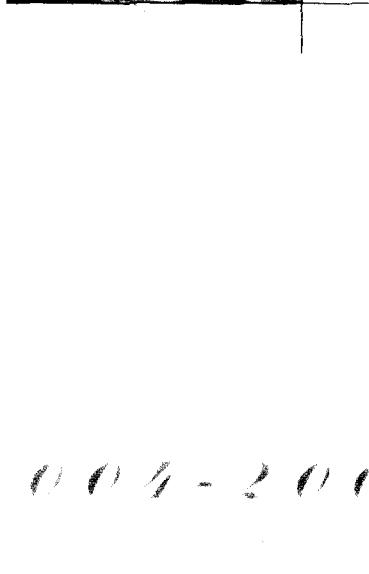


# 23<sup>rd</sup> Annual Report



*ACI Infocom Limited*

004-2005

## VISION

To add value to our customers by providing Products and Services, evolved through partnering with world renowned vendors, cost effective technologies and processes.

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**BOARD OF DIRECTORS**

Alok P. Gupta  
Chief Executive Officer (CEO)

G.S.Pujary

U. Chandra Mouli

Suresh Narayana

Shrikant A. Sathe

**BANKERS**

Oriental Bank of Commerce  
Overseas Branch, Mumbai

**AUDITORS**

Swamy & Seshadri  
Chartered Accountants  
Secunderabad – 500 380

**REGISTERED OFFICE**

B – 101, First Floor  
Jaya Mansion  
S.D. Road  
Secunderabad – 500 003  
Phone # 27840135, 55382290  
Website: [www.aciinfo.com](http://www.aciinfo.com)

**MANUFACTURING UNIT**

Plot No. 18 & 19  
Anrich Industrial Estate, Bollaram,  
Narsapur Taluq, Medak District - 502320  
Andhra Pradesh

**DEPOSITORY REGISTRARS &  
SHARE TRANSFER AGENTS**

Aarhi Consultants Pvt. Limited  
1-2-285, Domalguda  
Hyderabad  
Phone # 27642217 / 27634445  
Fax # 27632184  
Email: [hyd2\\_aarcons@sancharnet.in](mailto:hyd2_aarcons@sancharnet.in)

**LISTING**

Bombay Stock Exchange Limited





### NOTICE

Notice is hereby given that the Twenty Third Annual General Meeting of the members of ACI Infocom Limited will be held on Friday, the 30<sup>th</sup> September 2005 at 4.30 p.m. at Hotel Belson Taj, S.D. Road, Secunderabad 500 003 to transact the following business:

#### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March 2005, Profit & 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 Mr. U. Chandra Mouli, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Swamy & Seshadri, Chartered Accountants as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and authorize the Board to fix their remuneration.

For and on behalf of Board of Directors

Place : Secunderabad (Alok P. Gupta)  
Date : 01-09-2005 Chief Executive Officer

#### 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.

2. 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.
3. The Register of Members and Share Transfer Books of the Company will be closed from 28th September 2005 (Wednesday) to 30<sup>th</sup> September 2005 (Friday) (Both days inclusive).
4. Members are requested to intimate immediately any change in their address to the Share Transfer Agents and in case their shares are held in dematerialized form, this information should be passed on to their respective Depository Participants without any delay.
5. As required under the Listing Agreement the particulars of directors proposed to be appointed / re-appointed are given below:

#### Mr. U. Chandra Mouli

Mr. U. Chandra Mouli aged 43 years holds a Bachelors Degree in Commerce and Masters Degree in Finance. He is having over 20 years experience in finance, accounting, auditing, taxation and corporate matters. He has been associated with the Company in various capacities. He takes care of regulatory issues and implementation of corporate governance in the Company. He is responsible for IT initiatives in the Company and has extensive knowledge on system designing and implementation.

For and on behalf of Board of Directors

Place : Secunderabad (Alok P. Gupta)  
Date : 01-09-2005 Chief Executive Officer



## DIRECTORS' REPORT

Dear Shareholders,

Your Directors take pleasure in presenting the Twenty Third Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2005.

### FINANCIAL RESULTS

(Rs. in Lacs)

Particulars	For the year	
	2004-05	2003-04
Sales	4756.23	5961.90
Other Income	3.83	1.43
<b>Total Income</b>	<b>4760.06</b>	<b>5963.33</b>
Expenditure before Depreciation, Interest & tax	4738.97	5829.84
Depreciation	42.40	87.26
Interest	42.16	37.79
Profit/(Loss) before Taxation	(63.47)	8.44
Provision for Taxation	—	0.64
Prior period Adjustment	2.38	0.21
<b>Profit / (Loss) after Taxation</b>	<b>(65.85)</b>	<b>7.59</b>

### DIVIDEND

Your Directors express their inability to recommend any dividend for the year due to the loss incurred by the Company.

### DIRECTORS

Mr. U. ChandraMouli, who is liable to retire by rotation and is, being eligible, offers himself for re-appointment.

### DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956, the Board of Directors confirms that :

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;

- (ii) the directors had 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 31<sup>st</sup> March, 2005 and the loss for the year ended 31<sup>st</sup> March, 2005;
- (iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act 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;

### REGISTERED OFFICE

The Company shifted its Registered Office from H.No. 2, Shiva Sadan, Sivaramakrishna Colony, West Marredpally Main Road, Secunderabad – 500 026 to B – 101, First Floor, Jaya Mansion, S.D.Road, Secunderabad – 500 003 with effect from 1<sup>st</sup> January 2005.

### AUDITORS

The auditors, M/s. Swamy & Seshadri., Chartered Accountants of the Company who retire at the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if reappointed. The Company has also received a certificate from them under Section 224 (1B) of the Companies Act, 1956.

### DEPOSITS

The Company has not accepted any Deposits from the public during the year pursuant to Section 58A of the Companies Act, 1956.

### PERSONNEL

The Company is not having any employees who are drawing remuneration in excess of the limits prescribed under Section 217 (2A) of the Companies Act, 1956.



## DELISTING OF SHARES

The Company's equity shares have been delisted from The Hyderabad Stock Exchange Limited with effect from 20<sup>th</sup> September 2004 vide their letter dated Ref.No. HSE:LIST:2004:252, dated 17<sup>th</sup> September, 2004. As informed to you in the last year Annual Report, the equity shares were already delisted from The Bangalore Stock Exchange Limited and The Stock Exchange, Ahmedabad.

## CORPORATE GOVERNANCE

A report on Corporate Governance along with the certificate of auditors of your Company as required under clause 49 of the Listing Agreement is enclosed.

## MANAGEMENT DISCUSSION & ANALYSIS (M D&A)

### Industry Structure and developments

India is the fastest growing IT hardware products market in the Asia Pacific Region. Most of the prominent global as well as local vendors are operating in the competitive Indian Market. Although, India is a diverse country with huge population base and significant enterprise diversity, it has one of the lowest PC penetrations. This is perceived to be the greatest opportunity for the hardware sector.

International Data Corporation (IDC) has predicted that the global ITES/BPO market would touch \$680 billion by 2008 as compared to last year's \$405 billion. This would result in huge demand for the hardware and peripherals.

### Opportunities & Strengths

Good macro economic indicators coupled with the huge growth expected in IT / ITES / BPO industries will result in huge demand for the hardware and peripherals. Your Company is conscious of these opportunities and taking all efforts to improve its performance. The Company's strength has been the strong nationwide presence for distribution of the

hardware products of established global vendors.

### Weakness and threats – Risks and concerns

In view of the intense competitions the margins are becoming thinner. High credit risk, low margins and rapid technology obsolescence are key risks and concerns of the Company's business.

### Segment wise or product – wise performance

The Company primarily deals in distribution of Computer Peripherals like Hard Disk Drives, Note books, Microsoft Products and other computer peripherals. During the year 2004-05, the Company has started manufacturing of computer systems. The income from this segment is expected to improve in the current financial year.

### Outlook

During the current financial year 2005-06, the Company has entered into sub distribution arrangement with Acer for distribution of its products like Desktops, Laptops, LCD Monitors and other Peripherals in the Western Region of India. The Company has also entered into distribution agreement with Xenitis Technologies Private Limited for distribution of AAMCHI PC in the Western Region of India. The Company has recently tied up with Gemini Hitech Singapore for all India distribution of USB accessories and lifestyle products.

The revenue and profits from the above business are expected to be significant in the current financial year. Given the addition of new products and overall growth in the industry the outlook is positive for the Company.

### Internal control systems and their adequacy

Your Company placed considerable emphasis on internal control systems so as to minimise the cost and improve the efficiency and the



existing systems are adequate, given the size of the Company. With the implementation of ERP, there are various checks and balances embedded in the system, which ensures various controls. The management also reviews Level of inventory and receivables and monitors them very closely and takes appropriate steps from time to time.

#### **Discussion on financial performance with respect to operational performance**

During the year under review, your Company has made a Turnover of Rs. 4760.05 Lacs as against Rs. 5963.33 Lacs and incurred a loss of Rs. 65.85 Lacs as against the profit of Rs. 7.59 Lacs in the previous year.

The turnover has come down mainly on account of decrease in sale of hard disk drives. The increase in loss is due to cutthroat competition in the market, sharp decline in margins.

The company has taken appropriate steps and contained the expenditure during the current year under review.

#### **Material developments in Human Resources / Industrial Relations front, including number of people employed.**

The Company employs personnel having the requisite qualification and experience as demanded by the job profile. It has a well designed training programme, to retain and train the personnel with respect to the work culture of the Company and to keep them abreast with the latest developments in the changing technological environment.

Your Company focuses on, to bring out the best in people, practices and products. The Company enjoys a healthy relation with its employees.

#### **Conservation of Energy & Technology Absorption, 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**

(Rs. in Lacs)

	2004-05	2003-04
a) Earnings on re-exports	NIL	5.38
b) Outgo		
i. Traveling	3.00	0.50
ii. Royalty on Microsoft Products	2162.85	2623.41
iii. CIF Value of goods imported	3215.75	2125.32

#### **ACKNOWLEDGEMENTS**

Your Directors place on record their grateful appreciation for the continued assistance and co-operation extended by the shareholders, customers, bankers and the dedicated employees and the business associates.

**For and on behalf of Board of Directors**

<b>(Alok P. Gupta)</b>	<b>(G.S.Pujary)</b>	<b>(U. ChandraMouli)</b>
CEO	Director	Director

Place : Secunderabad

Date : 01-09-2005





## CORPORATE GOVERNANCE REPORT 2004-05

### Company's Philosophy on Corporate Governance

The Company's philosophy on Corporate Governance envisages the attainment of the highest level of transparency, accountability and equity, in all facets of its operations and in efficient conduct of its business and in meeting its obligations to all stakeholders.

### Board of Directors

As at 31<sup>st</sup> March 2005, the Board of Directors comprises of 5 Directors constituting 2 Non-Executive Independent Directors, which are as under:

- |                          |   |                                    |
|--------------------------|---|------------------------------------|
| 1) Mr. Alok P. Gupta     | - | Executive Promoter Director        |
| 2) Mr. G.S.Pujary        | - | Executive Independent Director     |
| 3) Mr.U.Chandra Mouli    | - | Executive Independent Director     |
| 4) Mr. Suresh Narayana   | - | Non-Executive Independent Director |
| 5) Mr. Shrikant A. Sathe | - | Non-Executive Independent Director |

During the Financial Year 8 Board Meetings were held on 30<sup>th</sup> April 2004, 24<sup>th</sup> May 2004, 31<sup>st</sup> July 2004, 1<sup>st</sup> September 2004, 30<sup>th</sup> October 2004, 13<sup>th</sup> December 2004, 30<sup>th</sup> January 2005 and 31<sup>st</sup> January 2005.

The details of the attendance and other Directorships of the directors

Name of Director	Attendance		Representation on other companies	
	Board Meetings	Last AGM	Directorships	Membership in Committee
Mr. Alok P.Gupta	6	Present	—	—
Mr. G.S.Pujary	6	Present	—	—
Mr. U.Chandra Mouli	6	Present	—	—
Mr. Suresh Narayana	6	—	—	—
Mr. Shrikant A. Sathe	4	—	—	—

In pursuit of the Company's Corporate Governance Policy, all the statutory and other significant and material information are placed before the Board of Directors to enable them to discharge their responsibilities of strategic supervision of the Company and as trustees of the shareholders.

### Audit Committee

The constitution comprises of the following directors:

- |      |                       |   |          |
|------|-----------------------|---|----------|
| i.   | Mr. Shrikant A. Sathe | - | Chairman |
| ii.  | Mr. Suresh Narayana   | - | Member   |
| iii. | Mr. U. Chandra Mouli  | - | Member   |



Date of Audit Committee Meeting	Place	No. of Members present
30-04-2004	Registered Office	2
31-07-2004	Registered Office	3
01-09-2004	Registered Office	3
31-01-2005	Registered Office	2

The terms of reference made to the Audit Committee inter-alia include:

- To oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible
- To review the management on the annual financial statements before submission to the Board
- To review with the management and the auditors, the adequacy of internal control systems
- To review the adequacy of inter audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit
- To discuss with internal auditors any significant findings and follow up there on
- To review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board
- To discuss with the auditors about the nature and scope of audit before its actual commencement and to have post-audit discussion to ascertain any area(s) of concern

- To review the Company's financial and risk management policies

#### Remuneration Committee

The Remuneration Committee comprising of the following directors:

Mr. Shrikant. A. Sathe	-	Chairman
Mr. Suresh Narayana	-	Member
Mr. Mr. U. Chandra Mouli	-	Member

During the financial year ended 31<sup>st</sup> March 2005, the committee met once on 1<sup>st</sup> September 2004 to approve the remuneration payable to Mr. Alok P.Gupta, Chief Executive Officer (CEO) of the Company.

The following is the remuneration paid to the Wholtime Directors for the financial year ended 31<sup>st</sup> March 2005:

Alok P. Gupta Chief Executive Officer (CEO)	G.S.Pujary Wholtime Director	U. Chandra Mouli Wholtime Director
He has not drawn any remuneration during the financial year 2004-05	Rs. 6.05 Lacs per annum	Rs. 2.43 Lacs per annum

#### Shareholders' Grievance Committee

The Committee comprises of the following directors:

Mr. Shrikant. A. Sathe	-	Chairman
Mr. G.S.Pujary	-	Member
Mr. Mr. U. Chandra Mouli	-	Member

The Committee looks into the redressal of shareholders' complaints, transfers and dematerialisation of shares. There were no outstanding transfers and shareholders' complaints as on 31<sup>st</sup> March 2005.

Mr. U. Chandra Mouli, Director is the Compliance Officer of the Company.