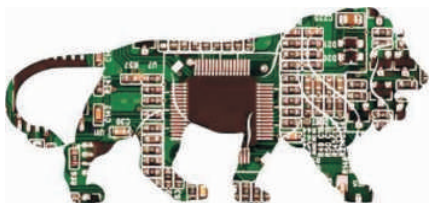


*Precision*

Precision Electronics Limited



# *37<sup>th</sup> Annual Report*

2015 - 2016

MOVING AHEAD

*"we always know who we're working for"*

# Design

LAND



Customised Power Supplies



Integrated Vehicular Shelter

HF-DF Antenna

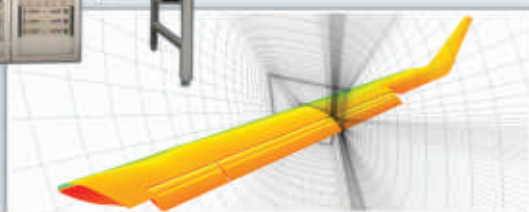


AIR

Automatic Test Equipment



Airborne Customized Power Supply

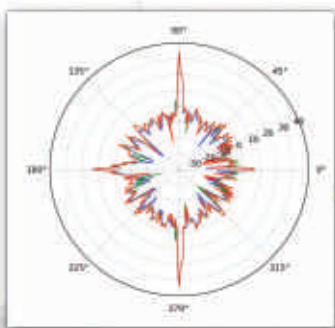


Low Noise Wing

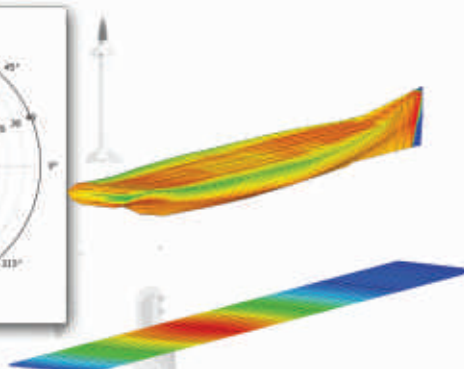
Power Distribution Sys



SEA



Radar Cross Section



ELF Signature of a Ship



Marine Switch Board/Rack

## CONTENTS

Board of Directors & Committees	:	02
Notice of Annual General Meeting	:	03
Report of Director's	:	06
Annexure to the Report of the Directors	:	13
Report on Corporate Governance	:	26
Report of the Auditors	:	40
Balance Sheet Abstract	:	46
Profit & Loss Account	:	47
Cash Flow Statement	:	48
Notes to the Accounts	:	49



## BOARD OF DIRECTORS & COMMITTEES

### Board of Directors

Lt. Gen. (Dr.) Rajesh Pant (Retd.)	Chairman
Mr. Ashok K Kanodia	Managing Director
Mr. Anant Kanoi	Director
Mr. Suresh Vyas	Director
Mr. S.K. Kataria	Director
Mr. Deepto Roy	Director
Mr. Pradeep Kumar Kanodia	Director
Mr. Rahul Goenka	Director
Ms. Ranjna Gudoo	Director

### Audit Committee

Mr. S.K. Kataria	Chairman
Mr. Suresh Vyas	Member
Mr. Anant Kanoi	Member
Mr. Deepto Roy	Member

### Stakeholders Grievance Committee

Mr. Rahul Goenka	Chairman
Mr. Suresh Vyas	Member
Mr. S.K. Kataria	Member
Ms. Ranjna Gudoo	Member

### Nomination and Remuneration Committee

Mr. Anant Kanoi	Chairman
Mr. Suresh Vyas	Member
Mr. S.K. Kataria	Member
Mr. Deepto Roy	Member

---

### COMPANY SECRETARY

Ms. Veenita Puri

### AUDITORS

M/s Rajendra K. Goel & Company  
J-288, Ground Floor,  
Saket, New Delhi - 110017

---

### REGISTRAR & TRANSFER AGENT

Skyline Financial Services Pvt. Ltd.  
D-153/A First Floor,  
Okhla Industrial Area, Phase - I  
New Delhi - 110 020  
Contact No. - 011-64732681

