

**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.

CONTENTS

Notice.....	01
Director's Report.....	03
Corporate Governance Report.....	16
Auditor's Report.....	31
Balance Sheet.....	36
P & LA/c.....	37
Cash flow Statement.....	38
Schedules.....	39

PRECISION ELECTRONICS LIMITED

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

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.



- 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.

PRECISION ELECTRONICS LIMITED

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

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

PRECISION ELECTRONICS LIMITED

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

PRECISION ELECTRONICS LIMITED

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.

PRECISION ELECTRONICS LIMITED

10. FINANCIAL FACILITIES

Company continues to enjoy the support of its banker Punjab National Bank (PNB) and facilities are being reviewed.

11. ADEQUACY OF INTERNAL CONTROL

The company continues to have a proper and adequate internal control procedure commensurate with its size and nature of business. This control procedure ensures efficient use and protection of resources, compliance with established Company policy and guidelines and compliance of statutes.

The company has an internal auditor, which carries out independent periodic audit. The scope of internal audit covers variety of operational and financial matters follow up and review of implementation of recommendations made for corrective action. The prime object of such audit is to test the adequacy, effectiveness and adherence of all internal control laid down by the management and to suggest improvement. Quarterly internal audit reports are reviewed in Audit committee held from time to time.

12. HUMAN RESOURCE DEVELOPMENT

Your Company believe that great people creates a great organization. In this View we make optimum use of the intelligentsia available in our country. Human resource development is a major thrust area and a continuous endeavor of the company. The responsibility doesn't end with just recruiting the best, we also make efforts to keep them motivated and provide them sufficient impetus & opportunities for them to improve, develop & link the higher ladder of success. In PEL we provide training at every level to fill the gap between academics and practical applications. Regular seminars are being conducted by PEL HR team to keep Human Resource abreast with latest development in their field. The total strength of your company has grown to 275 and as a result of the employee friendly initiatives, the key employee retention is observed as > 94%.

This year marked the third consecutive year of PEL conducting a company wide employee survey which resulted in valuable suggestions for improvement both in terms of improving our operational efficiency as well as making our work place a healthier and more enjoyable environment.

The members are also apprised that its newsletter "*PEL Touch*" continues to keep the employees informed about the current activities, achievements of the Company as well as its individuals.

Our HR department has conducted in-depth survey of the industry this year to establish the current compensation trends along with HR practices and bench mark the same with ours. This has resulted



in a market correction in compensation at various levels and adoption of certain HR policy initiatives. We are gradually implementing these improvements to attract/ retain the best talent in the industry.

CAUTIONARY STATEMENT

Certain Statements made in Management Discussion & Analysis Report relating to the Company objectives, projections, outlook, expectations, estimates etc. may constitute 'forward looking statements' within the meaning of applicable laws & regulations. Actual results may differ from such expectations, projections etc. whether express or implied. Several factors could make significant difference to the Company's operations. These include climatic conditions and economic conditions affecting demand and supply, Government regulations and taxations, natural calamities etc. on which the Company does not have any direct control.

13. REGISTRAR & TRANSFER AGENT

The Registrar and Transfer Agent is:

M/s Skyline Financial Services Pvt. Ltd.
246, 1st Floor, Sant Nagar,
East of Kailash,
New Delhi - 110 065
Tel: +91-11-26292682-83

14. ENVIRONMENTAL PROTECTION, HEALTH AND SAFETY

As a responsible corporate citizen your company act on the belief that environment protection are not just preferred responses but our basic responsibility and the right way to do business. EHS continues to receive highest priority in all operational and functional areas at factory. The Company continues to maintain excellent track record on safety. The site had no accidents during the year 2008-09. PEL also has a Workman safety Committee under section 41G of factories Act 1948. This Committee meets at regular intervals to take measures for worker's protection in order to make PEL a safe place to work.

15. PARTICULARS OF CONSERVATION OF ENERGY, ABSORPTION OF TECHNOLOGY AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information relating to conservation of energy, as required under Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the

PRECISION ELECTRONICS LIMITED

Report of Board of Director) Rules 1988 is annexed hereto marked Annexure-1 and form part of this Report.

16. CORPORATE GOVERNANCE

In compliance with the requirements of Clause 49 of the Listing Agreement with BSE, a separate report on Corporate Governance along with the Auditors' Certificate on its compliance forms a part the Annual report.

17. FIXED DEPOSITS

The Company has not invited or accepted any fixed deposits from the public under section 58A of the Companies Act, 1956 during the year under review and hence no amount of principal or interest was outstanding as of the Balance Sheet date.

18. DIRECTORS

The Board consists of executive and non-executive directors including independent directors who have wide and varied experience in different disciplines of corporate functioning.

In accordance with the provisions of Section 256 of the Companies Act, 1956 and Article 133 of the Article of Association of the Company, Mr. Pradeep Kanodia (Executive Director) of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offer himself for re-appointment. The resolution for the same has been included in the notice of Annual report scheduled to be held on 20th August, 2009.

19. DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956 with respect to Directors Responsibility Statement, it is hereby confirmed:

1. That in the preparation of the accounts for the financial year ended 31st March, 2009 the applicable accounting standards have been followed along with proper explanations relating to material departures;
2. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit of the Company for the year under review.

3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors have prepared the accounts for the financial year ended 31st March 2009 on a 'going concern' basis.

20. AUDITORS

The Statutory Auditors of the Company, M/s Rajendra K. Goel & Co., retire at this year's annual general meeting and have sought their re-appointment. M/s Rajendra K. Goel & Co., Chartered Accountants, New Delhi has confirmed that their re-appointment, if made, would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956.

Their being no audit observations in Auditors' Report, no further explanations are required.

21. LISTING OF SECURITIES

The Shares of the Company are listed with BSE, Pheroze Jeejeebhoy Towers, Dalal Street, Mumbai. (Scrip Code: 517258). It is confirmed that the Company has paid Annual listing fee upto the current financial year to BSE.

22. PARTICULARS OF THE EMPLOYEES

No employee of the Company is getting salary, which falls within the purview of Section 217(2A) of the Companies Act, 1956.

24. ACKNOWLEDGMENTS

Your directors express their deep appreciation and gratitude for the valuable support received from Punjab National Bank, its customers, business associates and shareholders and look forward to similar support and co-operation in future. Your directors appreciate the sincere efforts put in by the employees at all levels, which enabled the Company to achieve the performance during the year.

FOR AND ON BEHALF OF THE BOARD

Place: New Delhi

Date: 25.06.09

(ASHOK KANODIA)
Managing Director

(PRADEEP KANODIA)
Executive Director

PRECISION ELECTRONICS LIMITED

ANNEXURE-1

STATEMENT OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY, ABSORPTION OF TECHNOLOGY AND FOREIGN EXCHANGE EARNINGS AND OUTGO IN ACCORDANCE WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 ARE GIVEN BELOW:

(A) CONSERVATION OF ENERGY

(a) Energy conservation measure taken:

The Company continues to follow a regular schedule of preventive maintenance and servicing of all its energy intensive machines and equipment to ensure their optimum operation.

(b) Additional Investments and proposals, if any being implemented for reduction of consumption energy

● Energy conservation measures undertaken during the year include maintaining the power factor towards unity that ensures better power quality to the sensitive equipment installed.

● We have also made small modification in wet process i.e. placing sensor and controller, restricted operation of spray pump.

(c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

By installing servo stabilizers on some equipments/ machines, we saved Rs. 8.5 L on diesel consumption and KVAH consumption has been reduced due to power factor maintenance resulting in saving of about Rs. 6.6L.

(d) Total energy consumption and energy consumption per unit of production:

Information is given in prescribed **FORM –A BELOW**

The Details of Power & Fuel Consumption :

Electricity	Current year	Pervious year
Power purchased		
Unit (KWH)	1,162,514	1,049,086
Total amount	Rs.6,003,300	Rs.4,760,647
Rate/unit	Rs.5.16	Rs.4.54
Power generated		
Unit (KWH)	643,867	708,354
Total amount	Rs.7,397,201	Rs.7,968,224
Cost per unit	Rs.11.49	Rs.11.25
Total energy cost	Rs.13,400,501	Rs. 12,728,871

(B) TECHNOLOGY ABSORPTION

Effort made in technology absorption are given in prescribed Form - B below

FORM-B

(A) RESEARCH & DEVELOPMENT (R&D)

Your company continue to benefit from strong foundation and great tradition of Research and development which differentiate from others.

1. Specific areas in which Design & Development was carried out by the Company.

Design & Development activity in PEL has been accorded due importance with an aim to upgrade our existing systems as also to explore avenues for further technological growth. 8/34 Mbps Radio Relay has been upgraded to 155 Mbps affording a larger pipeline for the Army Trunk Communication in media. In commensurate with the 155 Mbps Radio, the Bulk Encryption System of matching capacity is under up gradation. Link enhancement has been achieved using Turbo Code Technology. Our D&E (Embedded) have, through their dedicated application, been able to develop a Data Logger which finds acceptance in number of applications in Defence, BSNL/MTNL, Railways, and Airports etc.

We have also designed and engineered a customized Airfield Voice Recorder (AFVR) for the army aviation. The system is compact with the large capacity to store data and works on Hot Standby concept.

We have designed upgraded version of cards for the 2MBPS flexible Multiplexes with inbuilt line drivers. This enables the system to extend data over copper for distances upto 6 kms.

2. Benefits derived as a result of the above R&D:

A range of new and superior product has been introduced due to the R & D efforts due to which our company has been able to address the specific requirements of Indian Army. In addition, Company has acquired new technological solutions which has enhanced our understanding of user and widened the product mix.

3. Future Plan of Action:

Design & Development activities of the company have the potential of contributing significantly to the sales and profitability of the company in near future. This ability is being continuously expanded and additional manpower is being inducted to strengthen the existing team to acquire technologies

PRECISION ELECTRONICS LIMITED

and domain expertise. This will develop our capabilities of System Integration and be a complete solution provider to Armed Forces.

