



atcom technologies limited



14th Annual Report 2003

BOARD OF DIRECTORS

Mr. VIKRAM A. DOSHI
Chairman & Managing Director

Mr. SANJAY J. SHAH
Director

Dr. Y. K. BHUSHAN
Director

Mr. DILIP A. MEHTA
Director

Mr. MANISH C. PATEL
Director

Mr. CHIRAG S. GANDHI
Alternate Director to Mr. Manish C. Patel

BANKERS

Dena Bank
Allahabad Bank
Punjab National Bank
State Bank of India
The United Western Bank Ltd.
UTI Bank Ltd.
The Federal Bank Ltd.

AUDITORS
Deloitte Haskins & Sells
Chartered Accountants

SHARE REGISTRARS & TRANSFER AGENTS

Bigshare Services Pvt. Ltd.
E-2, Ansa Industrial Estate,
Saki Vihar Road, Sakinaka,
Andheri (East), Mumbai - 4000 72
Tel. : 2 852 34 74, 2 856 06 52 / 53
Fax : 2 852 52 07
E.mail : bigshare@bom7.vsnl.net.in

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

WORKS

- * Daman Industrial Estate,
Airport Road, S. Number 74/13,
Village Kadaiya, Daman - 396 210
- * Daman Industrial Estate,
Airport Road, S. Number 101/3,
Village Kadaiya, Daman - 396 210
- * 17/A, Goa IDC, Somnath Road,
Dabhel, Daman - 396 210.

For further information, log on to
www.atcom.co.in

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14TH ANNUAL GENERAL MEETING**Date** : March 29, 2004**Day** : Monday**Time** : 3.30 P.M**Place** : 6A, Lalwani Industrial Estate,
14 G. D. Ambekar Road,
Wadala, Mumbai - 400 031

DIRECTORS' REPORT

Your Directors are presenting the 14th Annual Report of the Company together with Audited Accounts for the period ended September 30, 2003.

FINANCIAL RESULTS:

(Rs. In lacs)

	2002-03 (18 Months)	2001-02 (12 Months)
Sales	20341.84	19632.15
Gross Profit before Interest & Depreciation	(11280.13)	3731.87
Less: Interest	2546.70	1380.55
Depreciation	896.49	495.61
Profit/(Loss) before Tax	(14723.31)	1855.71
Less: Provision for Taxation	-	85.00
Provision for Deferred Tax Assets	1029.64	183.57
Profit after Tax	(13693.68)	1954.28
Add: Balance brought forward	4884.92	3468.80
Short Provision of Tax / Deferred Tax of Previous Year	(554.06)	-
Amount available for Appropriation	(9362.81)	5423.08

Business Performance:

The continuing economic slowdown of the past year has negatively impact on the business performance of the company especially in the software sector. The market environment continues to be very competitive and company had discontinued its software business and incurred huge losses during the financial year, which had impacted the business profitability of the Company. As regards, Plastic division, the Company has lower capacity utilization, which has further affected the profitability of the Company. The sales figures have gone down due to sluggish demand & price competitiveness of the Electronic Weighing Scales in the market.

Operations:

The Company extended its financial year from April, 2003 to September 30, 2003 and the results declared are for the period of 18 months from April 1, 2002 to September 30, 2003. The accumulated losses of the Company has at 30th September 2003 have exceeded its paid-up capital and free reserves by Rs.784.80 lacs.

The idea of exploring the advantages of IT's emerging domestic as well as export market by leveraging our technical expertise was ideal. The company had constructed State of Art Development Center at Vikhroli and more than 300 Software personals were employed in various Projects. The Company had developed many softwares like Demand Chain Management, POSWare, DISWare, CNFWare, MarketMaths etc. However, these products did not click in the market as expected, at this point of time because, the Statute of compulsory bar code to be passed as statutory compulsion under WTO Treaty for Pharma & Other Industries has been delayed for last few years and there also had been global depression in the IT business which was further deteriorated due to Iraq war, slack in US economy, terrorist attack and various other reasons. As a result this business couldn't pick-up till now. The Software Division had a very very high recurring operational cost. The Company was incurring very high operational cost for keeping the Software Division running with no immediate revenue generation. Therefore, it was decided to cease the operations of the Software Division. Thus Company as such decided to write off the fixed assets in the Software Division.

