company is acquiring visibility and prominence in the defence vertical.

4. OPERATIONAL EXCELLENCE

Company is investing in upgrading its methods & processes in manufacturing, assembly practices, quality norms, engineering capability that includes packaging and COTS to MIL techniques, procurement standardization & qualification of vendors to meet the higher standard of military application. The company has set up infrastructure at its Roorkee Unit for in-house compliance & validation testing required for ESS, Shock, bump & vibration and EMI / EMC. The Company is geared to deliver defence equipment & system to the Armed forces.

Company has received the ISO 27001 standard certification for Information Security and Management System. As a company that is focused towards the defence sector, this perspective will ensure information security in the organization. We are acquiring specific skills through lateral induction of manpower suiting our new technological requirements for future opportunities in areas of Business development, Product development, Marketing, Product & Technical support to our customer in the field, CRM and quality.

4.1 Product Development:

PEL has launched various projects in the field of high end technology to address the needs of the Armed forces that have gone through rigorous testing and field evaluation successfully. These are the Unit Level Switch Board, High Capacity Line of Sight Radio Relay system, Access devices and subsystems like the field pneumatic masts, power systems etc. Our Professionals have been interacting at multiple levels with the officers of the Army, Navy and IAF which has led to a deep insight into the future needs of the Armed Forces. Our new developments and offerings are in line with the requirements of the major forthcoming projects viz. Tactical Communication Systems (TCS), Battlefield Management System (BMS) and Battlefield Surveillance System (BSS).

PEL has endeavored into the field of Embedded Software and has created a team of

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dedicated professionals to develop in-house software needed in our core systems. We have developed advanced software for Email security to maintain the integrity of data on the internet. Our Info Assurance Systems PRATIYAYI, AGAM, PRABAL are in an advanced stage of development and are likely to be trial evaluated in the next few months.

PEL has designed and developed UHF Linking Equipment for Indian Naval Land Based Communication operations. This system is for providing a radio back up to the land line circuits, to key the HF transmitter from remote sites.

PEL with its Partner Raytheon Inc of USA participated in DEFCON, DEFEXPO-08, BMS, FINSAS, international conference & seminar to showcase our systems and elicit feedback from users on their current and future needs. Our expert team has focused on Battlefield Management System (BMS) seminar wherein we had the privilege to project mobile ad hoc networking radios as a mainstay and powerful component for data connectivity. We have developed a model for the project BMS for passage of Voice/ Data/ Video gathered from various surveillance platforms at the forwarded edge of battle area to the command posts and decision makers up the chain.

4.2 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 has achieved ISMS ISO 27001 standards for the 'Information Security Management System'.

Your company has implemented advanced quality tools such as policy deployment and balanced scorecard with success. The Company goals are divided into yearly objectives which are further defined on individual objectives. The Individual remuneration at senior level of employees are based on these yearly objectives.

5. INFORMATION TECHNOLOGY

In this era of increased competitiveness, economic uncertainty, ever increasing regulation and global turmoil, PEL has looked towards information technology to improve operational efficiency and reduce operating costs by automating and streamlining existing business processes. It has created a secure and user friendly environment.

Over the past few years, PEL has done some major work in the field of IT like-

- built in-house tier II Data Centre for storing its own server.



- launched/Implemented many applications like iPEL (PEL Intranet), DocMan (PEL's online Document Manager), ERsys (PEL's ERP), Management of Human Resource, Pelindia (PEL's Website) etc.
- fully automated and centralized system for use login authentication (Using LDAP), Data backups & restoration, Policy control & management etc.

6. ROORKEE UNIT

Your directors are pleased to inform you that the Roorkee facility has handled a business of DVDR and Ethernet Converters to BSNL and Defence Customers during 2008-09 and has generated revenue of INR 176.7 million. Roorkee facility has been evaluated for infrastructure approval by DGQA (Ministry of Defence) and successfully achieved the same. Supply of 2 MBPS PCM MUX to Indian Army is being prepared and will be delivered during the current year (2009-10).

Civil Infrastructure at Roorkee facility is complete at the ground floor and super structure for the first floor has been erected. Roorkee facility is operational from the perspective of human capital, infrastructure, processes as well as supply chain management to cater to the advance technology electronics products for our Commercial and Defence customers. We are creating competence and capabilities to cater to the specific requirements of our international partners as well as partners like the Defence Research & Development Organization (DRDO) laboratories.

