



COMPUAGE INFOCOM LIMITED

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5th Annual Report

2003-2004



COMPUAGE INFOCOM LTD.

COMPUAGE INFOCOM LTD.

Fifth Annual Report 2003 - 2004

Board of Directors

Atul H. Mehta

Bhavesh H. Mehta

G. S. Ganesh

C. Subramaniam

Registered Office

3, Dhuru Building, 1st Floor,
329, Vithal bhai Patel Road,
Mumbai - 400 004.

Registrar & Share Transfer Agents

Intime Spectrum Registry Pvt. Ltd.
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (West),
Mumbai - 400 078.

Auditors

M/s. B. V. Dalal & Co.
Chartered Accountants

Branches

Ahmedabad, Bangalore, Kolkata, Cochin, Chandigarh, Chennai, Mumbai,
New Delhi, Raipur, Hyderabad, Pune, Indore, Jaipur, Lucknow, Pondyeherry,
Coimbtore, Guwahati.

Bankers

Bombay Mercantile Co-op. Bank Ltd.
CITI Bank, N. A.
HDFC Bank Ltd.



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NOTICE is hereby given that the Fifth Annual General Meeting of COMPUAGE INFOCOM LIMITED will be held on 19th June, 2004 at 10.00 a.m. at Victoria Memorial School for Blind, Tardeo Road, Opp. Film Centre, Next to Girnar Tower, Mumbai - 400 034 to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2004 and the Balance Sheet as on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Bhavesh Mehta, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s. B. V. Dalal & Co. Chartered Accountants as Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and authorise Board of Directors to fix their remuneration.

SPECIAL BUSINESS :-

4. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to provisions of Section 94(1)(a) of the Companies Act, 1956 and other applicable provisions, if any of the Companies Act, 1956 by creation of 55,00,000 Cumulative Redeemable Preference Shares of Rs.10/- each the authorised share capital of the company be and is hereby increased from Rs.17,17,00,000/- (Rupees Seventeen Crore Seventeen Lakh) divided into 1,25,00,000 Equity Shares of Rs.10/- each and 46,70,000 Cumulative Redeemable Preference Shares of Rs.10/- each to Rs.22,67,00,000/- (Rupees Twenty Two Crore Sixty Seven Lakh) divided into 1,25,00,000 Equity Shares of Rs.10/- each and 1,01,70,000 Cumulative Redeemable Preference Shares of Rs.10/- each.

RESOLVED FURTHER THAT the existing clause V of the Memorandum of Association as to Share Capital be and is hereby deleted and in its place the following clause V be substituted :

The Authorised Share Capital of the company is Rs.22,67,00,000/- (Rupees Twenty Two Crore Sixty Seven Lakh Only) divided into 1,25,00,000 (One Crore Twenty Five Lakh) Equity Shares of Rs.10/- (Rupees Ten Only) each and 1,01,70,000 (One Crore One Lakh Seventy Thousand) Cumulative Redeemable Preference Shares of Rs.10/- each with rights, privileges and conditions attaching thereto as may be determined by the Board of Directors of the Company at the time of issue, with power to increase and reduce the capital for the company and to attach thereto respectively such preferential deferred, guaranteed, qualified or special rights, privileges and conditions as may be determined by the Board of Directors of the company and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the resolution of the Board of Directors of the Company."

5. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to the provisions of Section 31(1) of the Companies Act, 1956 the existing Article 6 of the Articles of Association of the Company be and is hereby deleted and in its place the following Article 6 be substituted thereof :

The Authorised Share Capital of the Company is Rs.22,67,00,000/- (Rupees Twenty Two Crore Sixty Seven Lakh Only) divided into 1,25,00,000 (One Crore Twenty Five Lakh) Equity Shares of Rs.10/- (Rupees Ten Only) each and 1,01,70,000 (One Crore One Lakh Seventy Thousand) Cumulative Redeemable Preference Shares of Rs.10/- each."



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6. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to the provisions of Section 80, Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and in accordance with the existing guidelines of the Securities and Exchange Board of India ("SEBI") / Reserve Bank of India / Government of India and the Memorandum and Articles of Association of the Company and subject to such terms and conditions as may be determined by the Board of Directors of the Company (hereinafter referred to as "the Board") and subject also to such approvals, consents, permissions or sanctions of the appropriate authorities that may be required and agreed to by the Board and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, consents, permissions or sanctions and agreed to by the Board, the consent of the company be and is hereby accorded to the Board to offer/ issue/ allot for cash on a private placement / preferential allotment basis 42,36,375, 2 % Redeemable Preference Shares of Rs.10/- each fully paid - Series "C" as the Board at its sole discretion may decide for an aggregate amount up to 4,23,63,750/- to Dilip S.Mehta on such terms and conditions agreed by the Board.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary, usual, proper or expedient to give effect to this resolution."

7. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to the provisions of Section 80 & Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and in accordance with the existing guidelines of the Securities and Exchange Board of India ("SEBI") / Reserve Bank of India / Government of India and the Memorandum and Articles of Association of the Company and subject to such terms and conditions as may be determined by the Board of Directors of the Company (hereinafter referred to as "the Board") and subject also to such approvals, consents, permissions or sanctions of the appropriate authorities that may be required and agreed to by the Board and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, consents, permissions or sanctions and agreed to by the Board, the consent of the company be and is hereby accorded to the Board to offer/ issue/ allot for cash on a private placement / preferential allotment basis 12,50,000, 7 % cumulative Redeemable Preference Shares of Rs.10/- each fully paid - Series "D" as the Board at its sole discretion may decide for an aggregate amount up to 1,25,00,000/- to promoters, directors and their relatives on such terms and conditions as agreed by the Board.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary, usual, proper or expedient to give effect to this resolution."

By Order of the Board of Directors
For **COMPUAGE INFOCOM LIMITED**

Place : Mumbai
Date : 12th May, 2004.

Atul H. Mehta
Chairman & Managing Director

Registered Office :
3, Dhuru Building,
329, Vithalbhay Patel Road,
Mumbai - 400 004.


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NOTES :

- 1) A Member entitled to attend and vote at all the meeting is entitled to appoint one or more proxies to attend and vote on a poll only instead of himself / herself and the proxy need not be a member.
- 2) A proxy form duly completed and stamped, must reach the registered office of the company not less than 48 hours before the time for holding the aforesaid meeting.
- 3) Members are requested to bring their copy of Annual Report to the Annual General Meeting.
- 4) Members holding shares in identical order of names in more than one folio are requested to write to the Company's below mentioned Registrar & Transfer Agent, and send their share certificates to enable consolidation of their holdings into one folio.
- 5) Members seeking any information on the Accounts are requested to write to the company, which should reach the company at least one week before the meeting so as to enable the management to keep the information ready. Replies will be provided only at the meeting.
- 6) The relevant Explanatory Statement pursuant to the Section 173(2) of the Companies Act, 1956, is annexed hereto.
- 7) The register of members and the share transfer books of the company will remain closed from 10th June 2004 to 19th June 2004 (both days inclusive) in connection with the Annual General Meeting.
- 8) Consequent upon the amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999 which came into force wef. 31st October, 1998, the company would be obliged to transfer any money lying in the Unpaid Dividend Account which remain unpaid or unclaimed for a period of 7 years from the date of such transfers, to the Investor Education Protection Fund. Members who have not encashed the dividend warrant(s) so far for the financial period ended 31st March, 2000 or any subsequent financial year are requested to approach the Company and details of the same are as under :

| Date of Declaration | Amount (Rs.) | Due Date |
|----------------------------|---------------------|-----------------|
| 1. 04-12-2000 | 150,993.23 | 03-12-2007 |
| 2. 07-07-2001 | 82,175.12 | 06-07-2008 |

- 9) Members are requested to inform the Company any change in their address immediately so as to enable the Company to dispatch dividend warrants and any further communication at their correct address to :

INTIME SPECTRUM REGISTRY LIMITED

C-13, Pannalal Silk Mills Compound,

L.B.S. Marg, Bhandup (West), Mumbai - 400 078.

10) INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT :

As required under the Listing Agreement, the particulars of the Director who is proposed to be re-appointed is furnished below :

i) Item No. 2 of the Notice :

Name : Mr. Bhavesh Mehta
 Age : 31 years
 Qualification : M.com, with specialisation in Marketing.
 Expertise : Specialised in Imports & Logistics.
 Date of appointment : 18th October 2000.

Mr. Bhavesh H. Mehta is holding Directorship in 2 Company.

**COMPUAGE INFOCOM LTD.****EXPALANATORY STATEMENT**

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

Item No. 4 & 5

The Authorised Share Capital of the Company presently stands Rs.17,17,00,000/- (Rupees Seventeen Crore Seventeen Lakh) divided into 1,25,00,000 Equity Shares of Rs.10/- each and 46,70,000 Cumulative Redeemable Preference Shares of Rs.10/- each with the growing expansion of the company's business it is desirable to bring the authorised share capital of the company in proper co-relation with the magnitude of the Company's resources and size of its undertaking. It is therefore, considered advisable to increase the authorised share capital of the company from Rs.17,17,00,000/- to Rs.22,67,00,000/- (Rupees Twenty Two Crore Sixty Seven Lakh) by creation of 55,00,000 Cumulative Redeemable Preference Shares of Rs.10/-. The proposed increase of the authorised share capital of the company requires the approval of the members in general meeting. Consequent upon the increase in authorised capital of the company, its memorandum and articles of association will require alteration so as to reflect the increase in share capital.

