

ATCOM TECHNOLOGIES LIMITED



**SIXTEENTH
ANNUAL REPORT
2004-06**

BOARD OF DIRECTORS

MR. VIKRAM A. DOSHI

MR. DILIP A. MEHTA

MR. MANISH C. PATEL

MR. CHIRAG S. GANDHI

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

ANIL MAHESHWARI & COMPANY
CHARTERED ACCOUNTANTS

REGISTERED OFFICE

10A, LALWANI INDUSTRIAL ESTATE
14, G. D. AMBEKAR ROAD
WADALA
MUMBAI 400 031

SHARE REGISTRAR & TRANSFER AGENTS

M/S. BIGSHARE SERVICES PRIVATE LIMITED
E-2, ANSA INDUSTRIAL ESTATE
SAKI VIHAR ROAD
SAKINAKA, ANDHERI (EAST)
MUMBAI 400 072

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

ATCOM TECHNOLOGIES LIMITED**NOTICE**

NOTICE is hereby given that the Sixteenth Annual General Meeting of the members of Atcom Technologies Limited will be held at the Registered Office of the Company viz. 10A, Lalwani Industrial Estate, 14, G. D. Ambekar Road, Wadala, Mumbai 400 031 on Saturday, the 30th day of September, 2006 at 4.00 P.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2006 and the Profit & Loss Account for the period ended as on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Manish C. Patel, who retires from office by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company, and to fix their remuneration.

By Order of the Board of Directors

Place: Mumbai

Dated: 31st July, 2006

NOTES:

VIKRAM A DOSHI

Chairman & Managing Director

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. The instrument appointing a proxy should, however, be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the meeting.
- 2) Corporate Members intending to send their authorized representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
- 3) Members who hold shares in dematerialized form are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form are requested to write their Folio Number in the Attendance Slip for attending the Meeting.
- 4) The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, the 23rd September, 2006 to Saturday, the 30th September, 2006 (both days inclusive) for determining the names of members eligible for to attend the Meeting.
- 5) Members desirous of making nomination as permitted under Section 109A of the Companies Act, 1956 in respect of the shares held by them in the Company, can make nominations in Form 2B.
- 6) Members who hold shares in physical form in multiple folios in identical names or joint accounts in the same order of names are requested to send the share certificates to the Company's Registrars and transfer Agents for consolidation into a single folio.

ATCOM TECHNOLOGIES LIMITED

DIRECTORS' REPORT

The Members,

The Directors have pleasure to present the Sixteenth Annual Report with the Audited Statement of Accounts for the period ended 31st March, 2006.

FINANCIAL RESULTS

	(Rupees in lacs)	
	2004-06 1 st Oct' 2004 to 31 st March, 2006	2003-04 1 st Oct, 2003 to 30 th Sept, 2004)
Gross Profit/(Loss) before depreciation	(5948.22)	(5839.68)
Less: Depreciation	298.90	293.13
Operating Profit/(Loss)	(6247.12)	(6132.81)
Less: Deferred tax	0.00	(744.11)
Profit/(Loss) after Tax	(6247.12)	(6876.92)
Add: Balance brought forward	(16240.10)	(9363.18)
Balance available for Appropriation	(22487.22)	(16240.10)
APPROPRIATION		
Dividend paid on Preference Shares	0.00	0.00
Transfer to Capital Redemption Reserve	0.00	0.00
Deficit Carried to Balance Sheet	(22487.22)	(16240.10)

Basic and Diluted Earning per Share (Rs.) (42.74) (46.43)

DIVIDEND

Due to loss your directors regret their inability to recommend a dividend for the period under review.

REGISTERED OFFICE

During the period under review the Registered Office of the Company changed to 10A, Lalwani Industrial Estate, 14, G. D. Ambekar Road, Wadala, Mumbai 400 031 with effect from 15th December, 2005.

BUSINESS PERFORMANCE

As evident from the above financial results and accounts of the Company given at relevant section of this report the Company is under financial crises. Due to financial crises the Company could utilize only negligible capacity and the same resulted into reduced sales, negative results and further erosion of the network.

OPERATION

The Company extended its financial year from September 30, 2005 to March 31, 2006 and the accounts of the Company prepared for the period of 18 months from October 1, 2004 to March 31, 2006. The net turnover of the Company during the period 2004-06 amounted to Rs.14.08 crores as compared to Rs.30.65 crores in the period 2003-04 representing a significant fall into the business of the Company over previous period. During the period under review the Company incurred losses

of Rs.62.47 crores as compared to Rs.68.77 crores in the previous period. The networth of the Company became negative. The main reason for poor financial condition is because of failure of the two businesses. However, the company is in constant touch with the lenders to evolve a viable restructuring and turnaround of the company. Your Company is optimistically looking forward to get out of the present state of affairs. The financial results for the period under review are not comparable with the corresponding previous year results due to different financial period.