As you are aware that, after consolidating its position into Electronic Weighing Scale (EWS) sector, the Company ventured into the Plastic / Water Business. Idea was to set-up One-Stop-Shop to provide 'Total Solution' to Packaged Drinking Water Industry to tap the market share, which was at its nascent stage at that time and had a great potential. Accordingly, the project, as appraised & sanctioned by the then leading financial institution, was then set up for manufacturing of consumer PET Bottles & bulk PC bottles and the entire range of peripherals for captive consumption by its' subsidiary company, which simultaneously was appraised and sanctioned term loan (but not disbursed) for setting up mineral water manufacturing plants at various locations across the nation. As a result, the project was jeopardized and could never attain the scale of economy due to very low level of capacity utilization due to loss of captive consumption market.

The amount capitalized on non-performing business in earlier years on interest, salaries, wages, etc. on these Projects during their implementation have been written off and charged to P & L Account.

The Company was under a great deal of financial difficulty and it became very difficult for the company to carry the load of two non-performing Divisions along with its core EWS business.

The Company during the last couple of years had capitalized expenses of Plastic & Software Divisions as those projects were under implementation. The company therefore had to realign the figures considering the Write off of the software business and restructuring of its business to evolve a better module, which would be beneficial for the future growth of the Company.

The non performance of the above two businesses, diminution in the value of investments and write-off of certain fixed assets along with regular heavy financial burden due to high rate of interest as much as 17.50% p.a. etc. under Accounting Standard AS-18 issued by the Institute of Chartered Accountants of India.

Diminution of value of Investment in NHN Corporation Ltd. have been accounted for because NHN has abandoned its Proposed

Project due to non disbursement of appraised and sanctioned loan. Such investment was revalued at the market rate prevailing as on 30th September 2003.

Assets under Capital Work in Progress have been revalued by the approved valuer and the diminution in the value of such assets, interest capitalized etc. have been written off and charged to Profit & Loss Account.

The company had amortized expenditure incurred on advertisement / corporate image building etc. of the company for all the three divisions, which were to be written off over a period of three to ten years. With the failure of the two businesses the management of the Company felt that there is no enduring benefit of continuing such assets and it has to be written off have pushed the Company into losses.

The Company's operations in its main segment of retail automation is not yet significantly affected by the said two loss making business, which eventually do not have synergy. Therefore, the management after lot of deliberation is of the opinion to separate out Retail Automation (EWS etc.) business and revive the business.

Competitive Scenario in Electronic Weighing Scale Sector:

There is a very healthy competition in Electronic Weighing Scale Business from domestic as well as foreign players. Your Company is fully prepared to face the competition from Indian as well as overseas players in the Weighing Scale market. With such major changes taking place in the market, the Company is continuously evolving strategies to prepare itself for the deregulated scenario.

Business Development activities:

The main focus of new business development continues to be of developing a robust portfolio of projects in the areas of core competence, synergistic diversification and leveraging of human expertise created over the last many years. Towards this objective, the main thrust has been on catalyzing the growth of Weighing Scale Sector through enhancing supplies to satisfy the needs of existing markets as well as to develop new markets.

Sick Industries Companies (Special Provisions) Act, 1985:

As the net worth of the Company has been completely eroded, the Company has become a Sick Industrial Company as per the provision of the 'Sick Industrial Companies (Special Provisions) Act, 1985 (SICA).

As required under the provisions of SICA, the Company is taking necessary steps to file the necessary reference with the Board For Industrial & Financial Reconstruction (BIFR) for determination of the measures to be adopted with respect to the Company.

Director's Responsibility Statement:

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representation received from the Operating Management, confirm:

- a) that in the preparation of annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same.
- b) that they have in the selection of the accounting policies, consulted the statutory auditors and have applied them consistently and made judgements 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/Loss of the Company for that period.
- c) that to the best of their knowledge and information, they 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, and
- d) that they have prepared the annual accounts on a going concern basis.

Dividend:

Due to the losses incurred during the current financial year, Board of director had not recommended any dividend.

Subsidiary Companies :

As required under Section 212 of the Companies Act, 1956, the Audited statements of Accounts along with the reports of the Board of Directors and the Auditor's Report thereon of the following subsidiary companies, namely:

1. C2M Technologies India Limited
 2. Anewera Marketing Private Limited.
 3. NHN Corporation Limited. (Formerly ATCO Healthcare Limited).
- are annexed to this report and forms part of this report.

Corporate Governance:

Your Company believes in coherent and self-regulatory approach in the conduct of its business to achieve highest standard of Corporate Governance. It has complied with the requirement of the Corporate Governance as stipulated by SEBI.

A separate report on Corporate Governance along with Auditor's Certificate on its compliance is annexed to and forms part of the report.

Related Party Transactions :

Appropriate disclosures have been made under the head " Notes to the accounts relating to Related Party Transactions" as required under Accounting Standard AS 18 issued by the Institute of Chartered Accountants of India.