The Board recommends that the resolution be passed.

No directors is interested or concerned in this resolution.

Item No. 6 & 7

In view of increase demand for working capital finance requirements, and as per the Financial Institutions approval, the Company has borrowed the ECB loan of US\$ 9,75,000/- from the Mr.Dilip Mehta and Rs.1,25,00,000 from Promoters, Directors and their relatives.

In respect of loan raised from the Promoters, Directors and their relatives amounting to Rs.1, 25,00,000/- it is proposed to consider the same as application money and convert the same into 7% Cumulative Redeemable Preference Shares which will be redeemed within period of Five years and in respect of ECB loan of US\$ 9,75,000/-, the Company has obtained the approval from the RBI for converting the same into 2% Redeemable Preference Shares to be redeemed for payment as under :

| Year | Amount (in US \$) |
|-----------------|--------------------------|
| June, 2007 | 1,00,000/- |
| September, 2007 | 1,00,000/- |
| December, 2007 | 1,00,000/- |
| March, 2008 | 1,00,000/- |
| June, 2008 | 1,00,000/- |
| September, 2008 | 1,00,000/- |
| December, 2008 | 2,00,000/- |
| March, 2009 | 1,75,000/- |

The said Special Resolution will, if passed, enable the Board on behalf of the Company to issue and allot preference shares on a preferential basis to promoters and / or their associates as permitted by Section 81(1A) of the Companies Act, 1956.

The Directors of your company may be deemed to be concerned or interested to the extent of the shares that may be subscribed to by them or their relatives.

The Directors recommend the resolutions for your approval.

By Order of the Board of Directors
For **COMPUAGE INFOCOM LIMITED**

Place : Mumbai
Date : 12th May, 2004.

Atul H. Mehta
Chairman & Managing Director

Registered Office :
3, Dhuru Building,
329, Vithalbhair Patel Road, Mumbai - 400 004.

**COMPUAGE INFOCOM LTD.****DIRECTORS' REPORT**

To the Members,

Your Directors herewith present the 5th Annual Report together with the Audited Financial Statements for the year ended 31st March, 2004.

FINANCIAL RESULTS :

The highlights of the Financial Results are :

| | Current year 2003-2004 (Rs. In Lacs) | Previous Year 2002-2003 (Rs. In Lacs) |
|---|---|--|
| Sales & Other Income | 11825.38 | 10990.16 |
| Profit before Taxation & Depreciation | 140.69 | 128.95 |
| Less : Depreciation | 38.20 | 37.72 |
| Profit after Depreciation | 102.49 | 91.23 |
| Less : Provision for Taxation | 38.00 | 7.18 |
| Profit after Tax Provision | 64.49 | 84.05 |
| Deferred Tax - Current | (12.77) | 1.47 |
| Excess Tax provision written back | NIL | 2.30 |
| Balance brought forward | 144.40 | 84.80 |
| Deferred Tax - Past | NIL | 25.28 |
| Amount available for Appropriations : | 221.66 | 144.40 |
| Balance in Profit and Loss Account Carried forward | 221.66 | 144.40 |

PERFORMANCE REVIEW :

Your Company performance was improved as a result of the planned restructuring of its business including integration of its distribution network and Sales force coupled with better use of available infrastructure resulting in significant cost reductions & higher gross profit margins.

Your Directors are pleased to report a profit before Taxation & Depreciation of Rs.140.69 Lacs in the year 2003-04 as against Rs. 128.95 Lacs in the year 2002-03. The net profit before Taxation stood at Rs. 102.49 Lacs as against a net profit of Rs.91.23 Lacs in the year 2002-03.

Your Company has taken the series of initiatives like rationalisation of Product Mix, reduction in overheads, significant improvement in working capital & Specific initiatives in the areas of Sales which all had a positive impact on the profitability of your Company. Your Company recorded a 31.96 percent drop in total expenditure from Rs.715.81 Lacs to the year 2002-03 to Rs. 542.44 Lacs for 2003-04. These measures taken by your Company shall go a long way in establishing your Company on a profitable growth platform.

