

ATCO

10th Annual Report **1999**

BANKERS

Allahbad Bank
Dena Bank
Punjab National Bank
State Bank of India
United Western Bank
UTI Bank Ltd.

BOARD OF DIRECTORS

Shri Vikram A. Doshi
Chairman & Managing Director

Shri Sharad A. Doshi
Whole-time Director

Shri Vineet A. Doshi
Whole-time Director

Shri Krishna Kumar Gupta
Whole-time Director

Shri G. Ramachandran
Director

Shri P. G. Kakodkar
Director

Shri J. S. Pal
Director

AUDITORS

Haribhakti & Co.
Chartered Accountants

SOLICITORS & ADVOCATES

M/s Crawford Bayley & Company
M/s Hariani & Co.

REGISTERED OFFICE

6A, Lalwani Industrial Estate,
14, G D Ambekar Road, Wadala,
Mumbai - 400 031.

WORKS

- Daman Industrial Estate,
Airport Road, S. No. 74/13,
Village Kadaiya,
Daman - 396 210
- Daman Industrial Estate,
Air Port Road,
S. No. 101/3,
Village Kadaiya,
Nani Daman - 396 210
- 17/A, Somnath Industrial
Estate, Dabhel,
Daman - 396 210
- 311/312, Wadala Udyog
Bhavan, Naigaon Cross Road,
Wadala, Mumbai - 400031.

Dear Shareholders,

We are at the threshold of the New Millennium which holds tremendous potential for all of us

The Mantra in the Next Millennium will be on creation of wealth through Knowledge and Technology. Your company has always laid emphasis on Technology Development, Advancement and developing a Knowledge based work force that defines the strength and future of the company. Your company has built a fairly strong knowledge based work force to stay ahead in our line of business.



The major thrust on Research and Development has been in the area of Sensors, Sensor related products and software for Supermarkets as well as for customer specific requirements in material handling and weighing area.

Today at the end of the decade, Electronic Weighing Scales have evolved from just Electronic Weighing to counting, computing and interfacing with computers for inventory and logistics management. Your company has been a trend setter in evolving new and improved solutions for the customers. During this year, your company will be a full fledged transaction automation/solution company giving our customers a WEB enabled solution to run their Departmental Stores and Supermarkets. On the other hand, your company has designed very low cost weighing machines for the price conscious Rural Indian Market.

E-commerce has taken the world by storm creating in its wake a tremendous demand for Hardware, Networking and Software. Your company has always possessed capability for manufacture of Hardware, Networking and Development of Software which has been developed for Electronic Weighing Scales and Time Recorders. It would indeed be a lost opportunity, if having the knowledge, advantage is not taken of the void where there is tremendous growth potential.

With this in view, the future plans are in the areas of Hardware, Networking, Web-related products including Kiosks and Supermarkets Software development with focus on higher value addition to our primary business of Electronic Weighing Scales.

Our extra-ordinary thrust on Research and Development has put your company into a slot of very highly respected, soughtafter and recognised sensor and electronic research company. Our 100% subsidiary company ATCO Research & Development Ltd. has been recognised by the Department of Science and Technology and is doing research on DOST funded projects.

Vikram A. Dosbi

YEAR IN RETROSPECT

ATCO continues to enjoy leadership position in the field of Electronic Weighing Scales (EWS) in the national market with the sale of the largest number of units.

Your company has expanded its presence in the Electronic Weighing Scale segment of the market throughout the country and has widened its marketing network by appointing Distributors / Dealers in many new areas. Your Company is regularly introducing new, better and price competitive models to cater to varied needs of customer. Apart from the above, there are still large untapped segments of the market and your company is aggressively trying to penetrate in these markets.

With a view to focus, expand and consolidate its position in the business of manufacture of large volume Polycarbonate Bottles, LDPE Caps, Polyethylene Terephthalate (PET) bottles, and HDPE caps, your company has increased its stake in company i.e. Atco Healthcare Limited by making it its subsidiary.

PRODUCT MIX

ATCO has during the year widened its product mix in order to cater to a large cross-section of users.

