



1998-99

FIFTH ANNUAL REPORT

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XO TRONIC LIMITED

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SHARE TRANSFER AGENT

Beetal Financial & Computer Services Pvt. Ltd.
321 - S, Chirag Delhi
(Opp. Sheikh Sarai, Phase - II)
New Delhi - 110 017
Phone : 6231990, 6231991

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DIRECTORS

Mr. Naresh Talwar	Chairman & Managing Director
Mr. Varun Talwar	Executive Director
Mr. W.N. Talwar	
Mr. Umesh Talwar	
Mr. A. C. Burman	
Mr. N.P. Punj	
Mr. M.L. Tandon	
Mr. Sang H. Chai	
Dr. C. Raghunathan	
Ms. Mamta Suri	
(Nominee of RCTC)	

COMPANY SECRETARY

Ms. Vandana Arun

AUDITORS

M/s S.N. Dhawan & Co.
Chartered Accountants
C-37, Connaught Place,
New Delhi - 110 001

BANKERS

Punjab National Bank
Industrial Finance Branch,
A-9, Connaught Circus, New Delhi - 110 001

Canara Bank
Jeevan Bharati Building,
Parliament Street,
New Delhi - 110 001

REGISTERED OFFICE & WORKS

Plot No. 28, Electronic City,
Sector 18, Gurgaon
Haryana - 122 016



NOTICE

NOTICE is hereby given that the Fifth Annual General Meeting of the Company will be held on Wednesday, the 29th September, 1999 at 10.00 A.M at 28 Electronic City, Sector - 18, Gurgaon, Haryana, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1999 and the Profit & Loss Account for the period ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. A. C. Burman, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Sang H. Choi, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. Chengalroyan Raghunathan, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s. S.N. Dhawan & Co., Chartered Accountants, New Delhi, as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modifications the following resolution as an ordinary resolution.

"RESOLVED THAT the consent of the Company be and is hereby accorded under section 293(1) (a) and other applicable provisions, if any, of the Companies Act, 1956, to mortgaging and/or charging by the Board of Directors of the Company wheresoever situate, present and future and the whole of the undertaking of the Company and/or to giving the power to takeover the management of the business and concern of the Company in certain events (whether such power is contained in the documents creating the mortgage/charge or otherwise) to or in favour of Industrial Development Bank of India (IDBI) to secure Rupee Term Loan of Rs. 350 lacs lent and advanced by IDBI to the Company together with interest thereon at the agreed rates, compound interest, additional interest, liquidated damages payable by the Company to IDBI under the Loan Agreement/Memorandum of terms and conditions entered into by the Company in respect of the said term loans.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with IDBI, the documents for creating aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the above resolution."

By Order of the Board
For XO Tronic Limited

Date : 12th August, 1999

Place : New Delhi

Vandana Arun
Company Secretary

NOTES

1. Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956 is annexed herewith.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXY TO ATTEND AND VOTE ON HIS BEHALF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. A PROXY MAY BE SENT IN THE FORM ENCLOSED AND IN ORDER TO BE EFFECTIVE MUST REACH THE REGISTERED OFFICE OF THE COMPANY ATLEAST 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from 27th September, 1999 to 29th September, 1999 (both days inclusive).
4. Members are requested to notify the change in their address, if any, quoting their Folio Number.
5. Members are requested to bring their copies of Annual Report at the Meeting.

**EXPLANATORY STATEMENT****[Pursuant to Section 173(2) of the Companies Act, 1956]****Item No.6**

During the year the Company had been sanctioned & disbursed additional financial assistance by Industrial Development Bank of India (IDBI) by way of Rupee Term Loan of Rs. 350 lacs for meeting the project cost over-run.

The financial assistance has to be secured by a first charge on pari passu basis in respect of all immovable properties of the Company.

Section 293 (1) (a) of the Companies Act, 1956 provides, inter alia, that the Board of Directors of public company shall not, without the consent of shareholders in general meeting sell, lease or otherwise dispose off the whole or substantially the whole of the undertaking of the Company, or where the Company owns more than one undertaking, of the whole or substantially the whole, of any such undertaking.

Since the mortgaging by the Company of its immovable properties as mentioned above in favour of financial institution may be regarded as disposal of the Company's properties/undertakings it is necessary for the members to pass a resolution under section 293 (1) (a) of the Companies Act, 1956. At the time of disbursement of financial assistance the Company had given an undertaking to IDBI to pass the said resolution in the forthcoming general meeting of the Company.