### BANKER OF THE COMPANY

Punjab National Bank, Noida Branch

### LISTED ON

Bombay Stock Exchange

### CORPORATE IDENTITY NUMBER (CIN)

L32104DL1979PLC009590

### ISIN No.

INE143C01024

### STOCK CODE

517258

### PLANTS

#### At Noida

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

#### At Roorkee

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

### REGISTERED OFFICE

D-1081, New Friends Colony,  
New Delhi-110025

### CORPORATE OFFICE

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

## PRECISION ELECTRONICS LIMITED

CIN: L32104DL1979PLC009590

Regd. Office: D-1081, New Friends Colony, New Delhi - 110025

Phone: 120 2551556/7, Fax: 120 2524337

Email: cs@pel-india.com, Website: [www.pel-india.com](http://www.pel-india.com)

### NOTICE OF THE 37<sup>TH</sup> ANNUAL GENERAL MEETING

NOTICE is hereby given that the 37<sup>th</sup> Annual General Meeting of Precision Electronics Ltd. (the Company) will be held on **Thursday, September 15, 2016 at 03.00 p.m. at Bipin Chandra Pal Memorial Auditorium, A - 81, C.R Park, New Delhi** to transact the following business:

#### ORDINARY BUSINESS:

1. To receive, consider and adopt the Financial Statements for the year ended on March 31, 2016 and the Reports of Board of Directors and the Auditor's thereon.
2. To re-appoint Ms. Ranjna Gudoo who retires by rotation and being eligible, offers herself for reappointment.
3. To ratify the appointment of M/s Rajendra K. Goel & Co., Chartered Accountants (F.R.N. 01457N) as Statutory Auditors of the Company, who were appointed at the AGM held on September 27, 2014 for a period of three year upto the conclusion of 38<sup>th</sup> Annual General Meeting to be held in the year 2017.

#### SPECIAL BUSINESS:

4. **NOT TO FILL UP VACANCY CREATED BY RETIREMENT OF MR. PRADEEP KUMAR KANODIA.**

To consider and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:

**"RESOLVED THAT** pursuant to Section 152 (7) of the Companies Act, 2013, vacancy caused on the Board of the Company, by retirement of Mr. Pradeep Kumar Kanodia (holding DIN: 00002561), a Director liable to retire by rotation, who retires by rotation and does not offer himself for re-appointment, be not filled up."

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

Place: Noida

Date: August 8, 2016

Notes

**Sd/-  
Veenita Puri  
Company Secretary**

Precision Electronics Limited, being a listed Company and having more than 1000 shareholders, is compulsorily required to provide e-voting facility to members in terms of Section 108 of the Companies Act, 2013 read with rule 20 of The Companies (Management and Administration) Rules, 2014 and Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, voting by show of hands will not be available to the members at the 37<sup>th</sup> AGM in view of the further provisions of Section 107 read with Section 114 of the Act.

1. The Explanatory statement pursuant to section 102 of the Companies act, 2013 which sets out details relating to special business to be transacted at the meeting is given below.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME OF THE MEETING.**
3. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company. A Proxy appointed by a member holding more than 10 percent of the total share capital of the Company carrying voting rights shall not act as proxy for any other member.
4. Corporate members are requested to send a duly certified copy of the Board Resolution authorizing their representative(s) to attend and vote at the annual general meeting.
5. Members/proxies should bring the attendance slips duly filled-in for attending the meeting and deliver the same at the entrance of the meeting place. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID number for easy identification of attendance at the meeting.
6. The Register of Members and the Share Transfer Books of the Company will remain closed from September 9, 2016 to September 15, 2016 (both inclusive).

7. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.
8. Members seeking further information about the accounts are requested to write at least 7 days before the date of the meeting so that it may be convenient to get the information ready at the meeting.
9. Members are requested to inform the Company's Registrar and Share Transfer Agent i.e. Skyline Financial Services Private Limited, D-153/ A, 1<sup>st</sup> Floor, Okhla Industrial Area, Phase - I, New Delhi- 110020 about the changes, if any, in their registered address along with Pin Code, quoting their Folio number and DP ID. All correspondence relating to transfer of shares may be sent directly to the aforesaid Registrar and Share Transfer Agent of the Company.
10. Members are requested to bring their copies of Annual Report to the meeting, as the same will not be supplied again at the meeting as a measure of environment protection.
11. Route map of the venue of the meeting is attached herewith.
12. Pursuant to Rule 18(3)(i) of the Companies (Management and Administration) Rules, 2014, Members are requested to furnish or update their e-mail IDs with the Registrar and Share Transfer Agent for sending the soft copies of the Annual Report of the Company.
13. 37<sup>th</sup> Annual Report for the year 2015-16 is also available on the website of the Company [www.pel-india.com](http://www.pel-india.com).
14. Voting through electronics means/Postal Ballot
  - a. In Compliance with provisions of section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 and Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is pleased to provide e-voting facility to the members of the Company whose name appears on the Register of Members as on September 8, 2016 being the cut off date fixed for the purpose, to exercise their right to vote in respect of the resolutions to be passed at the 37<sup>th</sup> Annual General Meeting.
  - b. Instructions for e-voting are as under-
    - I. Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com>
    - II. Click on Shareholder - Login
    - III. Enter your User ID and existing password. The User-id is your Demat account number which is (DP-ID + CLENT - ID)
    - IV. Click login
    - V. Password change menu appears. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
    - VI. Home Page of e-voting-Active Voting Cycles opens.
    - VII. Select E-voting Event Number (Even) of Precision Electronics Limited for casting vote in favour or against the Item(s) of business. (Kindly note that vote once cast cannot be modified. For an EVEN, you can log-in any number of times on e-voting platform of NSDL till you have voted on the resolution or till the end date of voting period i.e. up to 05:00 PM on September 14, 2016, whichever is earlier).
    - VIII. Now you are ready for e-voting as 'Cast Vote' page opens.
    - IX. Cast your vote by selecting appropriate option and click on "Submit" and also "confirm" when prompted.
    - X. Upon confirmation, the message "Vote cast successfully" will be displayed.
    - XI. Once you have voted on the resolution, you will not be allowed to modify your vote.
    - XII. Institutional Shareholders (i.e. other than Individuals, HUF, NRI etc.) are also required to send scanned copy (PDF/JPG format) of the relevant Board resolution/Authority letter etc. together with attested specimen signature of the duly authorised signatory(ies) who are authorized to vote, to the Scrutinizer through email [scrutinizer@pel-india.com](mailto:scrutinizer@pel-india.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in).
    - XIII. In case of any queries, you may refer the Frequently Asked Question (FAQ) - Shareholders and e-voting manual on the website of e-voting agency.
  - c. The e-voting period shall commence on September 12, 2016 (09:00 AM) to September 14, 2016 (05:00 PM). During this period the members of the Company, holding shares either in physical form or in dematerialized form, as on September 8, 2016 (cut-off date) may cast their vote electronically. Thereafter, the portal shall be disabled by the NSDL for voting.



- d. Any person, who acquires shares of the Company and become member of the Company after dispatch of the Notice of AGM and holding shares as of the cut-off date i.e. September 8, 2016, may obtain the login ID and password by sending a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or contact Registrar and Transfer Agent (Skyline Financial Services Private Limited). However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote. If you forgot your password, you may generate new password by using “Forgot User Details/Password” option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
- e. A member may participate in the AGM even after exercising his right to vote through remote e-voting but shall not be allowed to vote again at the AGM.
- f. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through ballot paper.
- g. The Board of Directors has appointed M/s. Munish K Sharma & Associates, Company Secretaries, as the Scrutiniser for conducting the e-voting process in a fair and transparent manner.
- h. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of “Ballot Paper” for all those members who are present at the AGM but have not casted their votes by availing the remote e-voting facility. Persons who have not casted their votes shall be able to exercise their right at the meeting.
- i. The Scrutinizer shall after the conclusion of voting at the AGM, will first count the votes casted at the meeting and thereafter unblock the votes casted through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than two days of the conclusion of the AGM, a consolidated scrutinizer’s report of the total votes casted in favour or against, if any to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- j. The results declared alongwith the report of the Scrutinizer shall be placed on the Company’s website [www.pel-india.com](http://www.pel-india.com) and on the website of the NSDL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The result shall also be intimated to the Bombay Stock Exchange within 48 hours of the conclusion of the AGM.

**Pursuant to Regulation 36 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the brief profile of Director eligible for re-appointment vide item no. 2 is as follows:**

**Item No. 2:**

Name of Director	DIN	Date of Birth	Date of Appointment	Number of Shares held in the Company
Ms. Ranjna Gudoo	06956595	19.10.1949	27.09.2014	Nil

Ms. Ranjna Gudoo is a graduate with BA, LLB. She has retired as DGM – Law of Power Grid Corporation of India Ltd (PGCIL) and has been an in-house lawyer for twenty seven years in the Power Sector with NTPC and PGCIL. She has acted as Borrower’s Counsel to Indian Financial Institutions, International Banks, and Multilateral agencies including World Bank and ADB for financial closure of the projects. She has extensive experience in drafting of commercial contracts and has handled litigation matters on behalf of PGCIL. She was appointed in the Company as Non-Executive Director and her knowledge on legal issues is well appreciated by the other members of the Board.

