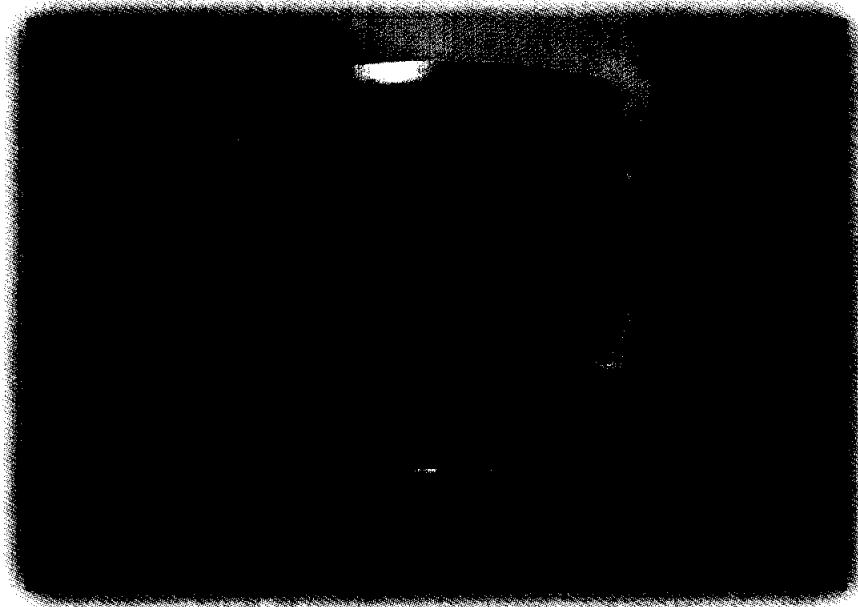


20th Annual Report



Report  Junction.com

ACI Infocom Limited

2001-2002

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**BOARD OF DIRECTORS**

G S. Pujary	Director
U. Chandra Mouli	Director
Divya Gupta	Director
Brig. M. Jaya Rao (Retd.)	Director
Suresh Narayana	Director

COMPANY SECRETARY

D. Subrahmanya Sarma

AUDITORS

Swamy & Seshadri
Chartered Accountants
Secunderabad-500 380.

INTERNAL AUDITORS

Ernst & Young Pvt. Ltd., Mumbai.

BANKERS

Oriental Bank of Commerce
Overseas Branch, Mumbai.

LISTING

The Hyderabad Stock Exchange Limited.
The Mumbai Stock Exchange.
The Bangalore Stock Exchange.
The Ahmedabad Stock Exchange.

REGISTERED OFFICE

H.No. 2, Shiva Sadan
Sivaramakrishna Colony
West Marredpally
Secunderabad -500 026.
Ph: 7807285, 7700284

PLANT

WORKS I
Plot No. 18 & 19
Anrich Industrial Estate Bollaram,
Taluk Narsapur, Dist Medak,
Andhra Pradesh

WORK II
Unit No. 156, S.D.F.V.
SEEPZ, Andheri (E)
Mumbai-400 096

SHARE TRANSFER AGENTS & DEMAT REGISTRARS

Aarti Consultants Pvt. Limited
1-2-285, Domalguda.
Hyderabad.
Ph: 7642217 / 7634445



NOTICE

Notice is hereby given that the Twentieth Annual General Meeting of the Company will be held on Friday, the 27th September 2002 at its Registered Office at H. No. 2, Shiva Sadan, Sivaramakrishna Colony, West Marredpally, Main Road, Secunderabad-500 026 at 2.30 P.M to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2002, Profit and Loss Account for the year ended as on that date along with notes and schedules appended thereto with the reports of Board of Directors' and Auditors' thereon.
2. To appoint a director in place of Ms. Divya Gupta, who retires by rotation and being eligible, offers herself for reappointment.
3. To appoint M/s Swamy & Seshadri, Chartered Accountants as auditors, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

4. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT in pursuance of the provisions of Sections 198, 269, 309, 310, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, Mr. G.S. Pujary, Director be and is hereby appointed as a Whole Time Director of the Company for a period of 5 years (five years) w.e.f. 28th March 2002 on the following terms & conditions:

1. Basic - Rs 41,125/-

2. House Rent Allowance - Rs 9,263/-
3. PF - Rs 4,935/-
4. LTA - one month basic

"RESOLVED FURTHER THAT in pursuance of the provisions of Section 198 read with Schedule XIII, and other applicable provisions, if any, of the Companies Act, 1956 wherein any financial year the Company incurs loss or its profits are inadequate, the salary, perquisites and allowances as specified above be paid as minimum remuneration to Mr. G.S. Pujary."

5. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT in pursuance of the provisions of Sections 198, 269, 309, 310, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, Mr. U. Chandra Mouli, Director be and is hereby appointed as a Whole Time Director of the Company for a period of 5 years (five years) w.e.f. 28th March 2002 on the following terms & conditions:

1. Basic - Rs. 16,069/-
2. House Rent Allowance - Rs. 3,214 /-
3. P.F - Rs.1,928 /-
4. LTA - one month basic

"RESOLVED FURTHER THAT in pursuance of the provisions of Section 198, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 wherein any financial year the Company incurs loss or its profits are inadequate, the salary, perquisites and allowances as specified above be paid as minimum remuneration to Mr. U. Chandra Mouli."

6. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution



"RESOLVED THAT pursuant to Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Mr. Suresh Narayana, be and is hereby appointed as a Director of the Company whose term of office is liable for retirement by rotation."

7. To consider, and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolutions :

"RESOLVED THAT pursuant to Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Brig. M. Jaya Rao (Retd.), be and is hereby appointed as a Director of the Company whose term of office is liable for retirement by rotation."

8. To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to Section 310 and other applicable provisions, if any, of the Companies Act, 1956, the Board of Directors be and is hereby authorized to fix the sitting fee payable to the Directors for attending the meetings of Board and Committees thereof, which shall not exceed the limits as specified in the Companies Act, 1956, as amended from time to time".

"RESOLVED FURTHER THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, Article 23 of Articles of Association of the Company be amended suitably."

9. To consider, and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, Articles of Association of the Company be amended in the manner given below:

The existing Article 20-A be substituted by the following:

20-A The directors are liable to retire by rotation as provided in Sections 255 & 256 of the Companies Act, 1956."

By order of the Board

-Sd-

D.S.Sarma

Company Secretary

Place: Secunderabad

Date : 29.07.2002

NOTES

1. A Member entitled to attend and vote is entitled to appoint Proxy to attend and vote instead of himself and the Proxy need not be a Member of the Company. The instrument appointing Proxy should however, be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
2. Members are requested to notify immediately any change in their address to the Share Transfer Agents.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 24th September, 2002 to 27th September, 2002 (both days inclusive).
4. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of item numbers 4 to 9 is annexed hereto and forms part of the notice.



EXPLANATORY STATEMENT

(As per Section 173(2) of the Companies Act, 1956)

Item # 4

Mr. G. S. Pujary has been associated with the Company in various capacities and has been elevated to the Board. He has been appointed as a Whole Time Director in the Board Meeting held on 28th March 2002 at a remuneration as provided in the resolution. As required under Schedule XIII to the Companies Act, 1956, the Remuneration Committee has approved his remuneration.

Your Directors consider that the appointment of Mr. G.S. Pujary as a Whole Time Director will be in the interest of the Company and recommend the resolution set out in Item No. 4 of the Notice for your approval.

None of the Directors except Mr. G.S. Pujary is concerned or interested in the resolution.

Item # 5

Mr. U. Chandra Mouli has been associated with the Company in various capacities and has been elevated to the Board. He has been appointed as a Whole Time Director in the Board Meeting held on 28th March 2002 at a remuneration as provided in the resolution. As required under Schedule XIII to the Companies Act, 1956, the Remuneration Committee has approved his remuneration.

Your Directors consider that the appointment of Mr. U. Chandra Mouli as a Whole Time Director will be in the interest of the Company and recommend the resolution set out in Item No. 5 of the Notice for your approval.

None of the Directors except Mr. U. Chandra Mouli, is concerned or interested in the resolution.

Item # 6

Mr. Suresh Narayana was co-opted as an Additional Director by the Board of Directors at its meeting held on 30th November 2001 as per Section 260 of the Companies Act, 1956 (hereinafter referred to as Act) and holds office up to this Annual General Meeting of the Company.

In the mean time, the Company has received a notice along with a deposit of Rs. 500/- from a Member of the Company under Section 257 of the Act, proposing the candidature of Mr. Suresh Narayana for the Office of Director.

Mr. Suresh Narayana is a qualified Company Secretary and acting as consultant for few Public Sector Companies.

Your Directors commend the resolution for Members' approval. None of the Directors of the Company is concerned or interested in the resolution except Mr. Suresh Narayana.

Item # 7

Brig. M. Jaya Rao (Retd.) was co-opted as an Additional Director by the Board of Directors of the Company at its meeting held on 16th January, 2002, as per Section 260 of the Act and holds office up to this Annual General Meeting of the Company.

In the mean time, the Company has received a notice along with a deposit of Rs. 500/- from a Member of the Company under Section 257 of the Act, proposing the candidature of Brig. M. Jaya Rao(Retd) for the office of Director.

Brig. M. Jaya Rao (Retd.) is retired Brig. and has provided his services to the Army for long time.

In view of his exposure, Board felt that his appointment would be in the Company's interest and recommend the resolution for members' approval.



None of the Directors of the Company is concerned or interested in the resolution except Brig. M. Jaya Rao (Retd.).