4. Expenditure on R&D:

Capital	NIL
Recurring	Rs. 78.59 L
Total	Rs. 78.59 L

Total R&D as a Percentage of total turnover 1.91%

(B) TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATION

(1) Efforts, in brief, made onwards Technology absorption, adaptation and innovation:

The 8/34 Mbps radio relay system designed and engineered by PEL was fielded in response to the RFP issued by army HQ in the year 2005. In parallel with trials and evaluation, we have constantly absorbed the technology and upgraded the same to keep pace with global systems.

The technology used in accessories has been suitably upgraded so that system has better reliability, is light weight and compact and the Indoor Unit (IDU) has an inbuilt power supply unit. Through constant creative efforts of one D&E team, we have designed a Float Cum Boost Charger (FCBC) in the term of Multimode Tactical Power Unit (MTPU) which provides a constant DC output of 48V from inputs of 12V, 24V, 48V DC and 220V AC.

During the financial year under review technology for point to point radio and PST 12 M have been adapted for improvements, and enhancements in various field to meet the requirement of our customers.

(2) Benefits derived as a result of the above efforts:

Due to the above, the company has been able to meet the technical requirements of the tenders floated by the customer (Min of Defence) and participate in the same. If successful, it would amount to import substitution and substantial savings of foreign exchange to the exchequer.

(3) Information regarding technology imported during last 5 years:

No new technology has been imported during the last five years. However technologies obtained from partners have been inducted for latest developments and the same have been identified for absorption to deliver new offerings in subsequent product designs

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

The detailed information in respect of Foreign Exchange Earnings and Outgo has been given in 'Note on Accounts' forming part of "Annual Accounts 2008-09



CORPORATE GOVERNANCE REPORT

Corporate Governance is a code of conduct which guides and instructs the Board of Directors of the Company to govern the affairs of the Company in a manner most beneficial to the Shareholders, the Creditors, the Government and the Society at large.

1. PRECISION'S PHILOSOPHY ON CORPORATE GOVERNANCE

As a good corporate citizen, Your Company is committed to good corporate governance and believes in attainment of highest level of transparency, accountability, integrity in all its operation and places emphasis on responsible conduct. Disclosure relating to Company's operation and financial performance are made to stakeholders.

2. BOARD OF DIRECTORS

The Board of Directors of the Company consists of 6 directors as on 31st March, 2009, whose composition & category is given below:

COMPOSITION & CATEGORY

Two – Promoter Executive Director

One – Non-Executive Director

Three – Non Executive Independent Director

The ratio between executive and non-executive director is 2:4.

The composition of the Board of Directors along with their brief resume as on 31st March, 2009 is given as under

Sl.No.	Name of the Directors	Age	Brief resume	Experience
1.	Shri Ashok Kanodia	58	He is an alumnus of Massachusetts Institute of Technology (MIT), USA where he graduated as an Electrical Engineering and Business Management from the Sloan school of Management. He is a Promoter Director of the company and has been associated with the company since inception (1979). He has been an active member of the various	34 years

PRECISION ELECTRONICS LIMITED

			policy making bodies created by the Govt. and industry associations like TEMA, FICCI & CII. Besides holding the post of Managing Director in the company, he also holds the Directorship in various other Companies.	
2.	Shri Pradeep Kanodia	54	He is Commerce Graduate from St. Xavier's College, Calcutta. He is also the Promoter Director of the company and has been associated with the company since inception. Besides holding the post of Executive Director in the company, he also holds the Directorship of various other Companies.	35 years
3.	Shri Rahul Goenka	33	He holds his Masters in Marketing & finance from Clark University, Worcester, USA. At the outset of his career, Mr. Rahul Goenka occupied position in people.com Consultants Inc., Boston USA, a Technology Solutions Provider. Presently he is associated with a garment and home furnishing export unit and partner in Krishna Motors, Akola.	9 Years
4.	Shri S.C. Sharma	56	He is a practicing Chartered Accountant having more than 27 years of rich and varied experience in internal taxation, finance and tax planning. He is also a member of Indian Institute of Managers.	27 years
5.	Shri Anant Kanoi	30	He graduated from the University of Michigan, Ann Arbor with a degree in Industrial & Operations Engineering specializing in Manufacturing & Business systems. He has more than 8 years of experience in various industries that include Pepsi food and Ford Motor company. He currently manages a company which is one of India's leading manufacturers of pigment intermediates. He is an active member in the Delhi chapter of the Entrepreneur's Organization (EO).	8 years
6.	Shri S.C. Choudhary	64	Shri S.C. Choudhary has vast knowledge and expertise in the field of Telecom and	40 years

			<p>Board room practice. He served as a Chief General Manager Telecom (CGMT) of Punjab Circle in Govt. of India, BSNL and was elevated as Director-Operations on the Board of BSNL. During his career of over 39 years with DoT, Govt. of India, BSNL he has presided over myriad responsibilities under various positions. He brings with him an invaluable experience of the Telecom sector.</p>	
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During the year under review 5 Board Meetings were held on 26th April, 2008, 28th June, 2008, 26th July, 2008, 25th October, 2008 and 31st January, 2009.

Last AGM was held on 25th September, 2008.

Attendance of Directors at the Board Meetings and the last Annual General Meeting:

	Ashok Kanodia	Pradeep Kanodia	Rahul Goenka	S.C.Choudhary	S.C. Sharma	A nant Kanoi
Category	PD(MD)	PD(ED)	NED	NEID	NEID	NEID
Date of appointment	1-05-1979	1-04-1981	25-09-04	25-01-08	25-09-04	08-08-05
Directorship in other companies*	5	4	-	-	-	6
Chairmanship in Committees of Board of other companies	-	-	-	-	-	-
Membership in committees of Board of other companies	-	-	-	-	-	-
No. of Board meeting attended	5	5	3	5	5	4
Attendance at last AGM held in September	Yes	Yes	Yes	Yes	Yes	No
(* This does not include foreign companies and companies under section 25 of the companies act 1956)						

PD-Promoter Director, **MD**-Managing Director, **ED**-Executive Director, **NED**-Non-Executive Director & **NEID**- Non-Executive Independent Director.

3. AUDIT COMMITTEE

The company had constituted an Audit Committee in the year 2003. The terms of reference of

PRECISION ELECTRONICS LIMITED

Audit Committee are as specified in Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement with BSE.

The following are the members and their attendance at the committee meeting:

S. No.	Name of Members	Category	Status	Attended
I	Shri S.C. Sharma	NEID	Chairman	5
II	Shri Rahul Goenka	NED	Member	3
III	Shri Anant Kanoi	NEID	Member	4
IV	Shri S.C. Choudhary	NEID	Member	5

During the period under review, the Audit Committee met 5 times on 26th April, 2008, 28th June, 2008, 26th July, 2008, 25th October, 2008 and 31st January, 2009.

4. SELECTION AND COMPENSATION COMMITTEE

The Selection and Compensation Committee of the Company was constituted in the year 2004. No meeting of remuneration committee was held during the year.

The remuneration committee consists of following members

S. No.	Name of Members	Category	Status
I	Shri S.C. Sharma	NEID	Chairman
II	Shri Rahul Goenka	NED	Member
III	Shri Anant Kanoi	NEID	Member
IV	T. Dev Joshi	MEMBER	Member
V	Shri S.C. Choudhary	NEID	Member

Remuneration Policy

The Managing and Whole Time Executive Director are paid remuneration including commission as per the agreement entered into with the company. They are also paid commission which is decided on annual basis by the Board of Directors based on the recommendation of Compensation and



Remuneration Committee within the limit sanctioned by the Shareholders. The amount payable to each individual was decided on the basis of their respective assignments and performance.

Notice period for termination of appointment of Managing Director & Executive Director is six months with no severance fees.

The Non- executive Directors are paid sitting fees for attending board and committee meetings. During the Current Year no commission has been recommended by the Board, though in addition the Company can provide commission to those Non-Executive Directors who were in the office during the year. The amount of such commission is decided by Board of Directors on annual basis.

The Company has not offered any stock option to its Directors.

Except Mr. S.C. Sharma who is holding 300 Shares in the Company, no other non-xecutive director is holding any share in the Company.

Details of remuneration and perquisites paid to directors for the year 2008-09:-

(In Rs.)

Directors	Salary	Perquisites	Commission	Sitting Fees	Total
Mr. Ashok Kanodia	14,16,000	16,873	Nil	N.A.	14,32,873
Mr. Pradeep Kanodia	14,16,000	50,190	Nil	N.A	14,66,190
Mr. Rahul Goenka	Nil	Nil	Nil	51,000	51,000
Mr. S. C. Sharma	Nil	Nil	Nil	61,000	61,000
Mr. Anant Kanoi	Nil	Nil	Nil	20,000	20,000
Mr. S.C. Choudhary	Nil	Nil	Nil	50,000	50,000

5. SHAREHOLDER/ SHARE TRANSFER AND INVESTOR GRIEVANCE COMMITTEE

The company constituted Share transfer and Investor Grievance Committee in the year 2003. The committee consists of following members:

PRECISION ELECTRONICS LIMITED

S. No.	Name of Members	Category	Status
I.	Mr. Rahul Goenka	NED	Chairman
II.	Mr. Pradeep Kanodia	ED	Member
III.	Mr. S.C Sharma	NEID	Member
IV.	Mr. S. C. Choudhary	NEID	Member

Transfer requests and complaints from the shareholders are attended promptly by Company's Registrar & Transfer Agent as and when they are received and accordingly placed before the Committee meeting.

Name and designation of Compliance Officer: Ms. Taraj Mittal, Company Secretary

Nature of complaints

Description	Received	Replied	Pending
Non receipt of new shares	22	22	0
Non receipt of annual report	3	3	0
Non receipt of bonus shares	7	7	0
Deletion /rectification of name of shareholder	2	2	0
Dematerialisation	1	1	0
Transmission/transfer	3	3	0
Change of address	6	6	0
Non receipt of credit	1	1	0
Total	45	45	0



All complaints have generally been solved to the satisfaction of the complainants within the prescribed time.