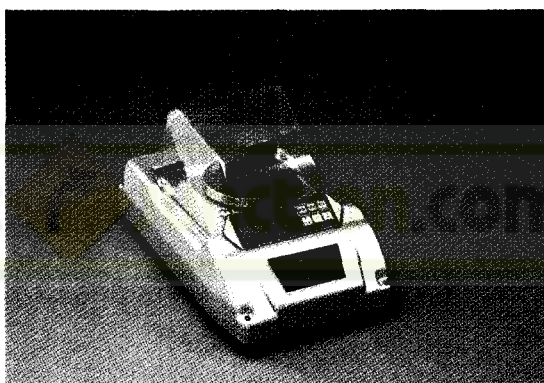
ATCO manufactures a wide range of EWS which includes both multi-purpose and special purpose weighing scales. The products of the Company can be broadly classified as follows :

1. Commercial Balances
2. Weigh Bridges
3. Analytical Balances
4. Systems and Process Control Equipments
5. Time Attendance and Access Control System
6. Cash Registers
7. Household Scales

During the year, ATCO increased its product range in the analytical balances and household scale categories in order to cater to the varied needs of jewelers and household sector.

ATCO scales are used by almost all industries be it small, medium or large. All commercial establishments that have need for accurate weighing, retailers, supermarkets, sweet meat shops, post offices, corporate offices, truckers, transport operators, public weighbridge operators, jewellers, banks, hospitals, doctors, gymnasiums, research establishments, laboratories and even households have potential need for a model from ATCO. ATCO has more than 84 models in its entire range of products.

Atco is catering to the Mineral Water Industry



as a supplier of premium food grade accessories such as 20 Litre Poly Carbonate Bottles (PCB), LDPE Snap-op caps for PCB, Hot and Cold Water Dispenser, Mineral Water Plants.

The above products that were original intended

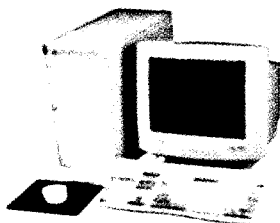
for the subsidiary company AHCL has generated good internet from other Mineral Water Manufacturer in India and Abroad. The PCBs and LDPE caps have turned out to be one of the best not only in India but also in the World.

Atco Industries Limited for its quality products and for carrying out pionering work in Mineral Water Industry in this country on its own and through its subsidiary, AHCL has been given leadership position in this Industry by the International Bottled Water Association (IBWA).

Shri K.K. Gupta, Whole Time Director of Atco Industries Limited has been appointed as a Board Member and Country Representative IBWA Asia chapter during their convention held at Hong Kong in May' 99.

EXPANDING BUSINESS HORIZON AND FUTURE OUTLOOK

Your Company enjoys leadership position in the field of Electronic Weighing Scales in the national market with majority market share. It has been the constant endeavour of the company to spread its wings not only nation wide but also world wide. To give a definite shape to this endeavour your company has plans to set up a wholly owned subsidiary in United Kingdom tentatively named as Atco Europe Limited (AEL) with an initial investment of One Million USD. The necessary RBI permissions required in this respect have already been obtained. To deal with the ground work involved in the launch of a wholly owned subsidiary abroad your company has already set up an Export International Marketing Wing. This Wing, besides selling the company's products in the export market, will also help

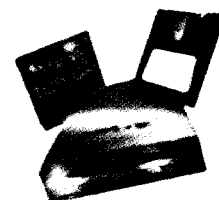


the management to gauge the potential in the international market, to build up an International market, to make

adequate arrangements for setting up AEL and to prepare proper plans and strategies for the profitable functioning of AEL.

As a small company way back in the early nineties, ATCO, a manufacturer of electronic weighing scales, assembled its own computers for the use of the organisation. For a relatively

small company that it was at that time, ATCO assembled 400 computers and networked all of them to use across its organisation. Complete networks were installed and managed by in-house engineers. The knowledge that ATCO gained in setting up and managing these networks positions it uniquely to further exploit its knowledge to play a key role in the e-commerce revolution that is taking place in our country and in the whole world.



A new division created by ATCO, the Information Technology Division will commercialise the technology of hardware products and networking. The future of usage of computers in our country is seen to be very significant considering that currently the usage is in its infancy.

ATCO is also promoting a new subsidiary called ATCO Websys Software Pvt Ltd. The focal object of this company is to develop solutions related to Websites and e-commerce. The ever increasing and fast accelerating growth of e-commerce will create a void and ATCO will play a significant role in this area.