Employee Relations:

Relations between the employees and the Management continued to be cordial during the year. A statement of particulars of employees as required under Section 217(2A) of the Companies Act, 1956 is not annexed hereto, as the same is not applicable to the Company.

Trade Relations:

Your Company continued to receive unstinted support and co-operation from its retailers, stockist, suppliers of goods/services and all others associated with it. Your Board wishes to record its appreciation and your Company would continue to build and maintain strong links with its business partners.

Energy, Technology Absorption and Foreign Exchange:

Details of energy conservation and research & development activities undertaken by the Company along with the information in accordance with the provisions of Section 217(1)(e) of the Companies Act, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are annexed hereto and forms part of this report.

Directors:

In accordance with the Article of Association of the Company, Mr. Dilip Mehta retires by rotation and being eligible offers himself for reappointment.

Mr. Sanjay J Shah has been appointed as a director of the Company w.e.f 30.03.2002 and appointed as a whole time director designated as Executive Director of the Company for a period of 5 years. Considering his experience and contribution to the running of the Company the Board recommends his appointment.

Auditors:

M/s Deloitte Haskins & Sells, Chartered Accountants, Statutory Auditors of the Company, retire at the conclusion of this Annual General Meeting and being eligible offer themselves for reappointment. The Company has obtained the certificate as required under Section 224(1B) of the Companies Act, 1956, to the effect that their appointment, if made, would be in conformity of the limits specified in that Section. Your directors request you to appoint M/S Deloitte Haskins & Sells as the Statutory Auditors for the Current Year and fix their remuneration.

The observations made by the Auditors have been dealt with under Notes on Accounts and are self-explanatory.

Acknowledgements:

The Directors sincerely appreciate the high degree of professionalism, commitment and dedication of the employees at all levels. The Directors also place on record their gratitude to the Members for their continued support and confidence.

The Directors would like to thank you, our esteem Shareholders, Customers, Business Associates, Financial Institutions, Commercial Banks, for the faith reposed by them in the Management of the Company.

On behalf of the Board of Directors

Date : 20th January, 2004
Place: Mumbai

Sd/-
Vikram A Doshi.
Chairman

ANNEXURE TO THE DIRECTOR'S REPORT

Particulars required under Companies (Disclosure of Particulars in the report of Board of Director) Rules, 1988:

(A) CONSERVATION OF ENERGY:**a. Energy conservation measures taken:**

- Use of natural light through bigger windows, skylights etc.
- Increase in power factor by using additional capacitors and automation in control panel.
- Installation of timers, limit switches
- Monitoring and control of running time of compressors of air conditioners.
- Replacement of conventional copper chokes with energy efficient electronic ballast.

b. Additional investment and proposals:

- It is planned to extend the measures taken during the current year which yielded good results, to other areas/equipment/offices.
- Electromizer equipment is actively being considered for optimizing energy consumption in lighting loads.
- It is planned to undertake Energy Audit through competent authorities.

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

The measures taken above have resulted in reduction of power consumption.

Particulars required under Companies (Disclosure of Particulars in the Report of Board of Director) Rules, 1988.

(B) TECHNOLOGY ABSORPTION:**a. Research and Development (R&D)****1. Specific areas in which R & D carried out by the Company:**

- On magnetic sensors, which give high resolution, counts.
- In information technology, Internet messaging solutions, retail exchange solutions etc.
- In house research and development to achieve zero defect production and 100% accuracy was carried out.

2. Benefits derived: Helped in synchronizing with cost reduction and quality control measures undertaken by the Company and launching of new products.**3. Future plans: To extent R & D to other areas of operations for plant reliability and safety.****b. Technology absorption, adaptation and innovation:****1. The plants were audited by technical personnel for process efficiency, quality improvisation and innovation.****2. Benefits derived:**

- Reduction in wastage.
- Improvement in output rate.
- Reduction in cost of production.

3. Information regarding technology imported during the last five years:

a. Technology imported	:	No.
b. Year of Import	:	Not Applicable.
c. Has technology been fully absorbed	:	Not Applicable
d. If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of actions.	:	Not Applicable

(C) Foreign Exchange Earnings Outgo:

	2002 - 03 Rupees	2001 - 02 Rupees
Earnings	62,46,889	107,445,881
Outgo	15,519,801	4,759,301

REPORT ON CORPORATE GOVERNANCE

Introduction:

"Corporate Governance" is the current buzz word in India as well as the world over. It has gained tremendous importance in the recent past, especially after the second half of 1996.

Two of the main reasons for this upsurge are: -

- ❖ The economic liberalisation and deregulation of industry and business.
- ❖ Demand for new Corporate ethos and stricter compliance with the law of the land.