6. GENERAL BODY MEETINGS

The last three Annual General Meeting were held as under:

Financial Year	Date	Time	Location	Special resolution Passed
2005-2006	14.07.2006	11.00 A.M.	India International centre	Yes
2006-2007	20.08.2007	11.00 A.M.	India International centre	Yes
2007-2008	25.09.2008	11.00 A.M.	India International centre	No

- No special resolution was put through postal ballot in the previous 3 AGMs.
- No resolution included in the agenda of the ensuing AGM requires approval by postal ballot.
- No EGM of shareholders was held during the year.

7. DISCLOSURES

There is no material transaction with related parties that may have potential conflict with the interest of the Company at large.

- There were no instances of non-compliance by the Company or penalties, strictures imposed on the Company by the Stock exchanges or SEBI or any other statutory authority on any matter related to the capital markets during the last three years.
- There is no accounting treatment different from the prescribed Accounting standards.
- CEO/CFO Certificate has been submitted to the board of directors in terms of sub clause V of clause 49 of the Listing agreement.
- Declaration as required under Clause 49 (1)(d)(ii) of the listing agreement forms a part of the annual report.

PRECISION ELECTRONICS LIMITED

8. MEANS OF COMMUNICATION

- i. The quarterly, half yearly and annual financial results of the Company are sent to the BSE by means of facsimile transmission and letter by courier immediately after they have been taken on record by the Board. Yearly reports of the Company are sent to the shareholders of the Company.
- ii. The quarterly, half yearly and annual financial results of the Company are published in English daily newspaper (Financial Express all edition) and in one Hindi daily Newspaper (Jansatta).
- iii. The results are made available on Company's website www.pelindia.com and SEBI internet www.corpfiling.co.in
- iv. The Company keeps on updating its website to provide comprehensive relevant information. The Company believes that all the stakeholders should have access to adequate information about the Company and in today's electronics age website is the best media for such dissemination of information. All information, which could have a material bearing on the share prices, is released at the earliest.
- v. The Company has not made any formal presentations to the institutional investors or to the analysts during the year.
- vi. Management discussion & analysis report is discussed in the Directors Report.

9. GENERAL SHAREHOLDER INFORMATION

(i) Re-appointment of Retiring Director

At the ensuing Annual General Meeting of the Company Mr. Pradeep Kanodia, Director of the Company retires by rotation and being eligible offer himself for re- appointment. The brief Resume of Mr. Pradeep Kanodia as required under Clause 49 of Listing Agreement is given below:

Mr. Pradeep Kanodia, aged 54 years, has been the Executive Director of Precision Electronics Ltd. since inception and looks after the day-to-day commercial and administrative functioning of the company.

He draws upon his prior experience of managing an export house in Calcutta and has added tremendous value over the 30 years that he has been with Precision Electronics Ltd.

Born in Calcutta, India on March 2, 1955 he earned a B.Com. (Hons) degree from St. Xavier's College, Calcutta.

(ii) 30th Annual General Meeting

- Date and time : September 15, 2009 at 10.30 a.m.



- Venue : Indian International Centre, New Delhi – 110065

(iii) Financial Calendar (tentative and subject to Change): 2009- 10

Accounting Year	April to March
First Quarter Results	Last week of July 2009
Second Quarter/Half Yearly Results	Last week of October 2009
Third Quarter Results	Last week of January 2010
Audited Annual Results	Last week of June 2010
Annual General meeting	Last week of September 2010

(iv) Date of Book Closure: 11.09.2009 – 15.09.2009

(v) Dividend payment: No Dividend is declared.

(vi) Listing on Stock Exchange and Stock Codes

- a. Equity Shares Listed on BSE
- b. Stock Code: 517258
- c. Demat ISIN Number in NSDL & CDSL for Equity Shares : INE143C01024

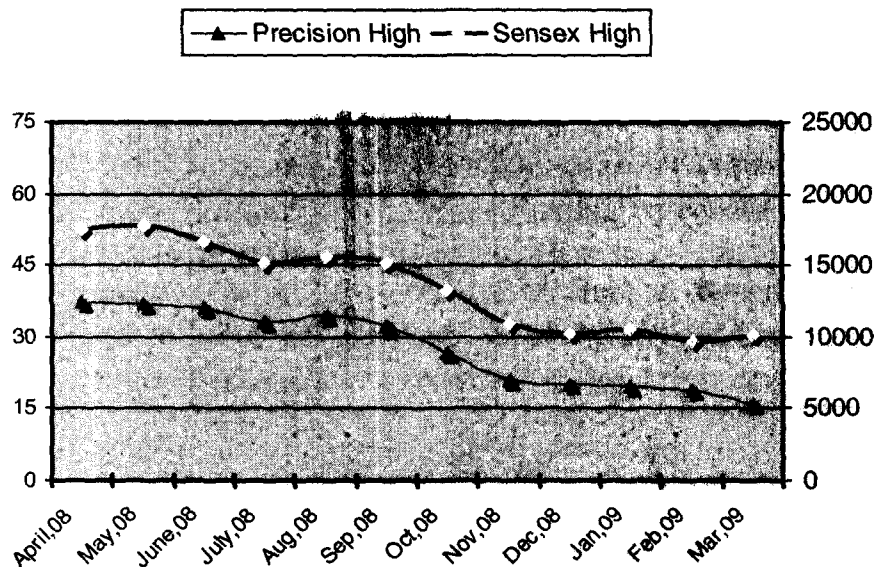
(vii) Stock Market Data

Month	Precision		Sensex	
	High(In Rs.)	Low (In Rs.)	High	Low
Apr-08	37.50	31.60	17,480.74	15,297.96
May-08	37.05	31.00	17,735.70	16,196.02
Jun-08	36.20	23.15	16,632.72	13,405.54
July-08	33.00	21.25	15,130.09	12,514.02
Aug-08	34.55	27.40	15,579.78	14,002.43
Sep-08	32.40	25.70	15,107.01	12,153.55
Oct-08	26.75	17.05	13,203.86	7,697.39
Nov-08	20.75	16.70	10,945.41	8,316.39
Dec-08	19.95	15.85	10,188.54	8,467.43
Jan-09	19.50	15.30	10,469.72	8,631.60
Feb-09	18.70	15.80	9,724.87	8,619.22
Mar-09	15.85	12.40	10,127.09	8,047.17

Source: BSE website

PRECISION ELECTRONICS LIMITED

Stock Market data for the period 1st April, 2008 to 31st March, 2009 Precision share price performance in comparison with BSE Sensex



(viii) Registrar and share transfer agents:

Skyline Financial Services Pvt. Ltd.
246, 1st Floor, Sant Nagar,
East of Kailash,
New Delhi - 110 065
Web: www.skylinerta.com

(ix) Share Transfer System

The Company's shares are traded in the stock exchange(s) compulsorily in demat mode. All valid transfers lodged with the Company/Registrar and Transfer Agent are processed and returned to the Shareholders within the stipulated period, if the documents are complete in all respect.

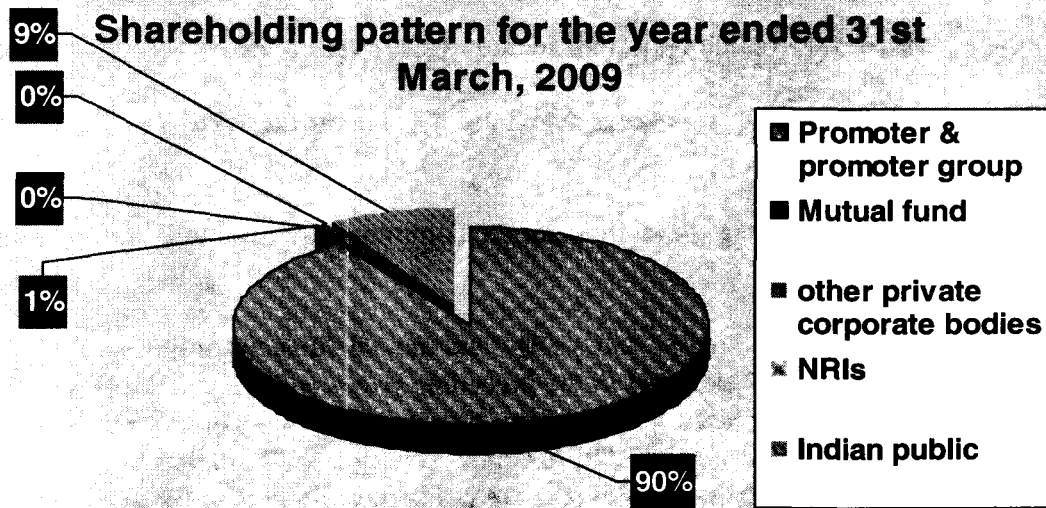
(x) Distribution of Shareholding as on 31.03.2009

March 31 ,2008				March 31, 2007		
No. of Equity Shares	No. of shareholders	No.of shares	% of shareholdings	No. of shareholders	No.of shares	% of shareholdings
UP TO 500	15896	628591	4.54	16013	638839	4.61
501 to 1000	159	124967	0.9	155	121270	0.88
1001 to 2000	83	121902	0.88	77	112569	0.81
2001 to 3000	24	60011	0.43	24	58126	0.42
3001 to 4000	10	36037	0.26	8	28602	0.21
4000 to 5000	7	32708	0.24	8	36618	0.26
5001 to 10000	18	126567	0.91	17	122295	0.88
10001 & above	34	12717729	91.84	36	12730193	91.92
Total	16231	13848512	100	16338	13848512	100.000

Shareholding Pattern as on 31st March, 2009

Category	No. of fully paid up shares	% Age of shareholding
Promoters & Promoters Group	12536095	90.52
Public Shareholding		
Mutual Funds, Banks & FIs	12775	0.09
Other Private Corporate Bodies	108305	0.78
NRIs	1344	0.01
Indian Public	1189606	8.60
Others:- Shares in transit 150 - Director/relatives (Independent & not in control of the Company)	387	0.00
TOTAL	13848512	100.00

PRECISION ELECTRONICS LIMITED



(x) Dematerialisation of Shares (As on 31.03.2009)

	No. of Shares
CDSL	806147
NSDL	222234
PHYSICAL	12820131
TOTAL1	3848512

(xi) Plant Location

- (i) D-10, Sector-3
Noida – 201 301 (U.P.)
- (ii) Plot No. 9 & 10, KIE Industrial Estate
Village Mundiyaiki (Mangalore), Roorkee
Haridwar – 249 406, Uttarakhand (India)

(xii) Address for correspondence:

D- 1081, New Friends Colony,
New Delhi - 110 065.