MARKETING NETWORK & FINANCIAL ANALYSIS

MARKETING NETWORK

ATCO has a very high brand awareness. It has built up over the years a very good brand equity which has come through our sustained efforts to effectively service our broad customer base across each market segment.

As we approach a new millennium, it is clear that people, quality and technical innovation will form the solid foundation on which a progressive company like ATCO will flourish.

Markets are opening up, so are the opportunities. At ATCO it is our endeavor to pursue an innovative path and bring in products and services that meet the needs of the consumer at his doorstep. It is also important to understand our consumer and his needs well.

With this in view, we have restructured our marketing efforts by creating 11 Strategic Business Units (SBU's) operating through direct and indirect channels of distribution.

Direct Channel - Electronic Weigh Bridges, Industrial Systems and Major Accounts, Special Accounts including Government and OEM and Promotion Sale, Electronic Time Recorders and Computerised Time Recorders, Household segment, Loadcell Segment, Exports and International Marketing.

Indirect Channel - Jewellery segment, Retail and Cash Registers, Small Scale and Medium Scale Industry sectors.

FINANCIAL ANALYSIS

ATCO Industries Ltd. has new production record during the year. Production volume crossed 94000 units of Electronic Weighing Scales (EWS) and Sub Assembly Modules - an increase of 60% over the previous year despite the general slow down in the economy and perhaps the most adverse environment in the business history. The sales mix comprised Electronic Weighing Scales (EWS) and Sub Assembly Modules - 89.26%, PC Bottles & Caps - 4.23%, Electronic Time Recorder & Cash Register and Water Cooler -1.20% and Bottling Plant - 5.31%.

The PET Bottles & HDPE Caps project is in advance stage of implementation and the commercial production is scheduled to be commenced very shortly during the current financial year. The operating profit before other income increased 53.41% to Rs.1707.11 lacs. The operating margin remained stable to 16.02%.

Even on the expanded volume of sales, the interest expenses remained stable at Rs. 304.83 lacs indicating better financial management. Net operating profit increased 61.06% to Rs.1324.62 lacs in comparison to previous year's Net operating Profit. The Net operating profit margin remained stable at 12.43%. The Gross Fixed Assets base increased 60% to Rs. 6365.37 lacs mainly representing expenditures incurred on the setting up of the Plastic Project. The Company is having an EPS of Rs. 8.36 and book value of Rs. 47.25 per share for the financial year ending March 31, 1999.

NOTICE

Notice is hereby given that the 10th Annual General Meeting of the Company will be held on Thursday the 30th September 1999 at 3.00 P. M. at Matunga Gujarati Club Limited, N.M. Parekh Marg, Near Arora Cinema, Matunga (Central Railway), Mumbai - 400 019 to transact the following business :

1. To receive, consider and adopt the audited Balance Sheet as at, and the Profit and Loss Account for the year ended 31st March 1999 and the reports of Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint Director in place of Shri Vikram A. Doshi who retires by rotation and being eligible offers himself for re-appointment.
4. 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.

SPECIAL BUSINESS

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

"RESOLVED THAT Mr. K.K. Gupta who was appointed as an Additional Director of the Company by the Board of Directors and who ceases to hold office under section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company."

"RESOLVED THAT Mr. G. Ramachandran who was appointed as an Additional Director of the Company by the Board of Directors and who ceases to hold office under section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company."

"RESOLVED THAT Mr. P. G. Kakodkar who was appointed as an Additional Director of the Company by the Board of Directors and who ceases to hold office under section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company."

"RESOLVED THAT Mr. J.S. Pal who was nominated by SICOM as an Additional Director of the Company by the Board of Directors and who ceases to hold office under section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company."

6. Approval for Payment of Remuneration to Whole Time Director

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 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the payment of remuneration and revised remuneration to Mr. K.K. Gupta Whole Time Director of the Company, as may be decided and approved by the Board from time to time.

ATCO INDUSTRIES LTD.**7. Approval for issue of Shares.**

To consider and if thought fit to pass with or without modifications the following as a **Special Resolution**.