Item # 8

Presently, Articles of Association of the Company provides for payment of Rs. 250/- as the sitting fee for attending the Board and Committee meetings. Only Non-Whole Time Directors are entitled for the sitting fees.

To keep in line with the changing times and at par with the other corporates in the industry, it is proposed to authorise the Board of Directors to fix the sitting fee for the Board and Committee meetings. The same requires amendment of Articles of Association. Therefore, the Directors commend the resolution for your approval by way of special resolution.

All Directors other than Mr. G.S. Pujary, and Mr. U. Chandra Mouli, Whole Time Directors, are deemed to be interested in the resolution to the extent of sitting fees payable to them.

Item # 9

Presently, the existing Article 20-A of the Articles of Association of the Company provides that the Directors shall retire at the conclusion of the Third Annual General Meeting, following the General Meeting, in which they are appointed, and shall be eligible for reappointment.

Further, Section 255 of the Companies Act, provides that not less than two thirds of the total number of directors be persons whose period of office is liable to determination for retirement by rotation. Out of two thirds determined under Section 255, one third shall retire at every annual general meeting as per Section 256 of the Companies Act, 1956.

To keep the Company's Articles in line with the Companies Act, the Directors commend the resolution for your approval by way of special resolution.

The Articles of Association, as proposed to be amended is available for inspection at the Registered Office of the Company.

All the Directors are deemed to be interested in the proposed resolution to the extent of their appointment/re-appointment, as may be applicable to them.

By order of the Board

-Sd-

D.S.Sarma

Company Secretary

Place: Secunderabad

Date : 29.07.2002

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DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Twentieth Annual Report together with Audited Accounts of the Company for the Financial Year ended on 31st March 2002.

FINANCIAL HIGHLIGHTS (Rupees in lacs)

Particulars	2001-2002	2000-2001
Sales	11532.56	12200.34
Other Income	1.80	6.39
Total Income	11534.36	12206.73
Expenditure before depreciation, interest & tax	11517.58	12011.05
Depreciation	88.66	87.01
Interest	44.02	66.45
Profit/ (Loss) before tax	(115.89)	42.22
Provision for taxation	-	3.55
Profit/ (Loss) after tax	(115.89)	38.67

REVIEW OF OPERATIONS

During the year under review, the Company has achieved a turnover of Rs. 11532.56 lacs as compared to Rs. 12200.34 lacs during the previous year. The maximum revenue was generated from the Distribution activity. Even though distribution activity had a net profit of Rs.36.43 lakh, it had to absorb the losses of manufacturing activity, which resulted in a net loss of Rs.115.89lakh.

The company is implementing an ERP (Enterprise Resource Planning) with a cost of Rs. 20.92lakh whereby all operations of the company are integrated and benefits of the same are expected to accrue in the coming years which will result in major cost savings. In view of the overall slow down in the economy and particularly in the IT industry the margins have become very thin and company had to incur overall losses. The management has taken various steps to cut down the costs and improve the overall efficiency & profitability.

INDUSTRY ANALYSIS

India's personal computer (PC) sales declined 11% in 2001-02 to 1.6 million units from 1.8 million in the previous year, owing to a significant slow down in IT consumption across various sectors. But there is a silver lining to the gloomy state of affairs and the good news is small towns. Sales in small towns jumped a whopping 106% this fiscal, when sales in metros and other cities dropped 35%. The share of small towns in sale of PCs in India too went up from 13% (i.e. 2.4 lacs) last fiscal to 30% (i.e. 4.96 lacs) this fiscal. The assembled PCs accounted for a 46% of the sales in 2001-02. The proportion of the assembled PC sales has shrunk from 53% in the previous year.

The number of active Internet entities increased to 1.29 million in March, 2002 indicating an increase of 15% as compared to last year.

POST AMALGAMATION

ACI Computers (India) Limited was amalgamated with your Company vide Hon'ble Andhra Pradesh High Court Order dated 26th day of June, 2001 and Hon'ble Karnataka High Court Order dated 6th July, 2001.

In pursuance of scheme of amalgamation, the Board of Directors allotted 35,88,300 Equity shares of Rs. 10/- each to the shareholders of amalgamating Company on 17th September 2001. The said shares have also been listed on all the stock exchanges wherever the shares of the Company are listed.

DIVIDEND

Your directors express their inability to recommend any dividend for the year.



Conservation of Energy, Technology absorption and Foreign Exchange Earnings and outgo

A) Conservation of Energy

The Company uses electric energy for its equipment such as air conditioners, computer terminals, lighting and utilities in the work premises. All possible measures have been taken to conserve energy.

B) Technology Absorption

During the year your company has not operated plants, therefore no technology absorption and research & development.