NON-MANDATORY REQUIREMENTS

1. The Company does not have a non-executive Chairman.
2. Presently, the Company does not have a limit on the tenure of Independent Directors.
3. The details regarding the Remuneration Committee are available in the preceding pages.
4. The Company's quarterly, half yearly and annual financial results are published in two newspapers as stated in the preceding pages and are also displayed on the Company's website www.pelindia.com besides being available for public viewing at website of SEBI on the EDIFAR link. Therefore half yearly results including summary of the significant events are not separately sent to the shareholders of the Company.
5. The Company does not have any qualifications from the Auditors in the Financial Statements.
6. The Company has not yet put in place a structure to provide trainings to its Board members and /or to evaluate their performance.
7. The Company has not yet formulated any Whistle Blower Policy.

PRECISION ELECTRONICS LIMITED
DECLARATION ON COMPLIANCE WITH THE CODE OF CONDUCT

Dear Members,

Pursuant to revised Clause 49 of the Listing Agreement, your Directors have laid down a Code of Conduct for Directors and Senior Management. The same has been posted on the website of the Company.

It is hereby certified that the members of the Board and the senior management personnel have confirmed their compliance with the “Code of Conduct for members of the Board and Senior Management” and there has been no instance of violation the Code.

FOR AND ON BEHALF OF THE BOARD

Place: New Delhi
Date: 25.06.2009

(ASHOK KANODIA)
MANAGING DIRECTOR



CERTIFICATE FROM AUDITORS REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE.

The Members of
Precision Electronics Ltd.

We have examined the compliance of conditions of Corporate Governance by Precision Electronics Ltd. ("the Company") for the year ended March 31, 2009, as stipulated in Clause 49 of the Listing Agreement of the Company with the Bombay Stock Exchange Limited. We have conducted our review on the basis of the relevant records and documents maintained by the Company for the year ended 31st March, 2009 and furnished to us for the purpose of the review and the information and explanations given to us by the Company during the course of such review.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion of the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended March 31, 2009 no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the RTA.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For Rajendra K Goel & Co.
Chartered Accountants**

**Place: New Delhi
Dated: 25.06.2009**

**R.K.Goel
(Partner)
Membership No. 6154**

PRECISION ELECTRONICS LIMITED

AUDITOR'S REPORT

To
The Members of
Precision Electronics Ltd.

1. We have audited the attached Balance Sheet of **M/s. PRECISION ELECTRONICS LIMITED**, New Delhi as at 31st March 2009 and the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibilities of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence, supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimate made by the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report)(Amendment) Order, 2004 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, and on the basis of such checks as we consider appropriate and according to the information and explanation given to us, we enclose in the Annexure a statement on the matters specified in paras 4 & 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph-3 above we report that:
 - (a). We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (b). In our opinion, the Company has kept proper books of accounts as required by law so far, as appears from our examination of these books.
 - (c). The Balance Sheet and Profit & Loss Account and Cash Flow Statement dealt with the report are in agreement with the books of accounts.
 - (d). In our opinion, financial statements have been prepared in accordance with accounting standard referred to in Section 211 (3C) of the Companies Act, 1956



- (e). On the basis of the written representations received from the directors and taken on record by the Board of Directors, we report that none of the director is disqualified as on 31st March 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- (f). In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet, Profit & Loss Account and Cash Flow Statement read with Accounting Policies and Notes on Accounts as per schedule-14 give the information required by the companies act, 1956 in the manner so required and give a true and fair view in conformity with the Accounting principles generally accepted in India:
- i) In the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 2009.
 - ii) In the case of the Profit & Loss Account of the Profit for the year ended on that date.
 - iii) In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

**For RAJENDRA K GOEL & CO.
CHARTERED ACCOUNTANTS**

**Place : New Delhi
Date : 25th June 2009**

**R.K.Goel
(Partner)
Membership No.6154**

PRECISION ELECTRONICS LIMITED

Annexure to the Auditor's Report of Precision Electronics Limited for the year ended 31st March, 2009 referred to in Paragraph 3 of our report of even date

1. The Company is maintaining proper records showing full particulars, including quantitative details and situation of its fixed assets. Fixed Assets have been physically verified by the management during the year based on a phased programme of verifying all assets over three years, which in our opinion is reasonable having regard to the size of the Company and the nature of its fixed assets. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account. There was no substantial disposal of fixed assets during the year.
2. The management has conducted physical verification of inventory at reasonable intervals. The procedure for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business. The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification were not material and have been properly dealt with in the books of account.
3. a) In our opinion and according to the information and explanations given to us, the Company has not granted any loans secured or unsecured to Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. The company has taken unsecured loan from two directors of the company and related party(ies) covered under the register maintained under Section 301. The maximum amount during the year was Rs. 21922915/- and at the year end was Rs. 21897915/-

b) As per the information made available to us the aforesaid loans taken by the company are repayable on demand.

c) In our opinion and having regard to the loan taken by the company , the rate of interest and other terms and conditions wherever stipulated are not prima facie prejudicial to the interest of the company.

d) In respect of aforesaid loans and advances there is no overdue amount as at the year end.
4. In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.
5. In respect of transactions entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956:



- a) To the best of our knowledge and belief and according to the information and explanations given to us, the transactions that needed to be entered into the register have been so entered.
 - b) In our opinion and according to the information and explanations given to us the transactions made in pursuance of contract/arrangement entered in the register maintained under Section 301 of the Companies Act, 1956, are at prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public.
 7. The Company has an internal audit system, which, in our opinion, is commensurate with the size and nature of its business.
 8. we have broadly reviewed the books of accounts maintained by the company pursuant to the rule made by the Central Government for the maintenance of the cost records under section 209 (I)(d) of the Companies Act, 1956 and are of the opinion prima facie, the prescribed account and records have been made and maintained.
 9. a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has been generally regular in depositing undisputed statutory dues including provident fund, employees state insurance, income tax, sales tax, wealth tax, excise duty, customs duty, service tax and any other statutory dues applicable, during the year with the appropriate authorities. There are no outstanding statutory dues as at 31st March, 2009 for a period of more than six months from the date they become payable.

b) As at balance sheet date there were no disputed dues of Sales Tax, VAT, Income Tax, Service Tax, Customs Duty, Wealth Tax, Excise Duty and cess.
 10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the current year as well as in the immediately preceding financial year.
 11. The company has not defaulted in repayment of dues to any banks as at the balance sheet date.
 12. The Company has not granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
 13. As explained to us, the provisions of special statute applicable to Chit Fund, Nidhi or Mutual Benefit society are not applicable to the Company.

PRECISION ELECTRONICS LIMITED

14. Based on our examination of records and information and the explanations given to us, the Company has not dealt/traded in shares, securities, debentures and other securities during the year.
15. In our opinion and according to the information and explanation given to us, the company has not given any guarantee for loans taken by others from bank or financial institution.
16. To the best of our knowledge and belief and according to the information and explanations given to us the Term Loan taken during the year has been applied for the purpose for which it was obtained.
17. On the basis of information provided by the management and our examination, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment and vice versa.
18. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. The Company did not have any debentures outstanding during the year.
20. The Company has not raised any money by public issues during the year.
21. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

**FOR RAJENDRA K GOEL & CO.
CHARTERED ACCOUNTANTS**

Place : New Delhi

Date : 25th June 2009

**R. K. Goel
(Partner)
Membership No.6154**



BALANCE SHEET AS AT MARCH 31,2009

	Schedule	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	138,487,620	138,487,620
Reserves & Surplus	2	195,420,041	158,814,598
		333,907,661	297,302,218
Loan Funds			
Secured Loans	3	54,597,651	60,822,887
Unsecured Loans	4	21,897,915	19,522,915
		76,495,566	80,345,802
Total		410,403,227	377,648,019
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block		405,864,400	317,178,213
Less : Depreciation		143,454,055	126,977,332
Net Block	5	262,410,345	190,200,881
Capital Work in Progress		129,989	48,907,800
		262,540,334	239,108,681
Deferred Tax Assets (net)		20,443,991	7,645,377
Current Assets, Loans and Advances			
Inventories	6	105,184,579	123,368,094
Sundry Debtors	7	55,007,530	36,849,481
Cash and Bank Balances	8	17,149,312	20,042,040
Loans and Advances	9	33,701,332	27,909,216
		211,042,753	208,168,831
Less: Current Liabilities and Provisions.	10	83,623,851	77,274,870
Net Current Assets		127,418,902	130,893,961
Total		410,403,227	377,648,019
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS.			
	14		

As per our report of even date attached

For Rajendra K. Goel & Co.
Chartered Accountants

R.K.Goel
Partner
Membership No. 6154

Ashok Kanodia
Managing Director

Pradeep Kanodia
Executive Director

Anant Kanoi
Director

Place : New Delhi
Date : 25th June 2009

S.C.Sharma
Director

Taraj Mittal
Company Secretary

PRECISION ELECTRONICS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

	Schedule	Year ended 31.03.2009 Rupees	Year ended 31.03.2008 Rupees
INCOME			
Gross Sales		411,528,530	286,807,947
Less Excise Duty and VAT		<u>28,303,878</u>	<u>35,423,507</u>
Net Sales		383,224,652	251,384,440
Other Income	11	<u>14,005,202</u>	<u>1,710,338</u>
		<u>397,229,854</u>	<u>263,094,778</u>
EXPENDITURE			
Operating Expenses	12	345,421,545	241,712,293
Interest	13	3,731,406	883,823
Depreciation	5	15,084,683	12,510,418
		<u>364,237,634</u>	<u>255,106,534</u>
		32,992,220	7,988,244
PROFIT BEFORE PRIOR PERIOD ITEMS & TAXATION			
Prior Period Adjustment		(1,345)	(6,494)
PROFIT AFTER & PRIOR PERIOD ITEMS BUT BEFORE TAXATION			
		32,990,875	7,981,751
Provision for Income Tax		3,700,000	1,185,000
Provision for Income Tax for earlier year		2,105,724	33,175
Deferred Tax Assets (Net)		(12,798,614)	(987,854)
Fringe Benefit Tax		1,900,000	1,234,501
Fringe Benefit Tax for earlier year		16,204	155,069
PROFIT AFTER TAXATION			
		38,067,561	6,361,860
Profit Brought Forward From Earlier Years		61,179,219	54,817,359
PROFIT CARRIED TO BALANCE SHEET			
		99,246,780	61,179,219
Earnings per share Basic & Diluted			
Before Prior Period Items		2.75	0.46
After Prior Period Items		2.75	0.46
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS.	14		

As per our report of even date attached

For Rajendra K. Goel & Co.

