



Precision Electronics Limited

31st Annual Report *2009-2010*



"we always know who we're working for"



**Mission Statement**

To become our customers preferred partner for innovative communication solutions by constantly growing the value and scope of our deliverables, expanding our capabilities through partnerships and achieving total customer satisfaction.

Infrastructure

Precision Electronics Limited has its manufacturing facilities in Noida, U.P. having a covered area of 5000 m² and Roorkee, Uttarakhand (Covered area of 8000 m²). The strategically located plants are having state-of-art infrastructure to facilitate world class manufacturing of telecom systems.

Quality

- ISO 9001: 2000
- ISO 27001 (pending)
- Underwriters Laboratory (UL), USA
- Directorate General of Aeronautical Quality Assurance (DGAQA), Ministry of Defence
- Directorate General of Quality Assurance (DGQA), Ministry of Defence
- Electronic Component Standardization Organization (ECSO)
- Telecommunication Engineering Center (TEC), Dept. Of Telecommunications
- Research Design & Standards Organization (RDSO), Indian Railway

Product Range

- Voice Loggers
- High Capacity Radio line of sight Radio Relay Systems
- Fixed Wireless Access
- Last Mile Wireline Solutions
- Multi-Service Platforms
- Metro Ethernet Switches
- Telephony Solutions
- Bulk Encryption Units
- Terminal End Secrecy Devices
- Network Security
- Tactical V/UHF Radios
- Ad-hoc Networked Data Radio
- Tank Harness
- Printed Circuit Boards
- Ruggedization and Containerization
- Telescopic, Pneumatic and Hydraulic Mast
- Power Supplies

Capabilities

- Proven expertise in Design and Engineering, Manufacturing and System Integration
- Product validation, verification and accreditation as per customer's specific needs
- State-of-Art instrumentation for repair and maintenance including life cycle support and in-country repairs
- Testing and Validation

Services

- Capability to offer overall Project co-ordination, Management and Turnkey project implementation
- Complete post-sales service support
- Systems Analysis based on customer requirement/ Request For Proposal to find solutions for system design/ System Integration
- Market survey and Product Strategizing
- Customer Product Evaluation
- Homologation
- Value Added Services
- COTS-to-MIL Engineering
- Repair and maintenance during warranty and Annual Maintenance Contracts
- Product Prototyping

Design and Development

PEL ensures that new technologies and design applications are applied to the demands and stringent requirements of customized communication systems and solutions. To this effect PEL adds tremendous value in re-engineering, interfacing and overall customization of products at both the system and component levels, thus ensuring that innovative and quality solutions are delivered to our customers at low costs.



CONTENTS

Board of Directors & Committees	3
Notice of Annual General Meeting	4
Report of the Directors	9
Annexure to the Report of the Directors	18
Report on Corporate Governance	21
Report of the Auditors	35
Balance Sheet Abstract	39
Profit & Loss Account	40
Cash Flow Statement	41
Schedule to the Accounts	42



BOARD OF DIRECTORS & COMMITTEES

Board of Directors

Mr. Ashok Kanodia	-	Managing Director
Mr. Pradeep Kanodia	-	Executive Director
Mr. Rahul Goenka	-	Director
Mr. Anant Kanoi	-	Director
Mr. S.C. Choudhary	-	Director
Mr. S.C. Sharma	-	Director

Audit Committee

Mr. S.C. Sharma	-	Chairman
Mr. Rahul Goenka	-	Member
Mr. Anant Kanoi	-	Member
Mr. S.C. Choudhary	-	Member

Share Transfer & Investor Grievance Committee

Mr. Rahul Goenka	-	Chairman
Mr. Pradeep Kanodia	-	Member
Mr. S.C. Choudhary	-	Member
Mr. S.C. Sharma	-	Member

Remuneration cum Selection Committee

Mr. S.C. Sharma	-	Chairman
Mr. Rahul Goenka	-	Member
Mr. Anant Kanoi	-	Member
Mr. S.C. Choudhary	-	Member

PLANTS

At Noida

D-10, Sector-3, Noida-201301, (U.P.)

At Roorkee

Plot No. 9 & 10, KIE Industrial Estate,
Village Mundiya (Manglore), Roorkee
Haridwar-249406, Uttarakhand (India)

REGISTERED OFFICE

D-1081, New Friends Colony,
New Delhi-110065

BRANCH OFFICE

134, Biplabi Rash Behari Basu Road,
(Canning Street), Calcutta-700 001

COMPANY SECRETARY

Ms. Neha Malik

AUDITORS OF THE COMPANY

M/s Rajendra K. Goel & Company,
New Delhi.