**Explanatory Statement pursuant to section 102(1) of the Companies Act, 2013**

**Item No. 4:**

Mr. Pradeep Kumar Kanodia (DIN 00002561) retires by rotation at this Annual General Meeting but has not offered himself for reappointment. Board recommends that, since Board of Company is fairly balanced and even after retirement of Mr. Pradeep Kumar Kanodia, the Board’s composition is in compliance with Companies Act, 2013 and SEBI (LODR) Regulations, 2015, resulting vacancy may not be filled up for the time being.

Mr. Pradeep Kumar Kanodia is holding 3104235 equity shares of the Company and is brother of Mr. Ashok Kumar Kanodia, Managing Director of the Company.

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

Place: Noida  
Date: August 8, 2016

Sd/-  
Veenita Puri  
Company Secretary

## DIRECTORS' REPORT

To

The Members of

Precision Electronics Ltd.,

Your Directors have pleasure in presenting the 37<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, 2016.

### 1. **FINANCIAL HIGHLIGHTS**

Your Company's performance during the year as compared with that during the previous year is summarized below:

(Rs. in million)		
PARTICULARS	CURRENT YEAR (FY 2015-16)	PREVIOUS YEAR (FY 2014-15)
Revenue*	260.1	277.9
Profit before Depreciation, Interest, & Tax	(2.4)	25.7
Depreciation	11.7	15.4
Finance Cost	10.5	8.2
Net profit before Tax	(24.6)	2.1
Provision for Tax	(5.1)	(.4)
Net profit after tax	(19.5)	2.5

*\*Revenue is net of Excise duty, VAT, Sales tax & Service Tax.*

### DIVIDEND

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

### TRANSFER TO RESERVE

Amount transferred to the general reserve is nil.

### 2. **REVIEW OF OPERATION AND STATE OF COMPANY AFFAIR**

Overall revenue of the company for the year ended March 31, 2016 was recorded at about Rs.260.1 million which is 6.4% less as compared to previous financial year (2014-15) revenue of Rs.278 million. The Company incurred a loss of Rs. 19.50 million as against net profit after tax of Rs. 2.5 million in the previous year (2014-15). The revenue was less due to delay in execution of contracts which resulted in cost overruns. The delay was due to site specific conditions that were beyond our control. In addition, expected business did not materialize as some RFPs were withdrawn and in some the company's bid was not the lowest. All this worsened the cash crunch scenario.

There is no change in the nature of business of the Company which is segmented in two business divisions; 'Electronics & Telecommunication' and 'Infra services'.

#### 2.1 Electronics & Telecommunication Division

Telecom division revenue during the year ended March 31, 2016 is Rs. 125.28 million as against Rs. 136.51 million in the previous year (2014-15). Manufacturing plants are located at Noida UP (in the NCR region) and Roorkee (Uttarakhand)

#### 2.2 Infrastructure Division

Infrastructure division revenue during the year ended March 31, 2016 is Rs.132.13 million as against Rs.139.05 million in the previous year (2014-15). The division undertakes turnkey assignments of civil, electrical and networking works and turnkey installation and commissioning of radars, sensors, data links and the command and control room at defence airfields and harbors.



No material changes and commitments have occurred after the close of the financial year till the date of this report, which affect the financial position of the Company.

### 3. MANAGEMENT DISCUSSION AND ANALYSIS

#### INDUSTRY STRUCTURE AND DEVELOPMENTS

The Defence Procurement Procedure 2016 has released an industry friendly document that provides impetus for indigenous design and manufacturing which enhances the role of MSMEs and introduces flexibility in decision making to ensure that the defence procurement is fair, swift and the concept of “Make in India” is promoted.

India is following a Preferential Market Access (PMA) policy to promote local development and manufacture of telecom equipment. This has opened huge market opportunities for PEL as it has products that qualify under the scheme norms.

#### OPPORTUNITIES, THREATS, RISK & CONCERNS

##### *Opportunities*

The defence and the civil telecom sector, both of them together present a huge business opportunity to MSME Company like ours due to “Make in India” initiative of the Prime Minister and policies that have been aligned to achieve this objective. Our Company is poised to take full benefit from these policies. Programs that were put “on hold” wherein the Company had significant orders are now under execution.

##### *Threats, Risk & Concerns*

Main Business Risks and Concerns are due to the fact that your Company’s major portion of business is dependent on the end customer which is none other than Government of India. The business is thus tender oriented, takes long time to fructify and in this business the lowest bidder wins the tender. The tender condition mandate “no cost no commitment” technical evaluation and therefore the Company has to bear the cost associated with technical evaluation and acceptance of the equipment by the customer.