Chartered Accountants

R.K.Goel

Partner

Membership No. 6154

Ashok Kanodia

Managing Director

Pradeep Kanodia

Executive Director

Anant Kanoi

Director

Place : New Delhi

Date : 25th June 2009

S.C.Sharma

Director

Taraj Mittal

Company Secretary



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009

	31.03.2009	31.03.2008
A Cash Flow from Operating Activities		
Net Loss / Profit before Tax & extraordinary items	32,992,220	7,988,244
Adjustment for :		
Depreciation	15,084,683	12,510,418
Interest Income	(1,110,677)	(2,832,697)
Loss/(Profit) on sale of fixed assets (Net)	4,921	278,975
Operating Profit before Working Capital Changes	46,971,147	17,944,940
Adjustment for:		
(Increase) Decrease in Trade Receivable	(18,158,049)	(2,659,074)
(Increase) Decrease in Loans & Advances	(5,792,115)	197,769
(Increase) Decrease in Inventories	18,183,515	(55,836,173)
Increase (Decrease) in Trade Payable & other Liabilities	2,111,857	39,540,566
Cash inflow from Operation before prior period adjustment.	43,316,355	(10,811,972)
Prior period adjustment (net.)	1,345	6,494
Income Tax	2,105,724	1,218,175
Fringe Benefit Tax	1,379,082	1,389,570
Net Cash inflow from Operating Activities (A)	39,830,204	(13,426,210)
B Cash Flow arising from Investing Activities		
(Purchase) of Fixed Assets	(40,158,375)	(66,833,885)
Sale of Fixed Assets	175,000	450,000
Interest Received	1,110,677	2,832,697
Net Cash inflow from Investing Activities (B)	(38,872,698)	(63,551,188)
C Cash Flow from Financing Activities		
Increase/(Decrease) in Term Borrowing & Other Borrowing	(3,850,235)	53,164,367
Net Cash(outflow) from Financing Activities (C)	(3,850,235)	53,164,367
Net Increase/Decrease in Cash & Cash Equivalent (A+B+C)	(2,892,729)	(23,813,032)
Cash & Cash Equivalent at the beginning of the year	20,042,040	43,855,072
Cash & Cash Equivalent at the end of the year	17,149,312	20,042,040

Note:- The above Cash flow statement has been prepared as per Indirect method.

As per our report of even date attached

For Rajendra K. Goel & Co.

Chartered Accountants

R.K.Goel

Partner

Membership No. 6154

Ashok Kanodia

Managing Director

Pradeep Kanodia

Executive Director

Anant Kanoi

Director

Place : New Delhi

Date : 25th June 2009

S.C.Sharma

Director

Teraj Mittal

Company Secretary

PRECISION ELECTRONICS LIMITED

SCHEDULE 1 - SHARE CAPITAL

	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
Authorised Capital		
2,00,00,000 (Previous year 1,50,00,000) Equity Shares of Rs 10/- each	<u>200,000,000</u>	<u>150,000,000</u>
Issued and Subscribed capital		
13848512 (Previous year 13848512) Equity Shares of Rs 10/- each	<u>138,485,120</u>	<u>138,485,120</u>
Paid up Capital		
13848512 Equity Shares (Previous Year 13848512 Equity Share) of Rs.10/- each	<u>138,485,120</u>	<u>138,485,120</u>
Add : Forfeited Shares (Amount paid up)	2,500	2,500
Out of 13848512 equity shares, (a) 8309107 equity shares of Rs. 10/- each were issued as fully paid Bonus shares (b) 3179905 equity shares of Rs 10 each (previous year 4539905) are held by Knowledge holding and investment pte ltd, Singapore		
TOTAL	<u><u>138,487,620</u></u>	<u><u>138,487,620</u></u>

SCHEDULE 2 - RESERVES & SURPLUS

	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
Capital Reserve		
Revaluation Reserve		
As per last Balance sheet	89,226,449	90,688,567
Less: Depreciation on revalued lease hold land	<u>1,462,118</u>	<u>1,462,118</u>
General Reserve		
As per Last Balance Sheet	<u>8,408,930</u>	<u>8,408,930</u>
Surplus as per Profit & loss Account	<u>99,246,780</u>	<u>61,179,219</u>
TOTAL	<u><u>195,420,041</u></u>	<u><u>158,814,598</u></u>

SCHEDULE 3 - SECURED LOANS

	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
Term loan from - Punjab National Bank		
(Against equitable mortgage of Land and Building, and other fixed assets of the company at Roorkee present and future and personal guarantee of two directors)	49,036,595	49,321,383
Term loans from		
- ICICI Bank Ltd	1,267,559	2,095,137
- Kotak Mahindra Prime Ltd (Against Hypothecation of Cars)	1,724,991	-
Working capital loan from - Punjab National Bank		
(Against Hypothecation of stock , debtors , present and future other current assets and fixed movable assets and equitable mortgage of immovable property and personal guarantee of two directors)	<u>2,568,506</u>	<u>9,406,367</u>
TOTAL	<u><u>54,597,651</u></u>	<u><u>60,822,887</u></u>



SCHEDULE 4 - UNSECURED LOANS

	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
From Directors	<u>21,897,915</u>	<u>19,522,915</u>
TOTAL	<u>21,897,915</u>	<u>19,522,915</u>

SCHEDULE 5 - FIXED ASSETS

PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	Cost as at 1.04.2008	Additions	Deduction/ Adjustment	Cost as at 31.03.2009	Upto 31.03.2008	For the Year	Deduction/ Adjustment	Upto 31.03.2009	As at 31.03.2009	As at 31.03.2008
Land-Noida (Leasehold)*	95,024,408	-	-	95,024,408	3,558,684	1,499,438	-	5,058,122	89,966,286	91,465,724
Land-Roorkee (Freehold)	13,399,442	-	-	13,399,442	-	-	-	-	13,399,442	13,399,442
Buildings	28,562,866	41,091,998	-	69,654,864	11,099,139	1,291,973	-	12,391,112	57,263,752	17,463,727
Plant & Machinery	141,592,328	31,487,505	-	173,079,833	101,682,742	7,474,430	-	109,157,172	63,922,661	39,909,586
Furniture & Fixtures	5,493,132	2,210,875	-	7,704,007	2,184,932	319,267	-	2,504,199	5,199,808	3,308,200
Office Equipments	4,118,205	1,923,624	-	6,041,831	920,561	237,160	-	1,157,721	4,884,110	3,197,644
Vehicles	6,320,506	3,134,117	250,000	9,204,623	815,899	725,576	70,078	1,471,397	7,733,226	5,504,607
Computers	10,198,238	6,287,363	-	16,485,599	3,397,631	2,043,867	-	5,441,498	11,044,101	6,800,605
Lab Equipment and other Fixed Assets	2,155,157	5,980	-	2,161,137	386,800	12,685	-	499,485	1,661,652	1,768,357
Computer software	7,259,239	2,794,723	-	10,053,962	2,930,944	2,842,405	-	5,773,349	4,280,613	4,328,295
Plant & Machinery- -Obsolete & Non-Serviceable	3,054,694	-	-	3,054,694	-	-	-	-	3,054,694	3,054,694
Total	317,178,213	88,936,187	250,000	405,864,400	126,977,332	16,546,801	70,078	143,454,055	262,410,345	190,200,881
Capital Work in Progress									129,989	48,907,800
Total									262,540,334	239,108,681
Previous Year	292,352,975	38,094,707	13,269,469	317,178,213	123,715,046	13,972,537	10,710,251	126,977,332	239,108,681	186,865,997

Note
 Depreciation for the year 16,546,801
 Less: Additional Depreciation on revalued assets withdrawn from Capital Reserve 1,462,118
 Depreciation charged to Profit & Loss Account 15,084,683

SCHEDULE 6 - INVENTORIES

	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
Raw materials & Components	40,189,040	33,713,217
Stores & Spare parts	924,814	1,225,490
Goods-in-process	63,285,186	87,385,301
Finished Goods	785,539	1,044,086
TOTAL	<u>105,184,579</u>	<u>123,368,094</u>

PRECISION ELECTRONICS LIMITED

SCHEDULE 7 SUNDRY DEBTORS

	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
Debts outstanding for a period exceeding six months - Unsecured - Considered good	6,954,681	9,543,441
- Unsecured - Considered doubtful	53,360,368	53,104,889
Other Debts - Unsecured - Considered good	48,052,849	27,306,040
	108,367,898	89,954,370
Less : Provision for Doubtful Debts	53,360,368	53,104,889
TOTAL	55,007,530	36,849,481

SCHEDULE 8 - CASH AND BANK BALANCES

	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
Cash in hand	258,796	131,055
Balances with scheduled banks in :		
Current Accounts	425,723	380,037
Fixed deposits (pledged with bank as security for guarantees)	16,464,793	19,530,948
TOTAL	17,149,312	20,042,040