C) Foreign Exchange earnings & outgo

	(Rupees in lacs)	
	2001-2002	2000-2001
Earnings	601.96	-
Outgo:		
Royalty on Microsoft Products	1847.99	1006.73
Foreign travel	0.24	4.97
CIF value of goods imported	5464.32	7750.12

DIRECTORS

Pursuant to Sections 255 and 256 of the Companies Act, 1956, Ms. Divya Gupta, Director, retires by rotation at the ensuing Annual General Meeting and being eligible, offers herself for reappointment. The Board recommends her reappointment.

Sri.Suresh Narayana and Brig. M. Jaya Rao (Retd.), were co-opted as Additional Directors of the Company on 30th November, 2001 and 16th January 2002 respectively. It is proposed to reappoint them as Directors of the Company, whose term of office is liable to determination for retirement by rotation.

DIRECTORS' RESPONSIBILITY STATEMENT

As required by section 217(2AA) of the Companies Act, 1956, the Board of Directors confirm that:

- (i) in the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating

to material departures:

- (ii) accounting policies have been selected and applied consistently and reasonable and prudent judgements and estimates have been made so as to give a true and fair view of the state of affairs of the Company at the end of 31st March,2002 and the loss for the year ended 31st March,2002;
- (iii) proper and sufficient care has been taken 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 : and
- (iv) the annual accounts have been prepared on a going concern basis.

AUDITORS

M/s. Swamy & Seshadri & Co, Auditors of the Company hold office until the conclusion of ensuing Annual General Meeting .The Company has received a letter from the Auditors that their appointment, if made, will be in conformity with Section 224(1B) of the Companies Act, 1956.

INTERNAL CONTROL SYSTEM

The Company is having an internal control System in place and has appointed M/s Ernst & Young Private Limited, Mumbai as the internal auditors and the Audit committee reviews the internal auditors' report and suggests remedial action wherever required.

INDUSTRIAL RELATIONS

The Company has recognized the importance of human resources in the growth of the organization. During the year, industrial relations continued to be cordial. Your Directors wish to place on record their appreciation for the dedicated services of its employees

DEPOSITS

The Company has not accepted any deposits from the public. Therefore the provisions of Sections 58A



of the Companies Act, 1956 are not applicable.

ANNEXURE - I

AUDIT COMMITTEE

The Board of Directors of the Company has constituted an Audit committee in pursuance of Section 292A of the Companies Act, 1956 on 16th January 2002. The committee met twice, on 28th January 2002 and 15th July 2002. The committee consists of the following members of the Board:

Mr. U. Chandra Mouli	-	Chairman
Mr. Suresh Narayana	-	Member
Brig. M. Jaya Rao (Retd.)	-	Member

PARTICULARS OF EMPLOYEES

There are no employees in the Company coming under the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

INFORMATION TO SHARE HOLDERS

Shareholders' information is given in Annexure - I.

ACKNOWLEDGEMENTS

The Board expresses its grateful thanks to the assistance and support extended by all Government Authorities, Financial Institutions, Banks, consultants, solicitors and shareholders of the Company.

Your directors express their appreciation for the dedicated and sincere services rendered by the employees of the Company.

GENERAL SHARE HOLDER INFORMATION

- a) Annual General Meeting: 20th Annual General Meeting
 Date : 27th September 2002
 Time : 2.30 P.M.
 Venue : Registered Office.
- b) Financial Calendar : 1st April to 31st March
- c) Date of Book closure : 24th Sept. 02 to 27th Sept. 2002.
 (Both days inclusive)
- d) Registered Office : H.No. 2, Shiva Sadan
 Sivaramakrishna Colony
 West Marredpally, Secunderabad - 026
 Ph: 7807285, 7700284
- e) Listing of shares : The Hyderabad Stock Exchange
 3-6-275, Himayatnagar, Hyd - 29
 The Mumbai Stock Exchange,
 Phiroze jeebhoy Towers, Dalal
 Street, Mumbai - 400 001
 The Stock Exchange, Ahmedabad
 Kamdhenu Complex, Opp:
 Sahajanand College, Panjarapole,
 Ahmedabad - 380 015
 Bangalore Stock Exchange Limited
 P.B. No. 270224, No. 51, Stock
 Exchange Towers, 1st Cross,
 J.C. Road, Bangalore - 560 027
- f) Address of Share Transfer Agents & Demat Registrars : Aarti Consultants Private Limited
 1-2-285, Domalguda,
 Hyderabad.
 Phones: 040-7642217, 7634445
 Email: aarconss@hd2.dot.net.in
- g) Share Transfer system:
 Transfer of securities in physical form are registered and duly transferred share certificates are dispatched within thirty (30) days of receipt.
- i) Address for correspondence :
 Shareholders can correspondence at the Registered Office of the Company.

For and on behalf of Board of Directors

(G.S. Pujary) (U. Chandra Mouli)
 Director Director

Place : Secunderabad

Date : 29.07.2002