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof, for the time being in - force) and the enabling provisions in the Memorandum and Articles of Association of the Company, the listing agreements entered into by the Company with Stock Exchanges where the Shares of the Company are listed and subject to approval of the Financial Institutions (FIs), Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI) and all other concerned Authorities, Institutions or Bodies, if any, and to the extent necessary and such other approvals, permissions and sanctions as may be necessary and subject to such conditions, and modifications as may be prescribed or imposed by any of them in granting such approvals, permissions and Sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board") which term shall be deemed to include any committee which the Board may have constituted or hereafter constitute for the time being exercising the powers conferred on the Board by this resolution, the Board be and is hereby authorised on behalf of the Company with power to delegate such authority to such person or persons as the Board may deem fit to issue/offer Equity Shares and/or Convertible Debentures (fully or partly) and/or Non-Convertible Debentures and/or Preference Shares (Cumulative or Non-Cumulative, Redeemable or Non-Redeemable) and/or Convertible Preference Shares and/or Global Depository Receipt (CDRs) and/or Convertible Bonds (fully or partly) with or without detachable warrants and/or warrants of any nature and/or Secured Premium Notes and/or Floating Rate Notes/Bonds and/or any other Financial Instrument (hereinafter for brevity's sake referred to as Securities) as the Board at its sole discretion may at any time or times hereafter decide which Securities when issued or allotted at such price or price (including premium) would ultimately result in an increase in the Paid-up Share Capital of the Company by an amount not exceeding **Rs. 50 Crores**, subscribed in Indian and/or Foreign currency(ies) to the Members, Employees, Non-Resident Indians, Overseas Corporate Bodies, Foreign Institutional Investors (FIIs), Companies, Mutual Funds, Banks, Indian Financial Institutions, other entity(ies) and to such other persons by way of Public Issue, Right Issue, Private Placement or Preferential allotment, Exchange of Securities, conversion of Loans or otherwise in the course of offerings in Indian and/or International Market or by any one or more combination of the above methods, whether to Shareholders of the Company or not, and at such time in one or more tranches as the Board may think fit and on such terms and conditions including number of securities to be issued, face value, premium, rate of interest / dividend, redemption / conversion period, manner of the redemption / conversion, amount of premium on redemption / conversion, the number of Equity Shares to be allotted on conversion / redemption / extinguishment of debts / preference shares as the case may be, exercise of rights attached with warrants, the ratio of exchange of shares and/or warrants, any other financial instruments, period of conversion, fixing of record date or book closure and related or incidental matters as the Board or its committee may in its absolute discretion think fit and decide in consultation with the appropriate authorities, the Merchant Bankers and/or Lead Managers and/or Underwriters and/or Advisors and/or such other persons and otherwise but without requiring any further approval or consent from the shareholders and also subject to the applicable guidelines for the time being in force."

"RESOLVED FURTHER THAT the Company and/or an agency or body authorised by the Company may issue Depository Receipt(s) or Certificate(s) representing the underlying securities issued by the Company in register or bearer form with such features and attributes as are prevalent in Indian and/or International Capital Market for the instruments of this nature and to provide for the tradeability or free transferability thereof, as per the Indian / International practices and regulations,

and under the norms and practices prevalent in the Indian / International markets."

"RESOLVED FURTHER THAT pursuant to the approval of the members of the Company, the new Equity Shares, issued if any, shall be subject to the Memorandum and Articles of Association of the Company and shall rank in all respect (including voting rights) pari passu with the existing Equity Shares except that the new Equity Shares will be entitled to dividend only in proportion to the amount of capital paid up thereon and for the period during which such capital was with the Company."

"RESOLVED FURTHER THAT such of these Equity Shares / Convertible Debentures / Non-Convertible Debentures / Preference Shares / Convertible Preference Shares as are not subscribed, may be disposed off by the Board in its absolute discretion in such manner and on such terms as it may deem fit including offering or placing them with Banks / Financial Institutions / Investment Institutions / Mutual Funds / Overseas Corporate Bodies / Non-Resident Indians, Employees and Business Associates of the Company or otherwise as Board may in its absolute discretion, consider proper and most beneficial to the Company."

"RESOLVED FURTHER THAT the Board be and is hereby authorised in terms of section 293(1)(a) of the Companies Act, 1956, subject to requisite approvals, if any, as may be required from any of the concerned Authorities to secure, if required, the entire or any part of the issue of securities by creation of any mortgage(s) and/or charge(s) as may be required on all or any of the Company's immovable and movable properties, present and future, as the Board may determine in consultation with the Trustees, such charge to rank pari passu, second, subsequent, subservient and subordinate to all the mortgage(s) and/or charge(s) created / to be created by the Company for all existing and future borrowings and facilities whatsoever."