Since we are in Technology intensive sector, funds are required to keep pace with the technology developments and to retain highly trained manpower. Availability of liquidity for a unit like ours is a challenge.

#### PRODUCT WISE PERFORMANCE

The Company has a well-balanced product portfolio of in-house designed and engineered products that are qualified by both defence and the civil sector customers. In the Electronics & Telecommunication Division, key PEL products include:

- I. Wire-line
  - a. Digital multiplexer with capabilities to provide turnkey voice and data communications for last mile network: In the year under review, the company executed orders for multiplexers with variety of interface cards, converters and modems.
  - b. Line modems (G.SHDSL)
  - c. Protocol Converters (Serial-to-Ethernet)
  - d. Media Converters (optical-to-copper)
- II. Wireless
  - a. Unlicensed band (5.8GHz) IP radio: PEL is proposing this radio in several tenders of Telecom customers and hopes to achieve success.
  - b. High Capacity Radio Relay Systems: PEL is offering its in-house designed and engineered sub-systems against this requirement of Indian Army.
- III. Power Systems
  - a. Power Supplies for Military and Industrial applications: PEL’s dedicated team for power supplies develops a range of “on-board” as well as stand-alone power supplies for conditioning, conversion, distribution and charging.
  - b. Power Distribution Systems for Healthcare: PEL designed power supply is being used by a world leading healthcare equipment manufacturer in their new product launch which is a grand success. It has become a production item at the Roorkee facility.



- IV. Data Logger for Indian Railways: PEL successfully executed its first PO for supply and installation of Data Loggers for Ajmer Railway station this FY.
- V. Voice Logger: PEL developed voice loggers are deployed in all the Air Traffic Control towers of the IAF and Army aviation bases. In addition, security agencies are using an advanced variant of this product.
- VI. Telescopic Masts: PEL designed and manufactured electromechanical and pneumatic masts are the preferred choice of the customers in both the defence as well as civil segments. The masts are being produced at the Noida facility and additional volume orders are expected during the year.

In the Services segment, PEL's revenue buckets include:

- I. EPC contracts: PEL has undertaken Civil, Electrical and Networking responsibilities as a subcontractor to Large Prime Contractors in the FY for major programs such as Airfield Modernization and Harbour Security. The company is actively competing in various similar opportunities which are in RFI/RFP stage presently.
- II. Infrastructure Services: PEL is a regular supplier of highly precise concrete blocks that are used by Defence agencies for testing explosive power of ammunitions.
- III. Hi-Tech Installation & Commissioning: The Company is providing technical support on behalf of CDoT to ensure trouble free commissioning of the core ATM based network switch and network termination units on all the new build ships of the Indian Navy. PEL teams are stationed at several shipyards across the country.
- IV. Maintenance Repair and Overhaul (MRO) Services: PEL has undertaken contracts in the FY for Israeli majors to support UAV (Unmanned Aerial Vehicle) ground equipment at all military bases across India. Further PEL has supported the maintenance of Integrated Electronic Warfare systems and Precision Guided Munitions supplied by Israeli companies to the Indian Military.

## OUTLOOK

PEL has established competences in areas of design, manufacturing, turnkey solution provider and has a nationwide footprint both in defence and the civil segments. It's partnerships with global majors and Indian primes are expected to bear fruit and take the company forward. Company has invested and created additional manufacturing capacity at its Roorkee plant to take care of volume production and the same is approved by the customers. In the year under consideration (2015-16) both the product mix as well as customer base was widened, the effect of which will be felt in the current financial year.

## INTERNAL FINANCIAL CONTROL

The Company has in place adequate internal financial controls with reference to financial statements. During the year no reportable material weakness in the system was observed.

## HUMAN RESOURCE DEVELOPMENT

The Company has been successful in building a performance oriented culture with high levels of engagement and empowerment in an environment of teamwork. The focus has been on creating reserves through cross functional and interdisciplinary exposure at all levels to ensure redundancy and robustness in the organization. The morale of the team is kept high by boosting employee morale at different levels, engaging them in different activities than their work, arranging different programs for the employees at all levels.

## FINANCIAL FACILITIES

The Company continues to enjoy the support of its Banker Punjab National Bank (PNB), Noida Branch for both fund and non-fund based facilities.

## 4. DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to Section 134(5) of the Companies Act, 2013 with respect to Directors Responsibility Statement, it is hereby confirmed: