



**24th Annual Report
2005 - 2006**

CONTENTS

| | Page No. |
|--|----------|
| Notice | 3 |
| Directors' Report | 5 |
| Report on Corporate Governance | 8 |
| Auditors' Report | 14 |
| Balance Sheet | 17 |
| Profit & Loss Account | 18 |
| Schedules forming part of Accounts | 19 |
| Balance Sheet Abstract & Company's General Business Profile | 33 |
| Cash Flow Statement | 34 |
| Proxy Form & Attendance Slip | 35 |



BOARD OF DIRECTORS

Alok P. Gupta
Chief Executive Officer (CEO)

Divya Alok Gupta
Whole Time Director

Vyas Damadar Poonamchand
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
Website: www.aciinfo.com

**DEPOSITORY REGISTRARS &
SHARE TRANSFER AGENTS**

Aarathi Consultants Pvt. Limited
1-2-285, Domalguda
Hyderabad
Phone # 27642217 / 27634445
Fax # 27632184
Email: aarcons@sancharnet.in

LISTING

Bombay Stock Exchange Limited.

NOTICE

Notice is hereby given that the Twenty Fourth Annual General Meeting of the members of ACI Infocom Limited will be held on Friday, the 29th September 2006 at 12.30 p.m. at Hotel Yatri Nivas, Banquet Hall, 1-8-180/B, S.P. Road, Secunderabad 500 003 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2006, 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. Suresh Narayana 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.

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 pursuant to Section 257 and other applicable provisions, if any, of the Companies Act, 1956 Ms. Divya Alok Gupta, who was appointed as an additional Director pursuant to Section 260 of the Companies Act, 1956, be and is hereby appointed as a director of the Company.

RESOLVED FURTHER THAT pursuant to provisions of Section 198, 269, 309, 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, Ms. Divya Alok Gupta, Director of the Company be and is hereby appointed as Whole-time Director of the Company for a period of Three (3) years w.e.f. 1st July, 2006 on a consolidated monthly remuneration of Rs. 30,000 /- per month.

RESOLVED FURTHER THAT the above mentioned salary shall be paid and allowed

as a minimum remuneration during the currency of tenure of his office as Wholetime Director, notwithstanding the absence or inadequacy of profits in any accounting year as long as the minimum remuneration is within the prescribed limits under Section II of Part II of Schedule XIII of the Companies Act, 1956."

5. 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. Vyas Damodhar Poonamchand who was appointed as an additional Director pursuant to section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company."

For and on behalf of Board of Directors

Place : Secunderabad

(Alok P. Gupta)

Date : 25-08-2006.

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 27th September, 2006 (Wednesday) to 29th September 2006 (Friday) (Both days inclusive).
4. Members are requested to intimate immediately any change in their address to the Share Transfer Agents in respect of the shares held in physical form and to the Depository Participant in respect of shares held in dematerialized form without any delay.
5. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of item 4 and 5 is annexed hereto and forms part of the notice.

EXPLANATORY STATEMENT
(Pursuant to Section 173(2) of the Companies Act, 1956)

Item # 4:

Ms. Divya Alok Gupta has been appointed as an additional director by the Board of Directors of the Company at its meeting held on 1st July, 2006. In terms of the provisions of Section 260 of the Companies Act, 1956 Ms. Divya Alok Gupta would hold office upto the date of this Annual General Meeting.

The Company has received a notice from the member under Section 257 of the Companies Act, 1956 along with the necessary deposit proposing the candidature of above director. The Board recommends the resolution for the approval of the members.

Further Ms. Divya Alok Gupta has been appointed as a Whole time Director of the Company to oversee administrative functions at the Board Meeting held on 1st July 2006. Board is of the opinion that her services are valuable and in the interest of the Company, hence the resolution is proposed for the approval of members. As required under Schedule XIII of the Companies Act 1956, the remuneration committee has approved her appointment.

Except Ms. Divya Alok Gupta and Mr. Alok P. Gupta, none of the Directors of the Company is concerned or interested in the resolution.

Item # 5:

Mr. Vyas Damodar Poonamchand has been appointed as an Additional Director at the Board Meeting held on 1st July 2006 and who ceases from the office at the commencement of the Annual General Meeting. The Company has received a notice from the member under Section 257 of the Companies Act, 1956 along with the necessary deposit proposing the candidature of above Director.

Your directors recommend the resolution set out at item No. 5 for your approval by way of an Ordinary Resolution.