DIRECTORS

As per provisions of Articles of Association of the Company Mr. Manish C. Patel Director of the Company retires by rotation and being eligible, offers himself for re-appointment

SUBSIDIARY COMPANIES

C2M Technologies India Limited

This subsidiary has not undertaken any significant business during the period under review. A copy of Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Reports of the Auditors of the C2M Technology India Limited has annexed after the account of the Company. Pursuant to Accounting Standard 21 issued by The Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company includes the financial information of the subsidiary.

NHN Corporation Limited

During the financial period, the Company has diluted its stake in this subsidiary and consequently it ceased to be a subsidiary.

CONSOLIDATION OF ACCOUNTS

Pursuance to the mandatory compliance of the Accounting Standard 21, as issued by the Institute of Chartered Accountants of India, the Company has presented Consolidated Financial Statements, for the period under report, consolidating its Accounts with the Accounts of its Subsidiary Company M/s. C2M Technologies India Limited. A separate report of the Statutory Auditors, on consolidated Financial Statements also forms part of the same.

AUDITORS' APPOINTMENT

Members are requested to appoint Auditors and fix their remuneration. The present Auditors, Messrs Anil Maheshwari & Company, Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS' REPORT

The auditors' report on the accounts of the Company has provided before the balance sheet of the Company. The same is self explanatory and not need any clarification or explanation.

SICK COMPANY

The networth of the Company was completely eroded at the end of the financial period 2002-03 and it became a sick industrial undertaking under the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA), consequently, it made the necessary reference with the Board for Industrial and Financial Reconstruction (BIFR). The Dena Bank taken initiation for taking possession of the securities charged under Section 13(4) of the Securitisation and Reconstruction of

Financial Assets and Enforcement of Security Interest Act, 2002. The company filed a write petition before the High Court of Bombay challenging the action of the Dena Bank. The Hon'ble High Court passed an interim order directed the Dena Bank to take only 'symbolic possession' of the charged assets, without prejudice the rights and contentions raised by the Company in its writ petition and permitted the Company to file appeal in the Debts Recovery Tribunal (DRT). At present the charged assets are under the symbolic possession of the Dena Bank and the Company allowed continuing its operations. The lenders of the Company raised opposition to the BIFR. As on 31st March 2006, the networth of the company has fully eroded. The Company shall take suitable remediable measure permitted under SICA or any other enactment deal with the matter at appropriate time.

CORPORATE GOVERNANCE

In compliance of Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited and National Stock Exchange Limited, a Report on Corporate Governance, along with the Certificate of the Auditors on Corporate Governance is annexed to this Report.

FIXED DEPOSITS

During the period under report, the Company has neither accepted nor renewed any public deposits, under Section 58A, read with Companies (Acceptance of Deposits) Rules, 1975.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956 your directors confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) appropriate accounting policies have been selected and applied them consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2006 and of its profit for the period ended as on that date;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the annual accounts have been prepared on a going concern basis.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGOINGS.

In compliance with the provisions of Section 217(1)(e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, a statement giving requisite information has provided in Annexure 'A' forming part of this Report.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, is not given as the same is not applicable to the Company for the period under report.

For and on behalf of the Board

Place: Mumbai
Date: 31st July, 2006

Vikram A. Doshi
Chairman & Managing Director

ATCOM TECHNOLOGIES LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Review

In 2004-2006, the Company could not deliver satisfactory performance in terms of revenues, profits, networth, assets and market capitalization. The unsatisfactory performance was due to financial problems the Company facing and resulted underutilization of its resources.

The growth of Indian economy has created unprecedented opportunities for the Indian industry. In the sectors where Atcom Technologies Ltd. has business presence, a host of opportunities have arisen but due to financial problems the Company was not in position to take advantage of these opportunities.

INDUSTRIAL STRUCTURE AND DEVELOPMENTS

The total market for Electronic Weighing Scales (EWS) could be divided into three segments: a) Replacement Market, b) New Market and c) Conversion Market. 'Replacement Market' is a shift in the demand for EWS as more and more consumers are now shifting from Mechanical Weighing Scales (MWS) to EWS. 'New Market' is the fresh demand for fresh purchase market of EWS. 'Conversion Market' is mainly for modernising Mechanical Weigh Bridges Segment, which is eventually converting mechanical WB to EWB.

OPPORTUNITIES AND THREATS

The Indian GDP continues to grow at a robust rate of above 8 percent. The economic growth presents several attractive opportunities. India's presence across all industries has increased its preference among global retailers. Whether the Indian industries will fulfill the expectations of meeting various challenges and carve out a niche for itself or find it difficult to compete with strong players like China, Indonesia and Thailand who have all the resources is a question which will be answered over the coming years. The outcome has a material bearing on the industry and therefore on the EWS Division of your Company.

The Company has business presence in the Retail automation products and Plastic Bottles Industries. These industries also face competition from domestic as well as foreign players. The demand for these products has increased.

SEGMENT WISE PERFORMANCE

The revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis have been included under "Unallocable Corporate Expenses". There are no inter-segment revenues and therefore the basis of measurement does not arise.