7. SEGMENT -WISE PERFORMANCE

7.1 PCB Division

Production in the PCB division increased to 16,241sq.mt in the current financial year as against 13,792 sq.mt achieved in the previous year, an increase of 17.8% and revenue was Rs.71.2 million as against Rs.69.1 million in the previous year. However the profit before tax reduced to Rs.0.9 million as compared to Rs.6.6 million of the previous year (2007-08). Reason for reduction in profit is increased input cost due to foreign exchange fluctuation, increase in prices of all inputs like the laminates and chemicals without commensurate increase in the sale price and change in the product-mix, Due to competitive environment the company was unable to pass on the cost increase to the customer.

7.2 Telecom Division

Telecom division performance is outstanding this year. Revenues during the year ended 31st March 2009 increased by 58% to Rs.355 million with profit before tax of Rs.36.3 million as against

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revenue of Rs.225 million and profit of Rs. (3.6 million) in the previous year (2007-08). The company executed orders of Voice & Data Recorders for the Indian Air Force and the Indian Army's aviation wing from the Roorkee Unit. With this the company has presence in all the airfield of the Air Force as well as the Army which it could leverage to its advantage in future.

8. OPPORTUNITIES, THREATS, RISK & CONCERNS

8.1 Opportunities

Your company deals in the Telecom Operators segment, Defence sector and the Electronics manufacturing segment wherein we supply the Printed Circuit Boards. The Indian Govt. is keen to promote electronics hardware manufacturing and is actively considering introduction of policy instruments that will catalyze the growth in this sector. The key drivers are employment creation and value addition through local design & development. Increased hardware manufacturing activity will result in enhanced PCB demand which will provide a boost to the PCB division of the company.

Govt. is actively pursuing its policy to provide Broadband connectivity at affordable rates. The subscriber base is planned to increase multifold (from 3mn to 18mn) by 2011. This represents a strong opportunity for the Company to offer products like converters, modems, radio products etc for providing broadband to rural subscribers and other IP based access systems. Company's design & development department is actively working to roll out the products and obtain 'Type Approval' from the BSNL during the current year.

Cellular connectivity growth and subscriber addition is being driven by growth in the type B and C category circles coupled with the rural connectivity. New Operators, spread of established ones to the rural area and induction of 3G services present a huge opportunity for the wireless connectivity systems.

The defence segment represents a huge opportunity for the Private industry in general and for your company in particular due to its early mover advantage. The current year's defence budget has increased by nearly 34% from the previous year and is likely to increase further in the coming years due to the threat perception and the need to modernize the Indian Armed forces and the paramilitary forces. Govt. is committed to reduce its import dependence from the present level of 70% to 30% in the next ten years. It has enacted the National Defence Offset Policy that is primarily aimed to creating indigenous competence and capacity in the defence industry vertical. Indigenous defence technology development with Government financial support and Private sector participation is being operationalised through the 'Make' category. All in all the addressable market in defence sector is large for your Company. Company is actively pursuing the Defence sector and its domain knowledge and experience is strengthening every year. Company has a pan India presence in all



the three segments of the armed forces. This provides the immense opportunity for PEL to supply the product and services related to defence.

8.2 Threats, Risk & Concerns

Given the present state of the world economy and of the industry, it is difficult to make long term projections. 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.

The Company is competing with Defence Public Sector Undertakings (DPSU) and large international defence companies that are incumbent suppliers. The DPSUs enjoy privileges for placement of orders from the Ministry of Defence and projects are nominated to them without the process of competitive bidding. This process is under review but it would be a while for the mind set to change. PEL believes that the defence pie size for private industry will continue to increase and more and more projects will be offered to the private industry. In addition your company is assiduously working with the DPSUs in a collaborative manner.

9. OUTLOOK

The US recession and significant margin pressure have forced global original equipment manufacturers (OEMs) and Tier-I suppliers to undertake major restructuring and cost cutting exercises. Emerging economies would be able to provide significant cost benefits and hence defence related manufacturing work is being increasingly outsourced to these economies. India could benefit from this trend with the offset obligation acting as a catalyst. Efforts by domestic suppliers to move up the value chain are also encouraging foreign companies to outsource more manufacturing related work.

Your Company's outlook is bullish in all its verticals. The company has continued its investment in building infrastructure and manpower for development and commissioning of communication products. The contract for supply of 2Mbps Multiplexing equipment to the Indian Army for use in its field locations is under delivery. The company has strengthened its partnership with Raytheon NCS and the two companies are jointly pursuing multiple opportunities for Communication and C2I systems. The company has also strengthened its joint activities with Swe-Dish (a niche SATCOM solution supplier), Raytheon JPS and Loop Telecom. Many new product developments have been initiated to meet the requirements of the civil and military communication needs. The in-house product development has received a fillip with many senior people joining the team and the company's product portfolio is being enhanced to meet the future needs of our users.