BANKERS OF THE COMPANY

Punjab National Bank

LISTED ON

Bombay Stock Exchange

REGISTRAR & TRANSFER AGENT

Skyline Financial Services Pvt. Ltd. 246, 1st Floor, Sant Nagar, East of Kailash,
New Delhi-110 065. Contact No.-011-30845326/45.



NOTICE OF THE 31ST ANNUAL GENERAL MEETING

NOTICE is hereby given that the 31st Annual General Meeting of Precision Electronics Ltd. will be held on Friday, the 17th September, 2010 at 11.00 A.M. at B.C. Pal Memorial Auditorium, A-81, Chittaranjan Park, New Delhi - 110019 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Directors' Report, Audited Balance Sheet as on 31st March, 2010 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 Mr. Ashok Kanodia 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 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 2010 on the remuneration and terms and conditions as set out herein 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 60,000/- per year.
 - b) Leave Travel Allowance: For self and his family, as per rules of the Company; however not exceeding Rs. 1,50,000 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.
- iv. Provision for use of chauffeur driven Company car for official duties and cellular phone (including payment for local and overseas official calls) shall not be included in the computation of perquisites



for the purpose of calculating the said ceiling.

- v. He will be entitled for 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 authorized 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 authorized to do all such acts deeds and things as may be necessary to give effect to this resolution and other matter incidental thereto.”

- 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. Pradeep Kanodia, as the Executive Director of the Company for a period of 5 years with effect from 5th June 2010 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. 60,000/- per year.
 - b) Leave Travel Allowance: For self and his family, as per rules of the Company; however not exceeding Rs. 1,50,000 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.
- iv. Provision for use of chauffeur driven Company car for official duties and cellular phone (including payment for local and overseas official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.
- v. He will be entitled for 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 authorized 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 authorized to do all such acts deeds and things as may be necessary to give effect to this resolution and other matter incidental thereto”.

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

**Place: New Delhi
Date: 27.05.2010**

**Neha Malik
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 13th September, 2010 to 17th September, 2010 (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 is annexed.
 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: 27.05.2010**

**Neha Malik
Company Secretary**

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

In respect of Item No. 05

Mr. Ashok Kanodia was re-appointed as Managing Director of the Company for a period of 5 years from 5th June 2005 to 4th June, 2010 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 is expiring on 4th June, 2010, the Board of Directors of the Company at its meeting held on 27th May, 2010 re-appointed him as Managing Director of the Company for a period of 5 years w.e.f. 5th June, 2010 on revised remuneration as approved by the Remuneration cum Selection Committee in its meeting held on 27th May, 2010 as provided in the resolution itself.

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 operations 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 Shri 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. 06

Mr. Pradeep Kanodia was re-appointed as Executive Director of the Company for a period of 5 years from 5th June 2005 to 4th June, 2010 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 is expiring on 4th Jun, 2010, the Board of Directors of the Company at its meeting held on 27th May, 2010 re-appointed him as Executive Director of the Company for a period of 5 years w.e.f. 5th June, 2010 on revised remuneration as approved by the Remuneration cum Selection Committee in its meeting held on 27th May, 2010 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 36 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.

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 Ashok Kanodia as Managing 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.

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

**Place: New Delhi
Date: 27.05.2010**

**Neha Malik
Company Secretary**



DIRECTORS' REPORT

To
The Members of
Precision Electronics Ltd.,

Your Directors have pleasure in presenting the 31st Annual Report on the business and operations of the Company along with the Audited Statements of Accounts for the financial year ended March 31, 2010.

1. PERFORMANCE OF THE COMPANY

Summary of the financial results is as under:

(Rs. in Million)

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Revenue	309	397
Profit before Depreciation, Interest, & Tax	30	52
Depreciation	18	15
Interest	11	4
Net Profit before Tax	1	33
Provision for Tax	1	(5)*
Net profit after Tax	02	38
Profit brought forward from Balance Sheet	99	61
Amount available for appropriation	99	99
Appropriation: Transfer to General Reserve	-	--
Profit Carried forward to Balance Sheet	99	99

**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. 309 million for the year ended 31st March, 2010 compared to previous financial year (2008-09) revenue of Rs. 397 million. Profit before depreciation, interest and tax (PBDIT) is at Rs.30 million as compared to Rs.52 million achieved during the previous year (2008-09). The performance during the year under review was affected due to delays and retraction of tenders wherein your Company was the lead bidder. Defence sector has recently been opened for private industry participation and the system is grappling with the complexities of the procurement procedure. We believe that this is a transitory phase and the procedure will smoothen out over period of time.

4. OPERATIONAL EXCELLENCE

Your Company continues to upgrade its infrastructure, systems, methods & processes to comply with the requirement of International defence customers to pitch the Company for offset business opportunities. The Company is on progressive reforms and is looking at the growing market for its present product line. The Company is upgrading its methods &