One more factor that has been responsible for the sudden exposure of the corporate sector to a new paradigm for corporate governance that is in tune with the changing times, is the demand for greater accountability of Companies to their shareholders and customers. Corporate Governance denotes direction and control of the affairs of the company. SEBI has appointed a Committee on Corporate Governance on 7th May, 1999 under the Chairmanship of Shri Kumar Manglam Birla, member of the SEBI Board, to promote and raise the standards of Corporate Governance. Securities and Exchange Board of India (SEBI) has introduced a Code of Corporate Governance for being implemented by companies listed on the stock exchange (s). Accordingly code was administered by effecting amendments to the Listing Agreements of the stock exchange (s) with which the company is listed.

The Principle Characteristics of Corporate Governance are :

- Transparency
- Independence
- Accountability
- Responsibility
- Fairness
- Social Responsibility

Company's Philosophy on Corporate Governance :

As stated in the introduction, Corporate Governance is the combination of voluntary practices and compliance with laws and regulations leading to effective control and management of the organisation.

Your Company is committed to endeavor to enhance shareholder value in a fair and transparent manner. Company has successfully implemented the process of making substantial disclosures on the Company and its Board of Directors in the Annual Report for 2002-2003.

Board Of Directors :**Composition of Board of Directors:**

The Board of Directors of the Company has an optimum combination of Executive and Non-executive Directors with 57.14% of the Directors being Non-executive Directors. All Directors including Non-executive Directors are professionally competent. The Chairman of the Board is a Executive Director. The Board as of 30th September, 2003 consists of Five members, of which three are Independent Directors i.e. 60% of the Board consists of "Independent Directors" An Independent director is one who apart from receiving Director's remuneration, does not have any other material pecuniary relationship or transactions with the company, its promoters, its management or its subsidiaries, which may affect his judgment.

Mr. Vineet A. Doshi, an Non-Independent Executive Director, who was appointed as an Additional Director on 29th September, 1993 had resigned on 09th September, 2002 due to urgent assignments as he had expressed his inability to fully participate and contribute as expected from a Company Director.

Mr. Chirag S. Gandhi who was appointed as an Alternate Director to Mr. Manish C. Patel on 5th July, 2002.

Mr. Sanjay J. Shah who was appointed as an Additional Director on 20th September, 2002.

The details of the Directorships in other Companies (excluding Private Limited Companies, Foreign Companies and Section 25 Companies) Chairmanships and the Committee Memberships held by the Directors as on 30th September, 2003 are given below:-

Name of Director	Category Executive/ Non-executive/ Independent	No. of other Directorships	No. of memberships of Board Committees	No. of Board Committees of which the Director is a Chairperson
Mr. Vikram Doshi	Executive / Non Independent	4	Nil	Nil
Mr. Vineet Doshi (Upto 09.09.2002)	Executive / Non Independent	6	Nil	Nil
Mr. Sanjay J. Shah	Executive / Non Independent	1	Nil	Nil
Dr. Y.K. Bhushan	Non-executive/ Independent	5	Nil	Ni
Mr. Dilip A. Mehta	Non-executive/ Independent	1	0	0
Mr. Manish C. Patel	Non-executive/ Independent	Nil	Nil	Ni
Mr. Chirag S. Gandhi	Non-executive/ Independent	2	2	2

(1) Excludes Directorships in Private Limited Companies, foreign Companies, Section 25 Companies Memberships of Managing Committees of various Chambers/Bodies and Alternate Directorships

(2) Represents Membership/Chairmanship of Audit Committee and Investor Grievance Committee of other Indian Companies

None of the Directors of the Board are member of more than 10 committees nor are they Chairman of more than 5 Committees. "Committees" for this purpose include the Audit Committee and the Shareholders' / Investor Grievance Committee, which are mandatory Committees.

Attendance Record of the Directors at Board/Annual General Meeting :

The Board of Directors of the Company met Twelve times during the year under review. As required under Annexure I to Clause 49 of the Listing Agreement with the Stock Exchanges, all the necessary information was placed before the Board. The dates of the Board Meetings held during each quarter are given hereunder:

No.	Date of the Meeting	For The Quarter
1	April 29, 2002	April to June
2	May 22, 2002	April to June
3	July 05, 2002	July to September
4	September 02, 2002	July to September
5	September 20, 2002	July to September
6	October 31, 2002	October to December
7	November 29, 2002	October to December
8	January 31, 2003	January to March
9	April 23, 2003	April to June
10	April 30, 2003	April to June
11	May 31, 2003	April to June
12	July 31, 2003	July to September