SCHEDULE 9 - LOANS AND ADVANCES

	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
Advances Recoverable in cash or in kind or for value to be received - unsecured - considered good	29,288,427	26,656,136
Deposit for excise	3,402,963	143,820
Tax deducted at source	1,009,942	1,109,260
TOTAL	33,701,332	27,909,216

SCHEDULE 10-CURRENT LIABILITIES AND PROVISIONS

	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
CURRENT LIABILITIES		
Sundry Creditors		
- Total outstanding dues to Small Scale Industrial undertaking	2,027,581	3,233,275
- Others	47,705,552	63,130,394
Other Liabilities	23,845,661	4,647,302
PROVISIONS		
Gratuity	1,146,748	1,703,127
Leave Encashment	3,313,309	3,212,894
Income Tax	4,885,000	1,185,000
Fringe Benefit Tax(Net)	700,000	162,878
TOTAL	83,623,851	77,274,870



SCHEDULE 11 - OTHER INCOME

	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
Income		
Interest on Deposits	1,110,677	2,832,697
Liabilities no longer required	126,520	1,739,286
Excess Provision Written Back including Rs. Nil (Previous year Rs 217408/-) on account of transitional provision under AS-15 net of Deferred tax.	-	1,316,584
Foreign Exchange Fluctuation	-	88,087
Service Charges	12,685,461	5,086,534
Profit on sale of obsolete Fixed Assets	-	22,929
Misc. Income	82,544	624,221
TOTAL	14,005,202	11,710,338

SCHEDULE 12 - OPERATING EXPENSES

	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
Consumption and Purchase of goods		
Materials consumed	155,000,957	172,100,684
Consumption of stores and spares	3,326,285	3,791,828
Other Expenses		
Salaries, wages and allowances	50,706,245	40,337,120
Contribution to Provident and ESI Funds	1,633,254	1,456,168
Workmen and staff welfare expenses	3,814,425	2,791,618
Repairs and maintenance - Buildings	1,801,152	2,478,987
- Plant & Machinery	2,499,123	2,183,934
- Others	2,382,876	1,716,935
Processing Charges	1,039,231	925,426
Power and Fuel	14,837,799	11,474,224
Rent	362,500	389,000
Insurance	520,809	524,911
Sales Tax	10,199,912	7,673,514
Travelling (Including foreign)	15,216,944	9,920,213
Foreign Exchange Fluctuation	2,087,427	544,534
Marketing & Distribution Expenses	34,696,855	25,656,091
Auditors Remuneration - Audit Fee	250,000	135,000
- Tax Audit Fee	50,000	40,000
- Others	60,000	35,000
Loss on Sale of Fixed Assets	4,921	301,904
Miscellaneous expenses	20,572,168	17,730,008
Opening / Closing Stock		
Opening Stock - Finished Goods	1,044,086	1,353,952
- Goods-in-process	87,385,301	26,580,629
Less : Closing Stock - Finished Goods	785,539	1,044,086
- Goods-in-process	63,285,186	87,385,301
TOTAL	345,421,545	241,712,293

SCHEDULE 13 - INTEREST

	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
Interest on Borrowings - Working Capital	1,793,932	704,486
- Others	1,937,474	179,337
TOTAL	3,731,406	883,823

PRECISION ELECTRONICS LIMITED

SCHEDULE 14–SIGNIFICANT ACCOUNTING POLICES & NOTES TO ACCOUNTS

(A) SIGNIFICANT ACCOUNTING POLICIES

a) **General**

- (i) The accounts are prepared on historical cost convention, on accrual basis and on the principal of going concern.
- (ii) Accounting policies not specifically referred to otherwise, are consistent and in accordance with Indian generally accepted accounting practices comprising of the mandatory Accounting Standard, Guidance notes and other pronouncements issued by ICAI and the provision of the companies Act, 1956.

b) **Use of Estimates**

The preparation of financial statement require estimates and assumption that affect the reported amounts of income and expenses of the period, the reported amounts of assets and liabilities and disclosers relating to contingent liabilities as on the date of financial statements. Difference between the actual result and estimated are recognized in the period in which the result are known/aterialized.

c) **Fixed Assets:**

- i) Fixed Assets are stated at cost of acquisition less cenvet if any and subsequent improvements thereto including taxes, duties, freight and other incidental expenses related to acquisition and installation except in the case of Leasehold land which has been revalued as on 31.3.2006.
- ii) Fixed Assets are stated at cost less accumulated depreciation. Depreciation has been provided on the straight-line method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956 except software having future economic benefits more than a year, to be amortized in two to three years.
- iii) Leasehold land is amortized over the years of lease.

d) **Sundry Debtors:**

Sundry Debtors are stated after making adequate provision for doubtful debts, if any.

e) **Loans & Advances:**

Loans and Advances are stated after making adequate provision for doubtful advances, if any.

f) **Contingent Liabilities:**

Contingent liabilities are not provided for in the accounts and are shown separately in Notes on Accounts.



- g) Sales**
Sales include excise duty, Sales Tax/ VAT and are net of usual trade discounts, rebates.
- h) Method of valuation of inventories is as under:**
- | | | |
|------|--------------------|--|
| i) | Raw material | At cost, on FIFO/weighted average basis, and none moving Items are valued at net Releasable value. |
| ii) | Components, Stores | At cost, on FIFO basis & Spare parts |
| iii) | Finished goods | At cost or net realizable value, whichever is lower |
| iv) | Goods-in-Process | At estimated cost. |
- i) Foreign Exchange Transactions**
- i) Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.
- ii) Assets and liabilities relating to foreign currency transactions remaining unsettled at the end of the year are translated at contracted rates, when covered by foreign exchange contracts and at year end rates in all other cases.
- iii) Gains and Losses on foreign exchange transaction/ translation other than those relating to fixed assets are recognized in the Profit and Loss Account. Gain or loss on translation of long term liabilities incurred to acquire fixed assets is treated as an adjustment to the carrying cost of such fixed assets
- j) Research & Development**
Revenue Expenditure on R&D is charged to revenue under the respective heads of accounts. Capital Expenditure on R&D is treated as addition to Fixed Assets.
- k)** Technical know-how is accounted for on payment basis and is written-off over a period of six years from the year of payment.
- l)** Export incentives and insurance claims are accounted for on receipt basis.
- m) Employees Benefits**
The Company has taken Group Gratuity Policy with the Life Insurance Corporation of India ('LIC') for future payment of gratuities which is a defined benefit. The gratuity liability is determined based on an actuarial valuation performed by LIC. Provision for Leave Encashment, which is a defined benefit, is made on an actuarial valuation carried out by an independent actuary.

PRECISION ELECTRONICS LIMITED

Contribution to Provident Fund is accrued as per the provisions of the Employees' Provident Fund and Miscellaneous Provisions Act 1952. Contribution payable to Provident fund is charged to Profit & Loss Account.

n) Provision for Current and Deferred Tax

Provision for current tax is made on the basis of estimated taxable income for the current accounting period and in accordance with the provisions as per Income Tax Act 1961.

Deferred tax resulting from "Timing Differences" between book and taxable profit for the year is accounted for using the tax rate and laws that have been enacted or substantively enacted as on the Balance Sheet date. The deferred tax asset is recognized and carried forward only to the extent that there is reasonable certainty that the asset will be adjusted in the future

o) Segment Accounting:

- i) Segment Revenue & Expenses:
Joint revenue & expenses of the segments are allocated among them on reasonable basis .All other segment revenue and expenses are directly attributed to the segments.
- ii) Segment Assets & liabilities:
Segment assets include plant & machinery, Inventory, security deposit, earnest money and material-in-transit and segment liabilities include sundry creditors.
- iii) Inter Segment sales:
Inter segment sales between operating segments are accounted for at market price. These transactions are eliminated in consolidation.

B) NOTES TO ACCOUNTS

	Current Year (Rs in Lac)	Previous Year (Rs in Lac)
1. Contingent Liabilities not provided for:		
i) Unredeemed bank guarantees and LC	962.95	1151.08
ii)Others	NIL	67.00
2. Estimated amount of contracts remaining to be executed on capital account and not provided for net of advances 4.5 Lac (Previous year Rs.226 lacs).		
3. To comply with the AS – 2 on treatment of excise duty the valuation of closing stock of finished goods is inclusive of excise duty of 50300/- however this will have no impact on		



the Profit / Loss of the company.

4. Balances of Sundry Debtors and Creditors including advances to and from parties are subject to confirmation from the parties.
5. List of Small-Scale industries to whom the company owes more than Rs.1 Lac and outstanding for more than 30 days as at March 31st, 2009.

Avantika Elcon Pvt Ltd., Continental Instruments, Bhansali Udyog Pvt Ltd, Golden Packers, Hamilton Electronics Pvt Ltd, Khanna Traders & Engineers , Kunta International; Metal International, Nandi Manufacturing Co, Pagoda Cables Pvt Ltd, Prakash Packaging, Rich Microtech pvt ltd , Shree Balaji Creations, Shreejee Electronics Pvt Ltd. Competent Auto Industries, Laxmi Enterprises, Decora Graphic Pvt Ltd, Bay Chem.-Fabriks Pvt Ltd, Clips India Pvt Ltd, Krishna Print-O-Pack, Paras Laminates Pvt Ltd , Sandip Chemicals

There is no liability for interest which would be payable under the Interest on delayed payments to Small Scale and Ancillary Industrial Undertakings Ordinance 1992. Moreover the company has also not received any claims in respect of interest.

The above information and that given in Schedule no. 10 of "Current Liabilities" regarding Small-scale Industrial Undertaking has been identified on the basis of information available with the company and relied upon by the Auditors.

6. Details of Capital Works in Progress

A PARTICULARS	CURRENT YEAR Amount (Rs.)	PREVIOUS YEAR Amount (Rs.)
(a) At Noida		
Plant and Machinery	Nil	Nil
(b) At Roorkee		
Building under Construction	Nil	29096234
Other Fixed Assets	129989	13731795
Advances to contractors & others	Nil	Nil
Interest	Nil	2795990
Other Pre- operative Exp	Nil	3283781
TOTAL	129989	48907800

- B** The Company's New Unit at KIE Industrial Estate Plot no 9 & 10, Village Mundiyaiki (Manglore) Tehsil Roorkee District Hardwar, Utrakhand, covered U/S 80-IC of Income Tax Act partly commissioned commercial production on 12th October 2007. Pre-Operative Expenditure upto 11th October 2007 on the completed portion were capitalized up to 11th October 2007. the unit was completed on 31st Dec 2008 and related expenses up to that date have been capitalised during the year.

PRECISION ELECTRONICS LIMITED

7. **Segment Reporting:**

a) **Business Segments:** Based on guiding principles given in Accounting Standard-17 "Segment Reporting" issued by the Institute of Chartered Accountants of India, The Company's Business Segments include: **Printed Circuits Board & Pulse Code modulation**

b) **Geographical Segments:** Since the companies activities / operations are primarily within the Country & considering the nature of the products/services it deals in, the risk & returns are the same as such there is only one geographical segment.

c) **Information about business segments**

Particulars	PCB		PCM		TOTAL	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Segment revenue						
External sales	69012390	66919719	355201601	224974761	424213991	291894475
Inter segment sales	2154871	2154980	-	-	2154871	2154980
Total revenue	71167261	69074699	*355201601	*224974761	426368862#	294049455
Segment results	931122	6684787	36316725	(3558734)	37247847	3126048
Unallocated (expenses)/ Income					(1636243)	3135609
Operating(loss)/ profit	-	-	-	-	35611604	6261657
Interest expenses	-	-	-	-	3731406	**1112603
Interest income	-	-	-	-	1110677	2832697
Profit before taxation					32990875	7981751
Fringe Benefit Tax	-	-	-	-	1916204	1389570
Deferred. Tax Assets	-	-	-	-	(12798614)	(987854)
Provision for income Tax					5805724	1218175
Net profit after tax					38067561	6361860
Segment assets	108507265	105332883	387846045	370920739	496353310	476253622
Unallocated assets	-	-	-	-	51034137	24789695
Total assets					547387447	501043317
Segment Liabilities	1575216	9729874	109891208	105645535	111466424	115375409
Share Capital	-	-	-	-	138487620	138487620
Secured &	-	-	-	-	76495566	80345802
Unsecured Loans	-	-	-	-	-	-
Unallocated Liabilities	-	-	-	-	25517796	8018856
Reserve & surplus	-	-	-	-	195420041	158815630
Total liabilities					547387447	501043317
Depreciation	8654715	8191076	7892086	5781461	16546801	13972537

*PCM sales include service receipts.

** Interest expenses include interest on tax expenses.

Total revenue include inter segmenting sale of Rs.2154871/-

8. Related Party Disclosure:

Information about Related Parties as required by Accounting Standard -18 issued by the Institute of Chartered Accountant of India.

A) List of related Party

i) Relative of the Key Management Personnel and their Enterprises where the Transaction has been taken place.

- a) Dinanath Kanodia & Co.
- b) Ashok Kanodia (HUF)
- c) Vidur Kanodia
- d) Pradeep Kanodia (HUF)

ii) Key Management Personnel

- a) Mr. Ashok Kanodia
- b) Mr. Pradeep Kanodia
- c) Mr. Nikhil Kanodia

B) Transactions with Related Parties

	(Fig. in '000)	
	Current Year	Previous Year
i) Relative of the Key Management Personnel and their Enterprises where the transaction have been taken place.		
Rent, Salary, and Reimbursement of Expenses	1547	1795
ii) Key Management Personnel		
Reimbursement of expenses	45	145
Remuneration including commission	3492	2832
Interest	2453	2284
Salary	1701	1308
Unsecured loans	21898	19523

9. Deferred Tax:

Deferred Tax Asset and Liability

Deferred Tax Asset:

	As at 31.03.2009 <u>(Rupees)</u>	As at 31.03.2008 <u>(Rupees)</u>
Provision for Doubtful Debts	18137189	16409411
Gratuity Provision	218609	526266

PRECISION ELECTRONICS LIMITED

Leave Encashment	1126194	992784
Provision for P.F. Demand	113702	220785
Profit & loss account	11581586	NIL
Audit fee	57783	NIL
	31235063	18149246
Deferred Tax Liability:		
Difference between W.D.V. as per I.T. Act & Companies Act.	10791071	10503869
Net deferred tax assets	20443991	7645377

10. Earning Per Share (EPS)

	Year Ended 31.03.2009	Year Ended 31.03.2008
A. Before Prior Period Item		
i) Number of Equity Share outstanding : (Face value of Rs.10 Each)		
-Number of Shares at the Beginning of the period	13848512	13848512
-Number of Shares at the Close of the period	13848512	13848512
ii) Net Profit/(loss) after taxation as per Profit & Loss A/c	38068906	6368354
iii) Basic & Diluted Earnings (in Rupees) Per Share	2.75	0.46
B. After Prior Period Items:		
	Year Ended 31.03.2009	Year Ended 31.03.2008
i) Number of Equity Share outstanding : (Face value of Rs.10 Each)		
Number of Shares at the Beginning of the period	13848512	13848512
Number of Shares at the Close of the period	13848512	13848512
ii) Net Profit/(loss) after prior period items and taxation as per Profit & loss Account	38067561	6361860
iii) Basic & Diluted Earnings (in Rupees) Per Share	2.75	0.46

11. The company is in the ownership over the land taken in on lease for remaining 60 years out of 90 years.

a) Present value of Minimum Lease Payments:

Particulars	Amount pa	PV Factor @ 12%	Present Value
Less than one year	92754.00	1.0000	92754.00



More than one year but not less than five years	92754.00	3.0373	281721.72
More than five years*	92754.00	5.2856	490260.54

* Lease rents for more than five years have been taken on the present rate.

- b) The lease rent is subject to increase after every ten years on the wish of the lesser but the present value of all lease rentals has been arrived at after considering the present lease rentals only.
- c) Any due or arrear shall be paid with the interest @ 12% per annum which has been taken as implicit rate of interest in calculation of present value of minimum lease payments.
- d) No change in constitution shall be undertaken without prior approval of the lesser.

12.a) Computation of net profit in accordance with section 349 Company Act 1956 for the purpose of section 198 of the said Act	Year Ended 31.03.2009	Year Ended 31.03.2008
Profit for the year before Taxation as per Profit & Loss Account	*32990875	7981751
Add: Director's Remuneration	2862000	2899063
Total	35852875	10880814
Profit on sale of fixed assets (net)	Nil	(278975)
Gross Profit eligible for calculation of managerial remuneration as per section 198 of the Companies Act 1956.	35852875	11159789
Commission @ 2% of Net profit	*659908	Nil
b) Detail of remuneration and perquisites of managerial personnel :		
Salary	2832000	2832000
Commission	659908	Nil
Gratuity, Leave Encashment and Other Perquisites	30000	67063
Total	3508880	2899063
c) Directors' Sitting fee	182000	174000

PRECISION ELECTRONICS LIMITED

13. Report Under AS -15 Employee Benefits (Revised 2005)

1. Actuarial Assumptions

	Gratuity		Leave Encashment	
	Current year	Previous year	Current year	Previous year
Discount Rate	8%	7.5%	7.5%	8.0%
Salary Escalation	7%	7%	9%	5.5%
Mortality Table			1994-96 (LIC duly Modified)	1994-96 (LIC duly Modified)

The Present value of Obligation is as per Projected Unit Credit Method.

2. Table showing changes in present value of obligations

Particulars	Gratuity		Leave Encashment	
	Current year	Previous year	Current year	Previous year
Present value of obligations as at beginning of year	4139885	3812545	2875051	1054366
Interest cost	331191	285941	201787	84349
Current Service Cost	834590	834590	1687808	899236
Benefits Paid	(433637)	(384694)	(369103)	(522080)
Actuarial (gain)/Loss on obligations	(440484)	408497	(1651277)	1697023
Present value of obligations as at end of year	5228680	4139885	2744266	3212894

3. Table showing changes in the fair value of plan assets

Particulars	Gratuity		Leave Encashment	
	Current year	Previous year	Current year	Previous year
Fair value of plan assets at beginning of years	2436758	2371849	—	—
Expected return on plan assets	240392	196145	—	—
Contributions	1838419	253458	—	—
Benefits paid	(433637)	384694	(369103)	—
Actuarial (gain)/Loss on Planassets	NIL	NIL	—	—
Fair value of Plan assets as at end of year	4081932	2436758	—	—

4. Table showing fair value of plan assets

Particulars	Gratuity		Leave Encashment	
	Current year	Previous year	Current year	Previous year
Fair value of plan assets at beginning of years	2436758	2371849	—	—
Actual return on plan assets	240392	196145	—	—
Contributions	1838419	253458	—	—
Benefits paid	(433637)	384694	(369103)	—
Fair value of Plan assets as at end of year	4081932	2436758	—	—

Funded status	(503590)	(1703127)	2744266	(3212894)
Excess of actual over estimated return on plan assets	NIL	NIL	(2744266)	—

5. Actuarial Gain/Loss recognized

Particulars	Gratuity		Leave Encashment	
	Current year	Previous year	Current year	Previous year
Actuarial gain/Loss for the year Obligations	440484	408497	1651277	(1697023)
Actuarial gain/Loss for the year Plan assets	—	NIL	—	—
Total (gain) /Loss for the year	(440484)	(408497)	(1651277)	1697023
Actuarial Gain/Loss recognized In the year	(440484)	(408497)	(1651277)	1697023
Unrecognised Actuarial (Gain)/ Loss at the end of the IVP	—	—	—	—

6. The amount to be recognized in the balance sheet

Particulars	Gratuity		Leave Encashment	
	Current year	Previous year	Current year	Previous year
Present value of obligations as at the end of year	5228680	4139885	3313309	3212894
Fair value of plan assets as at the end of the year	4081932	2436758	—	—
Funded status	(1146748)	(1703127)	(3313309)	(3212894)
Net assets/ (liability) recognized In the balance sheet	(1146748)	(1703127)	(3313309)	(3212894)

7. Expenses Recognized in statement of Profit & Loss

Particulars	Gratuity		Leave Encashment	
	Current year	Previous year	Current year	Previous year
Current Service cost	834590	834590	1687808	899236
Interest Cost	331191	285941	201787	84349
Expected return on plan assets	(240392)	196145	—	—
Net Actuarial (gain)/Loss recognized in the year	(440484)	(408497)	(1651277)	1697023
Expenses recognized in statement of Profit & Loss	485122	515889	863073	2680608

14. In view of the management there is no significant impairment envisaged in the recoverable amount of material fixed assets.

15. Previous year's figures have been regrouped / rearranged to make them comparable with the current year.

16. Schedule 1 to 14 forms an integral part of the Balance Sheet and Profit & Loss Account.

PRECISION ELECTRONICS LIMITED

17. Information pursuant to the provision of paragraph 3,4C & 4D of part II of schedule VI of the Companies Act 1956

(a) Licensed/Registered and installed capacities on the three shift basis

Particulars	Unit	Licensed/Registered Capacity	Installed Capacity	
			Current Year	Previous Year
Printed Circuit Boards	Sq. Mts.	N.A.	12000	12000
Multiplexer	Nos.	N.A.	2500	2500
Interface Card	Nos.	N.A.	6000	6000
Digital Radio System	Nos.	N.A.	180	180
Digital Voice Data Recorder	Nos.	N.A.	120	120
Others	Nos.	N.A.	N.A	N.A.

Notes : Installed capacity is as certified by the management of the Company and accepted by the Auditors without verification being a technical matter.

b) Production and Sales

Particular	Unit	Production		Sales Quantity		Sales Value (Rupees)	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Printed Circuit Boards	Sq. Mts.	16241.86	13792.45	15762.29	13173.2	69012390	66919719
Multiplexers	Nos.	2125	2271	2125	2271	58435727	68795412
Interface Card	Nos.	5068	6076	5068	6076	79905167	92472604
Converter	Nos.	1908	3057	1908	3057	24348391	52345329
Digital Voice Data Recorder	Nos.	188	-	188	-	161295384	-
Others						4220007	6274883
PCM-Trading Goods	Nos.	1074	-	967	-	14311464	-
TOTAL						411528530	286807947

Notes : 1. Others Includes value of spare , accessories for above products
2. Sales exclude captive consumption of **586.90** sq Mts of PCB(Previous year 594.83 Sq.Mts.)

c) Finished Goods Stock

Particulars	Unit	Opening Stocks		Closing Stocks	
		Current Year	Previous Year	Current Year	Previous Year
PCB - Quantity	Sq. Mts.	307.68	283.26	200.35	307.68
- Value	Rupees	1044086	1353952	660737	1044086
PCM-T.GOODS (Quantity)	Nos.	-	-	107	-
- Value	Rupees	-	-	124802	-
TOTAL		1044086	1353952	785539	1044086



(d) Raw Materials and Components Consumed

Particulars	Unit	Current Year		Previous Year	
		Quantity	Value (Rupees)	Quantity	Value (Rupees)
Elect. Compo.& Modules	Nos.	2914882	98348359	2346809	99358974
Mechanical H/W & Sub system	Nos.	170569	9507131	17524	29762878
Copper Clad laminate	Sq.Mts.	19970.47	17025274	16,255.33	12182807
Chemicals	Ltrs.	93321	5234940	92055	4526241
Others			28211538		30061612
TOTAL			158327242		175892512

NOTE:- 1.All the figure mentioned above are provided by the management and relied upon by the auditors .

e) Value of imported and Indigenous materials consumed

Particulars	Current Year		Previous Year	
	Percent	Value (Rupees)	Percent	Value (Rupees)
Raw Materials & Components				
Imported	55.1	85405527	65.25	112295696
Indigenous	44.9	69595430	34.75	59804988
Stores and Spares				
Imported	29.2	971275	47.23	1790880
Indigenous	70.8	2355010	52.77	2000948

Consumption of Imported Spares & Parts does not include spare parts amounting **Rs.-NIL-** (Previous Year Rs.84639/-) used for repairs.

	Particulars	Current Year Rupees	Previous Year Rupees
f)	Value of imports on CIF basis		
	Raw materials and Components	88986191	108993258
	Stores & Spares	883195	1986219
g)	Earnings in Foreign Exchange	-	39829
h)	Expenditure in foreign Currency		
	Travelling	7535247	4139562

PRECISION ELECTRONICS LIMITED

(i) Statement pursuant to Part-IV of Schedule VI to the Companies Act, 1956

(i) **Registration Details**

Registration No. 9590 State Code 55 Balance Sheet Date 31.3.2009

(ii) **Capital raised during the Year (Amount in Rs. Thousands)**

Public Issue : NIL Rig Issue : NIL Bonus Issue : NIL Private Placement : NIL

(iii) **Position of Mobilisation and Development of funds(Amount in Rs. Thousands)**

Total Liabilities :	410403	Total Assets :	410403
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Source of Funds

Paid up Capital :	138488	Reserves and Surplus -	195420
Secured Loans :	54597	Unsecured Loans :	21898

Application of funds

Net Fixed Assets :	262410	Net Current Assets :	127419
Capital Work in Progress	130	Misc. Expenditure :	NIL
Investment :	NIL	Deferred Tax :	20444

iv) **Performance of Company (Amount in Rs. Thousands)**

Total Turnover :	397230	Total Expenditure :	364239
Profit Before Tax :	32991	Profit After Tax :	38068
Earning Per Share in Rs:	2.75	Dividend rate % :	NIL

v. **Generic Names of Three Principal Products/ Services of Company**

Item Code No.(ITC Code)	85.34
Product Description	: Printed Circuits
Item Code No.(ITC Code)	85.17
Product Description	: Electrical apparatus for Line Telephony
Item Code No.(ITC Code)	85.25
Product Description	: Transmission Apparatus for Radio Telephony

As per our report of even date attached

For Rajendra K. Goel & Co.

Chartered Accountants

R.K.Goel

Partner

Membership No. 6154

Ashok Kanodia

Managing Director

Pradeep Kanodia

Executive Director

Anant Kanoi

Director

Place : New Delhi

Date : 25th June 20090

S.C.Sharma

Director

Taraj Mittal

Company Secretary



MISSION STATEMENT

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

INFRASTRUCTURE

Precision Electronics Limited has its manufacturing facility in Noida, (U.P.) having a (covered area of 5000 sq.m.) and Utrakhund (covered area of 8000 Sq.M.). The strategically located plant are state-of-art infrastructure to world class manufacturing of telecom systems.

QUALITY

- ISO 9001:2000
- ISO 27001
- Underwriters Laboratory (UL), USA
- Directorate General of Aeronautical Quality Assurance (DGAQA), Ministry of Defence
- Directorate General of Quality Assurance (DGQA), Ministry of Defence
- Electronic Components Standardisation Organisation (ECSO)
- Telecommunication Engineering Centre (TEC), Dept. of Telecommunication
- Research Design and Standards Organisation (RDSO), Indian Railways

PRODUCT RANGE

- Voice Loggers
- High Capacity Radio Line of Sight Radio Relay System
- Fixed Wire-less Access
- Last Mile Wireline Solutions
- Multiple-service Platforms
- Metro Ethernet Switches
- Telephony Solutions
- Bulk Encryption Units
- Terminal End Secrecy Devices
- Network Security
- Tactical V/UHF Radios
- Ad-hoc Network Data Radio
- Tank Harness
- Printed Circuit boards
- Ruggedisation and Containerisation
- 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-arts 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
- System analysis based on customer requirement/Request for proposal to find solution for system design/integration
- Market survey and product strategising
- 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 customised communication systems and solutions. To this effect, PEL adds tremendous value in re-engineering, in an overall customisation of products at both the systems and components levels, thus ensuring the innovative and solutions are delivered to our customers at low costs.

EMPLOYEES

275+ employees located in Noida, U.P. and Roorkee, Utrakhand, India

"we always know who we're working for"

PRECISION ELECTRONICS LIMITED

PRECISION ELECTRONICS LIMITED

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

ATTENDANCE SLIP

(TO BE SIGNED AND HANDED OVER AT THE ENTRANCE OF THE MEETING HALL)

I/we hereby record my/our presence at the **30th ANNUAL GENERAL MEETING** of the above named Company held on Tuesday, the 15th September, 2009 at 10.30 A.M. at India International Centre, 40 Max Mueller Marg, New Delhi-110 003.

NAME OF THE MEMBER(S)

Folio No. /DP ID No. and Client ID No. _____ No. of Shares _____

Name of Proxy (in block letters)

(To be filled in, if the Proxy attends instead of the Member)

Member's/Proxy's Signature

Notes: If you are attending the meeting in person or by proxy, your copy of the Balance Sheet may please be brought by you / your proxy for reference at the meeting.

(TEAR HERE)

PRECISION ELECTRONICS LIMITED

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

PROXY

DP Id

Folio No.

Client Id

No. of Shares

I/We.....
of.....being a member/members of
PRECISION ELECTRONICS LIMITED hereby appoint.....of.....
or failing him.....
of.....as my/our proxy to vote for me/us and on my/our behalf
at the 30th ANNUAL GENERAL MEETING to be held on Tuesday, the 15th September, 2009 at 10.30 A.M. at
India International Centre, 40 Max Mueller Marg New Delhi-110 003.

Affix
Re. 1
Revenue
Stamp

Notes: Proxies in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours, before the commencement of the aforesaid meeting. The proxy need not be a member of the Company.

BOOK POST

if not delivered, please return to:
PERCISION ELECTRONICS LIMITED
D-1081, New Friends Colony,
New Delhi-110065