Copy of the sanction letter received from IDBI is open for inspection at the Registered Office of the Company between 11.00 A.M. to 1.00 P.M. on any working day prior to the date of meeting.

None of the Directors of the Company is interested in this resolution.

The Board recommends the resolution for approval.

By Order of the Board
For XO Tronic Limited

Date : 12th August, 1999
Place : New Delhi

Vandana Arun
Company Secretary

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DIRECTORS' REPORT

To
The Members,

Your Directors present the Fifth Annual Report of the Company for the year ended 31st March, 1999.

Operations

During the year under review, the Company continued to face hardships and insufficient export orders. Therefore the Company opted to shift from its charter of being a sub-contractor for the North American market to being a marketer of its own products and services in India and abroad. Accordingly the Company obtained approvals from SIA, Ministry of Industry and Deptt. of Central Excise in October'98 and March'99 respectively for debonding of the unit from EHTP scheme to Zero-duty EPCG scheme. This small but significant move has changed the fortunes of the company dramatically. Your company today stands as an approved supplier of Electronic Cards to various Indian and multinational clients such as Ascom-Switzerland, Casio-India, HCL, Wipro Infotech, Shyam Telecommunications, to name a few. In addition to this and by virtue of the shifting the status to a domestic industry, your company has now emerged as a significant player in the computer peripherals and add-on card market. The Computer Industry as you may all be aware is the new sunrise industry in India and is clocking a growth rate of more than 40% annually. Today in this extremely hi-tech and competitive industry your company and its products are ranked on merit and attract a premium from other established players in this field.

Future prospects

The Company has now started aggressively pursuing a two point strategy of attracting OEM customers and also marketing its own products such as computer mother boards & add-on cards in the Indian market. The OEM base is continually on the rise and extremely significant accounts have been attained directly giving a tremendous fillip to the bottom line of the Company. In addition to that, the Company has extended its product range to include Computer Mother Boards, Graphic Cards, Memory Modules so that it can offer an entire basket of products to the industry. A vast dealer and distributor network has been established and put into place, which is now giving dividends in terms of continuous order inputs to the manufacturing facility.

We still have a long way to go, but the beginnings that have been made in the current year portend an auspicious end. During the first four months of the current year ended 31st July, 1999 the Company achieved a gross turnover of Rs.631.02 lacs as compared Rs. 153.23 lacs for the full year ended 31st March, 1999.

Financial Assistance

During the year the Industrial Development Bank of India has sanctioned and disbursed an additional financial assistance by way of Rupee Term Loan of Rs. 350 lacs to the Company to finance the cost over-run of the project.

Directors

Mr. A. C Burnan, Mr. Sang H. Choi and Dr. Chengalroyan Raghunathan, Directors of the Company, retire at the ensuing Annual General Meeting as per provisions of Section 256 of the Companies Act, 1956 and being eligible, offer themselves for reappointment.

During the year under review, Risk Capital & Technology Finance Corporation Ltd. (RCTC) has nominated Ms. Mamta Suri as the Director of the Company. The Industrial Development of India has withdrawn its nominee director Mr. L.P. Aggarwal from the Board of Directors of the Company w.e.f July 13, 1999.

Auditors

M/s. S.N. Dhawan & Co., Chartered Accountants, New Delhi, the auditors of the Company retire at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment. The necessary certificate under section 224(1B) of the Companies Act, 1956 has been received from them.

Public Deposit

During the year under review the Company has neither invited nor received any deposit from the Public.

Y2K Compliance

Your Company is fully compliant to Y2K problem because at the time of procurement of machinery, hardware and software, it was verified that most of the equipments are Y2K compliant.

Particulars of Employees

As required by Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the name and particulars of employees as applicable are as under :

Name	Age	Designation	Gross Remuneration	Qualification	Experience	Date of commencement of employment	Last employment held.designation
Varun Talwar	30	Executive Director	Rs. 6,50,181.	BS In Business Administration	9 years	1.4.95	Stoffel Seals Corpn. Nyack New York. Manager Computer Deptt. & System Design
Navin Juneja	40	V.P- Corporate Finance	Rs. 4,59,918	B.Sc.(H), F.C.A.	16 years	1.4.95	QH Talbros Ltd. General Manager Finance
Sanjay Shakhder	38	V.P- Operations	Rs. 4,59,918	B.E. (Mech.)	15 years	1.4.95	QH Talbros Ltd General Manager Projects