Details of attendance of each Director at the Board Meetings / last Annual General Meeting:

Name of Director	Meetings held during the tenure of Directors	Meetings Attended	Attendance at the last AGM held on December 30, 2002
Mr. Vikram Doshi	12	11	Attended
Mr. Vineet Doshi (Upto 20.09.2002)	4	4	Not Attended
Dr. Y.K. Bhushan	12	Nil	Attended
Mr. Dilip A. Mehta	12	10	Attended
Mr. Manish C. Patel	12	Nil	Not Attended
Mr. Sanjay J. Shah (Additional Director w.e.f. 20.09.2002)	7	7	Attended
Mr. Chirag S. Gandhi	9	8	Not Attended

Details of the Directors seeking Appointment/Re-appointment at the forthcoming Annual General Meeting:

Name of Director	Dilip A. Mehta	Sanjay J. Shah
Date of Birth	20.10.1953	29.10.1961
Date of Appointment	06.07.2001	20.09.2002
Expertise in specific functional areas	Business Executive with Experience in Pharmaceutical Industry	Accounts & Finance
Qualification	B. Com	B. Com
List of the other Public Companies in which Directorship held as on September 30, 2003	Brilliant Nutraceuticals Ltd.	Atcom Net Connect Ltd.
Chairman / Member of the Committee of Board Of the other Public Companies on which he is a Director as on September 30, 2003	Nil	Nil

Committees of the Board :

The committees constituted by the Board of Directors of the Company are as under:

MANDATORY COMMITTEES**Audit Committee:**

As on 05th July, 2002, the Audit Committee of the Board consists three members namely Mr. Dilip A. Mehta Chairman, Mr. Vikram A. Doshi and Mr. Y. K. Bhushan. On the Same day the Board of Directors at its meeting held at 01.00 p.m. reconstituted its Audit Committee in conformity with the provisions of the Companies Act, 1956 and the Corporate Governance Code. The Committee was reconstituted comprising of three members, all three of them being Non Executive/Independent Directors.

The Audit Committee comprises of the following members:-

- | | |
|------------------------|---|
| • Mr. Dilip A. Mehta | Chairman |
| • Dr. Y. K. Bhushan | Director |
| • Mr. Chirag S. Gandhi | Alternate Director to Mr. Manish C. Patel |

It was further resolved in the Board Meeting that Mr. Vikram A Doshi do attend the Audit Committee Meeting as a permanent invitee to the Committee.

During the year under review the Audit Committee met five times. All the present members of the Audit Committee are Non-executive / Independent Directors. Company Secretary of the Company acts as Secretary to the Committee and during his absence the Finance Director acted for the same.

Name of the Member	Meeting holds during tenure of Director	Meetings Attended
Mr. Dilip A. Mehta	5	5
Mr. Vikram A. Doshi	5	2
Dr. Y. K. Bhushan	3	Nil
Mr. Chirag S. Gandhi	3	3

They possess sound knowledge of accounts, audit, finance etc. Mr. Dilip A. Mehta is the Chairman of the Audit Committee.

Terms of reference:

The role and the powers of the Audit Committee are as per the guidelines set out in the Listing Agreement with the Stock Exchanges. The Committee shall:

- Review of the quarterly and half yearly financial results with the management;
- Review with the management and statutory auditors of the annual financial statements before submission to the Board;
- Review with the management, statutory auditors and the internal auditors about the nature and scope of audits and of the adequacy of internal control systems;
- Consideration of the reports of the internal auditors and discussion about their findings with the management and suggestion corrective actions wherever necessary;
- Review of the financial reporting process and disclosure of financial information;
- Review of the adequacy of the internal audit function;
- Look into the reasons for any substantial defaults in payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividend) and creditors, if any;
- Recommending the appointment and removal of External Auditors, fixation of audit fee and approval for payment for any other services;
- Authority to investigate into any matter covered by Section 292A of the Companies Act, 1956;
- Reviewing the Company's financial and risk management policies.

Shareholders / Investors' Grievance Committee :

The Board constituted Investor Grievance Committee with nomination of Mr. Dilip A. Mehta as Chairman of the Committee and Mr. Vikram A Doshi as a Member. Mr. Dilip A Mehta is presently heading the Committee. The Committee consists of the following Members:-

- Mr. Dilip A. Mehta
- Mr. Vikram A. Doshi
- Dr. Y. K. Bhushan

Terms of reference:

The Committee deal with various matters relating to:

- Transfer/Transmission of securities.
- Issue of Duplicate certificate.
- Allotment of securities.
- Dematerialisation/Rematerialisation of securities.
- Investor Complaints & their redressal.
- Other incidental matters