In view of strengthening the Company, your Directors have decided to plough back the entire profit in the business. Hence, Directors do not recommend any distribution of Dividend, both on equity and preference shares. -

INFORMATION TECHNOLOGY :

After successful implementation of ERP in 2001-02, your Company continued with its focus on standardisation & upgradation of the Information Technology Infrastructure in 2003-04. Your Directors take pleasure in reporting that your



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Company has started to leverage the benefits of integrated ERP to drive Business processes improvements & cost efficiencies in financial, logistics and Sales Management functions. As and when require upgradation of Servers & Computers were done, so that Information Technology Infrastructure gives better result in future to the Company.

INTERNAL AUDIT

Your Directors are pleased to inform that at majority of the locations of the Company, we have taken the internal Audit staff who carry out Internal Audit functions to ensure adherence to various policies and procedures pronounced from time to time by the management and also to ensure compliances with various statutory requirements.

Since the ERP Accounting System give us online information for all the location, reliance on internal resources has replaced the over dependence on independent firms.

Your Directors are pleased to inform that Audit Committee has reviewed the internal control and Internal Auditors' Report for taking corrective actions arising therefrom.

FIXED DEPOSIT

The Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956.

DEPOSITORY SYSTEM

The Company has entered into an agreements with the National Securities Depository Limited (NSDL) as well as the Central Depository Services (India) Limited (CDSL) to enable shareholders to hold shares in a dematerialised form. The Company also offers simultaneous dematerialisation of the physical shares lodged for transfer.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under the provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors hereby confirm :

- i) that in preparation of the Annual Accounts for the year ended 31st March, 2004, the applicable accounting standards had been followed alongwith proper explanation relating to material departures, if any;
- ii) that the directors had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2004 and the profit of the Company for the year under review;
- iii) that proper and sufficient care has been taken 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;
- iv) that the annual accounts for the year ended 31st March, 2004 have been prepared on a 'going concern basis'.

MANAGEMENT DISCUSSIONS AND ANALYSIS

Your Directors present a broad picture in the matter of developments in our line of business namely further scope in the computer peripherals, accessories and other distribution ship of FMCG products.



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As is known that inspite of the fact that Information Technology industries are highly competitive, prices for IT Products are falling and rapidly changing markets, your Company is able to manage better performance compared to last year on profit side due to change in Product mix and better management resources.

The industry is extremely cost sensitive. In the constantly shifting market demand, realignment and new relationships are critical.

However, it may be a matter of solace to consider the fact that still there is a growth in the market at much higher level as compared to other industries. It is evident that in the interior market of our country there is still large scope of increasing the business activities which would help your Company also to grow.

To give more financial support and to strengthen the companies performance, your Directors has converted their Personal loans of Rs.1,25,00,000/- into 7% Cumulative Redeemable Preference Share of Rs. 10/- each to be redeem over a period of five years.

Even ECB loan of Mr. Dilip S. Mehta worth of US\$ 9,75,000/- i.e. Rs.4,23,63,750/- (Rupees Four Crores Twenty Three Lacs Sixty Three Thousand Seven Hundred Fifty Only) is also converted into 2% Redeemable Preference Share, to be repaid in five year time.

Company has already received the RBI approval for conversion of ECB Loan of US\$9,75,000/- into 2% Redeemable Preference Share wide letter dated 19th March, 2004 Ref no. F. E. Co. ECBD. 1118 / 03.02.739 (A) / 2003 - 04 read with letter dated 26th March, 2004 Ref. No. F. E. Co. ECBD. 1162 / 03.02.739 (A) / 2003 - 04.

Your Directors also propose to increase the Authorised Share Capital of the Company from Rs.17,17,00,000/- to Rs. 22,67,00,000/- divided into 1,25,00,000 Equity Share of Rs.10/- each and 1,01,70,000 Cumulative Redeemable Preference Share of Rs. 10/- each.

Necessary formalities for increasing the Authorised Share Capital and conversion of Personal Loan and ECB loan will be done after passing the Board resolution on AGM date.

The Company has adequate control systems as reviewed from time to time by the management and internal audit staff.

There has been no material development in human resources during the period covered by this Annual Report. The company had 135 employees on its rolls as on 31.3.2004.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO :

The particulars relating to conservation of energy and techniques are not relevant to the Company since the Company is not engaged in any manufacturing activities and hence there is no much scope and concern to this matter for your company to take any meaningful action.

The payment of foreign exchange outgoes are given in Schedule No.18 in the notes to the accounts in Note No. 7.3.

EMPLOYEE

Following employees drawing salary, per month of Rs. 2,00,000/- and above, hence the requirements of particulars of employees to be furnished under Section 217(2A) of the Companies Act, 1956 does not apply.

| Name of the Director | Remuneration paid during the year (Rs.) |
|----------------------|---|
| Mr. Atul H. Mehta | 24,00,000/- |