OUTLOOK

The world is witnessing a powerful movement towards greater balance in the midst of an unprecedented surge of prosperity. Continued economic growth has to contend with anxieties on account of rising oil prices and geo-political uncertainty. In this environment your company continues to march forward with unabated self-confidence.

We look to the future with optimism because the center of economic growth is shifting to Asia. Demand and rapid capacity creation in virtually every aspect of the economy characterizes the Asian growth story. The world is increasingly focusing on the economic prowess of the two most populous nations – India and China. The spotlight in the coming periods will be on the growth paradigms of these two giants. It is a historic opportunity to correct disparities across the continents, to rebalance the world and take it towards a more equitable paradigm of growth and consumption in various parts of our planet.

India's economy, poised to continue to grow at almost 8% is a major factor in realizing this vision. We believe that this growth rate is sustainable. In fact, there is potential for achieving even higher growth rates. The robustness of the Indian economy is reflected through its vibrant capital markets and its increasing FDI inflows.

RISKS AND CONCERNS

Today, the world's focus is on India as the economy is improving. We have to face operational challenges in global trade. In our attempt to improve its share in the world market, our country has to face the onslaught from economies with better infrastructure and logistics. China's scale, infrastructure and cost competency give it an edge over other countries.

Atcom Technologies Ltd. faces normal market competition in all its businesses from Indian as well as international companies. Any recurrence of outburst of disturbance in the country more predominantly due to political and economical upheaval may bring down the vibrancy of Company's business activities. Any changes in economic and monetary policies of the Government such as monetary tightening, hike in interest rates, inflationary pressure, restrictions on foreign exchange flows etc may also have a negative impact on the operations and profitability of the Company. However, the company's present financial jam is imposing much larger problem than other macro factor.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

Atcom Technologies Ltd. has well defined organization structure, documented policy guidelines, predefined authority levels, and an extensive system of internal controls ensure optimal utilization and protection of resources, IT security, accurate reporting of financial transactions and compliance with applicable laws and regulations.

FINANCIAL PERFORMANCE

The Company has posted a net loss of Rs.62.47 crores in the current period as compared to a net loss of Rs.68.77 crores in the previous period ended on 30th September, 2004. The sales at Rs.14.08 crores was lower as compared to sales of Rs.30.65 crores for previous period ended on September 30, 2004.

HUMAN RESOURCE/INDUSTRIAL RELATIONS

Your company firmly believes that success of the company comes from good Human Resources. Employees are considered as important assets and key to its success. HRD has been strengthened for sourcing and developing high caliber employees providing them relevant training for encashment of their competence and facilitating their assessment process through an effective Performance Management System (PMS). Company aims to remain lean and dynamic in a continuing de-layered structure.

Your Directors wish to place on record their appreciation for dedicated and sincere services rendered by the Executive, Staff and Workmen at all levels.

CAUTIONARY STATEMENT

Statement in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectation may be "forward looking statements" within the meaning of applicable statutory laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions and price conditions in the domestic and overseas markets in which company operates, changes in the Government regulations, tax laws and other statutes and other incidental factors.

ATCOM TECHNOLOGIES LIMITED

REPORT ON CORPORATE GOVERNANCE

In compliance with the Corporate Governance requirements as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges, the Company has been incorporating for the last few periods, a separate section on Corporate Governance in its Annual Report. The Shareholder and Investors of the Company would have found the information useful.

Company's policies on the Corporate Governance and due compliance report for the period ended 31st March, 2006 is as under:

I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company's philosophy on Corporate Governance is aimed at attainment of the highest level of transparency accountability and equity in all facets of its operations and in all interaction with its shareholders, employees, customers and the Government. It includes not only application and adaptation of statutory rules/procedures and guidelines, but also includes application and adoption of good corporate practices followed voluntarily, by the Company so as to keep the Shareholders, Management, Investors and Authorities well informed about the Company. The Company believes that all its operations and actions must serve the underline goal of enhancing overall shareholder value over a sustained period of time and at the same time protecting the interest of stakeholders.

II. BOARD OF DIRECTORS

Composition of Board.

The current strength of the Board of Directors of the Company is four including one alternate director. Except the Managing Director all the directors at Board are non-executive directors. In view of financial difficulties being faced by the Company, the Managing Director did not draw any remuneration. Except the Chairman and Managing Director rest directors are independent. This combination helps the company to take benefit of the experience and expertise of the directors, in their core area of competence. Due to losses the directors do not receive any sitting fees. There are no nominee directors on the Board of the Company. The Board has an Executive Chairman and the number of independent Directors is more than half of the total strength of the Board.

The Company has complied with the requirements of Clause 49 of the Listing Agreement with regard to composition of the Board.

Board Meetings and attendance

Eight Board Meetings on 15th January, 2005, 15th April, 2005, 7th June, 2005, 30th July, 2005, 22nd September, 2005, 31st October, 2005, 15th December, 2006 and 31st January,