None of the Directors of the Company is concerned or interested in the resolution except Mr. Vyas Damodar Poonamchand

For and on behalf of Board of Directors

Place : Secunderabad.

Date : 25-08-2006.

(Alok P. Gupta)
Chief Executive Officer

DIRECTORS' REPORT

Dear Shareholders,

Your Directors take pleasure in presenting the Twenty Fourth Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2006.

FINANCIAL RESULTS

(Rs. in Lacs)

| Particulars | For the year | |
|------------------------------|----------------|----------------|
| | 2005-06 | 2004-05 |
| Sales | 3576.82 | 4756.23 |
| Other Income | 166.54 | 3.83 |
| Total Income | 3743.36 | 4760.06 |
| Expenditure before | | |
| Depreciation, Interest & tax | 3567.37 | 4738.97 |
| Depreciation | 46.46 | 42.40 |
| Interest | 57.86 | 42.16 |
| Loss before Taxation | (71.67) | (63.47) |
| Provision for Taxation | 5.50 | — |
| Fringe Benefit Tax | 3.70 | — |
| Prior period Adjustment | 2.84 | 2.38 |
| Loss after Taxation | (83.71) | (65.85) |

Dividend

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

Directors

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

Ms. Divya Alok Gupta has been appointed as an Additional Director by the Board at the meeting held on 1st July, 2006 to hold office upto the date of this Annual General Meeting and she has also been appointed as Whole Time Director at the same meeting. Mr. Vyas Damodar Poonamchand has been appointed as an additional Director at the board meeting held on 1st July, 2006.

Mr. U. Chandra Mouli and Mr. G.S. Pujary have resigned from the Board with effect from 20th October, 2005 and 14th February, 2006, respectively.

The Board places on record its appreciation for the services rendered by both the directors.

General Meeting

Your Company has convened an Extra-Ordinary General Meeting of members of the Company on 28th February 2006 to, undertake entertainment business, increase authorized share capital and make preferential allotment of shares. Though the shareholders approval was obtained, the investors have not subscribed for the preferential allotment hence no allotment was done under this resolution.

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 31st March, 2006 and the loss for the year ended 31st March, 2006;
- (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;

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.

Corporate Governance

Pursuant to the provisions of Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, a report on the Corporate Governance, which *inter alia*, includes the composition and construction of Audit Committee, is featuring as a part of Annual Report. Your Company will continue to adhere in letter and spirit to the good corporate governance policies. Pursuant to the provision of Clause 49(VII) (1) of the Listing Agreement, a certificate from the auditors of the Company on the compliance of the Clause is enclosed.

CEO's Declaration

Pursuant to the provisions of Clause 49(I)(D)(ii) of the Listing Agreement, a declaration by the Chairman and Managing Director of the Company declaring that all the members of the Board and the Senior Personnel of the Company have affirmed compliance with the Code of Conduct of the Company 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 makes 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 Accessories and Lifestyle Accessories.

Outlook

Your company is taking initiatives to identify new revenue streams. Preliminary work has been done to undertake trading of steel etc.,.

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.

Discussion on financial performance with respect to operational performance

During the year under review, your Company has made a Turnover of Rs. 3743.36 Lacs as against Rs. 4760.05 Lacs and incurred a loss of Rs. 83.71 Lacs as against the loss of Rs. 65.85 Lacs in the previous year.

The loss during the year is due to decline in sales, particularly in the sale of Hard disk and Microsoft Products. There has been a stiff competition in this sector and the margins have become very thin. Further, the cost of borrowing has also gone up

due to increase in Interest cost especially on Fund based Loan.

However, the management is striving hard to improve the sales and also to control the overhead expenses.

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

The Company employs personnel from all walks of life having the requisite qualifications 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.

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) | |
|-----------------------------------|---------------|---------|
| | 2005-06 | 2004-05 |
| a) Earnings on re-exports | NIL | NIL |
| b) Outgo | | |
| i. Traveling | 9.53 | 10.91 |
| ii. Royalty on Microsoft Products | 1469.65 | 2162.85 |
| iii. CIF Value of goods imported | 1171.05 | 3215.75 |

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

(Alok P. Gupta)

CEO

(Divya Gupta)

Director

Place : Secunderabad

Date : 25-08-2006.