"RESOLVED FURTHER THAT for the purposes of giving effect to the above resolution the Board or the Committee thereof be and is hereby authorised on behalf of the Company to agree and to make and accept such condition(s), modification(s) and alteration(s) stipulated by any of the relevant authorities while according approvals consents or permissions to the issue as may be considered necessary proper and expedient and to prescribe Form of Application, to issue Letter of Offer, Prospectus, to appoint Advisor(s), Consultant(s), Manager(s), Registrar(s) to the Issue and other Agencies as may be deemed expedient, for the purpose of Proposed Public / Right Issue and pay, if it so thinks fit, Underwriting commission, and / or Brokerage as may be lawful and reasonable and to take all such actions and to give all such directions as may be necessary or desirable and also to settle any question or difficulty that may arise in regard to the Offer, Issue and Allotment of the Equity Shares / Convertible Debentures / Non-Convertible Debentures / Preference Shares / Convertible Preference Shares and further to do all such acts, deeds, matters and things and to execute all such deeds, documents and writings as may be necessary, desirable or expedient in connection with such Offer / Issue / Placement / Allotment."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to decide other terms and conditions of the Issue including the amount to be paid on application, allotment and calls (if any) to be made, and to add, vary, modify, alter any or all of the conditions of the Issue of the Shares / Securities to be created, offered and issued including the aggregate nominal value thereof, alter their face value and their entitlement thereto, in the best interest of the Company and to include in the said Prospectus or such other Document(s) of Offer for subscription as may be issued by the Company, such other terms and conditions of offer as are necessary or expedient in the discretion of the Board and/or may have to be incorporated on account of any modification(s) or amendment(s) required by any concerned Authority(ies)."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things it may, in its absolute

ATCO INDUSTRIES LTD

discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the Offer, Issue, Allotment and Utilisation of issue proceeds towards general corporate purposes including capital expenditure, working capital requirements, strategic investments or for any other restructuring as it may deem fit."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any committee of Directors or Managing Director or Executive Director or any Director or Officer or Officers of the Company to give effect to the aforesaid resolution."

8. Approval to invest in the Capital of ATCO Europe Limited.

To consider and if thought fit to pass with or without modification(s) the following Resolution as a Special Resolution.

"RESOLVED THAT subject to the approval of the Central Government pursuant to section 372 of the Companies Act, 1956 and consent, approval, permission and dispensation of any Other Authority to the extent applicable, consent of the company be and is hereby given to invest a sum not exceeding US\$ 10,00,000 at the prevalent exchange rate and in any case not exceeding Rs. 5 Crores (Rupees Five Crores only) in the Equity Shares of ATCO Europe Limited notwithstanding that such investment made in ATCO Europe Limited may exceed 30% of the Paid up Equity and Preference share capital of ATCO Europe Limited."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to determine the actual sum to be invested in Atco Europe Limited upto the limit as aforesaid and to determine the time and manner of such investment and to do all or any of the matters arising out of and incidental to the said investment."

9. Approval to invest in the Capital of ATCO Websys Software Private Limited.

To consider and if thought fit to pass with or without modification(s) the following Resolution as a Special Resolution.

"RESOLVED THAT subject to the approval of the Central Government pursuant to section 372 of the Companies Act, 1956 and consent, approval, permission and dispensation of any Other Authority to the extent applicable, consent of the company be and is hereby given to invest a sum not exceeding Rs. 5 Crores (Rupees Five crores only) in the Equity Shares of ATCO Websys Software Private Limited notwithstanding that such investment made in ATCO Websys Software Private Limited may exceed 30% of the Paid up Equity and Preference share capital of ATCO Websys Software Private Limited."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to determine the actual sum to be invested in Atco Websys Software Private Limited upto the limit as aforesaid and to determine the time and manner of such investment and to do all or any of the matters arising out of and incidental to the said investment."

10. Change of Name of the Company

To consider and if thought fit to pass with or without modification(s) the following Resolution as a Special Resolution.

"RESOLVED THAT pursuant to the provisions of Section 21 and all other applicable provisions, if any of the Companies Act, 1956 and subject to approval of the Central Government, the name of the Company be and is hereby changed from ATCO Industries Limited to Atco Technologies Limited."