REPORT ON CORPORATE GOVERNANCE FOR THE FINANCIAL YEAR 2005-06**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

The Company has Executive Chairman. The Board of Directors comprises of Three (3) directors including Two (2) non executive independent directors.

a) Composition and category of directors as on 31st March, 2006

| Sl No. | Name of the Director | Category |
|--------|------------------------|-------------------------------------|
| 1. | Mr. Alok P. Gupta | Executive Promoter Director |
| 2. | Mr. Suresh Narayana | Non –Executive Independent Director |
| 3. | Mr. Shrikanth A. Sathe | Non –Executive Independent Director |

- Ms. Divya Alok Gupta and Mr. Vyas Damodar Poonamchand have been appointed as a Directors w.e.f. 1st July, 2006.
- Mr. G.S. Pujary has resigned as Whole time Director as well as Director w.e.f. 14th February, 2006.
- Mr. U. Chandra Mouli has resigned as Whole time director and director of the Company w.e.f. 20th October, 2005

b) Attendance of each director at the Board meetings held during the year 2005-2006 and at the last Annual General Meeting

| Name of the Director | Board Meetings held during the year | Meetings attended | Last AGM |
|-----------------------|-------------------------------------|-------------------|----------|
| Mr. Alok P. Gupta | 6 | 6 | Present |
| Mr. Suresh Narayana | 6 | 2 | Absent |
| Mr. Shrikant A. Sathe | 6 | 6 | Present |

Information in terms of Clause 49 of the Listing Agreement in respect of directors being proposed for appointment / re-appointments.

Mr. Suresh Narayana has been appointed on the Board of the Company w.e.f. 30th November 2001 and he is a qualified Company Secretary. He has been a consultant to various private and public sector companies in the field of corporate laws.

Ms. Divya Alok Gupta has been appointed on the Board of the Company w.e.f. 1st July 2006 and she is a promoter director.

Mr. Vyas Damodar Poonamchand has been appointed on the Board w.e.f. 1st July 2006. He holds Bachelors degree in Commerce and having more than decade experience in the field of accounts and finance. He is also a Director on the Board of Pesticides & Brewers Ltd.

Audit committee

The Audit Committee was constituted in terms of Section 292A of the Companies Act, 1956 and the provisions of the Clause 49 of the Listing Agreement.

a) Brief description of terms of reference:

The terms of reference of the Audit Committee are in conformity with the provisions of Sub Clause II of the Listing Agreements, which inter alia, includes the following:

- Oversight of Company's financial reporting process.
- Recommending appointment and removal of external auditors and fixing of their fees
- Reviewing with management the quarterly, half-yearly and annual financial results / statements with special emphasis on accounting policies and practices, compliances with accounting standards and other legal requirements concerning financial statements.
- Reviewing the adequacy of the Audit and compliance functioning including their policies, procedures, techniques and other regulatory requirements
- Reviewing the adequacy of internal control systems and significant audit findings
- Discussion with external auditors regarding nature and scope of audit

b) Composition, name of members and Chairperson

Consequent to resignation of Mr. U. Chandra Mouli, the Audit Committee has been reconstituted on 20th October 2005 and composition is as follows:

- 1) Mr. Shrikant A. Sathe - Chairman
- 2) Mr. Suresh Narayana - Member
- 3) Mr. Alok Gupta - Member

c) Meetings and attendance during the year 2005-2006

| Name of the Member | Meetings held during the year | Meetings attended |
|-----------------------|-------------------------------|-------------------|
| Mr. Shrikant A. Sathe | 3 | 3 |
| Mr. Suresh Narayana | 3 | 3 |
| Mr. U. Chandra Mouli | 3 | 2 |
| Mr. Alok Gupta | 3 | 1 |

- d) The Chairman of the Audit Committee attended the last AGM and answered queries raised by the Shareholders.

Remuneration Committee

a) Brief description of terms of reference

This committee was constituted primarily to evaluate compensation and benefits for Executive Directors.

b) Composition, name of members and Chairperson

The Remuneration Committee comprises of the following Directors:

- 1) Mr. Shrikant A. Sathe - Chairman
- 2) Mr. Suresh Narayana - Member
- 3) Mr. U. Chandra Mouli - Member

The Remuneration Committee has been reconstituted on 1st July 2006 with the following directors:

- 1) Mr. Shrikant A. Sathe - Chairman
- 2) Mr. Suresh Narayana - Member
- 3) Mr. Vyas Damohar Poonamchand - Member

c) Meetings and Attendance during the year 2005-2006

There was no incidence necessitating the meeting of the Committee.

d) Remuneration Policy

The remuneration policy of the Company is rewards for results and recognition for efforts.