



TYCHE PERIPHERAL SYSTEMS LIMITED

Report  junction.com

12th
ANNUAL REPORT
2002-2003

BOARD OF DIRECTORS**Shri Pradeep Chauhan****Ms. Sabari S Kambli****Shri M Balaramakrishnaiah****Shri I Premkumar****Shri K M Mannem**

Managing Director

Wholetime Director

Nominee Director - APIDC

Director

Director

COMPANY SECRETARY

Shri T. Anjaneyulu

AUDITORS

M/s. S Srinivasan & Co.

Chartered Accountants

3-3-13/2, Ekbote Blocks,

Kachiguda X Roads,

Hyderabad – 500 027.

BANKERS**State Bank of India**

Commercial Branch,

Koti, Hyderabad.

SHAREHOLDERS' INFORMATION**REGISTERED OFFICE**6-3-663/E, 5th Floor,

Diamond House, Punjagutta,

Hyderabad – 500 082.

AUDIT COMMITTEE

Shri M Balaramakrishnaiah

Shri I Premkumar

Shri K.M. Mannem

Ms. Sabari S Kambli

Shri Pradeep Chauhan

LISTING

The Hyderabad Stock Exchange Limited

The Bangalore Stock Exchange Limited

The Stock Exchange - Ahmedabad

The Calcutta Stock Exchange Association Ltd.

BOOK CLOSURE

27-09-2003 to 30-09-2003 (both days inclusive)

Date, Time and Venue of AGM

30-09-2003, 12.00 P.M.

Blue bird Function Palace

12-2-718, Nanal Nagar,

Hyderabad – 500 028.

**REGISTRARS & SHARE TRANSFER AGENTS
(Physical & Electronics)**

M/s. Sindhu Corporate Services (P) Ltd.

18-A, (New No.492), East Marredpally,

Secunderabad – 500 026.

NOTICE

Notice is hereby given that the 12th Annual General Meeting of the members of Tyche Peripheral Systems Limited will be held on Tuesday, the 30th September, 2003 at Blue Bird Function Palace, 12-2-718, Nanal Nagar, Hyderabad - 500 028 at 12.00 P.M. to transact the following business :

ORDINARY BUSINESS

1. To adopt the Balance Sheet as at 31st March, 2003 and Profit and Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri I Prem Kumar, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors of the Company. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution.

“RESOLVED THAT M/s S. Srinivasan & Co., Chartered Accountants, 3-3-13/2, Ekbote Blocks, Kachiguda X Roads, Hyderabad - 500 027, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Meeting till the conclusion of the next Annual General Meeting of the Company and that the Board of Directors be and is hereby authorised to fix their remuneration for the period.”

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :

“RESOLVED that Sri K.M. Mannem, who was appointed as an Additional Director of the Company on 30-04-2003 and whose term expires under Section 260 of the Companies Act, 1956 at this Annual General Meeting and in respect of whom Company received notice from a member under Section 257 of the said Act proposing his candidature for the office of the Director, be and is hereby appointed as a Director of the Company, subject to retirement by rotation”.

By order of the Board
for **TYCHE PERIPHERAL SYSTEMS LIMITED**

Place : Hyderabad
Date : 30.08.2003

T. ANJANEYULU
COMPANY SECRETARY

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The instrument appointing Proxy in order to be effective, must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of meeting.
2. An explanatory statement pursuant to Section 173(2) of The Companies Act, 1956, relating to Special Business to be transacted, is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will be closed from 27th September, 2003 to 30th September, 2003 (both days inclusive).

4. Members are requested to notify immediately, any change in their address, to the Registrars & Share Transfer Agents quoting their registered folio Nos.
5. Members attending the meeting are requested to bring with them the Attendance Slip and hand over the same at the entrance of the hall, duly signed.
6. The Company does not distribute copies of Annual Report at the meeting. Members may, therefore, request to bring their copy along with them.
7. In compliance with direction of Securities and Exchange Board of India, the Company has appointed M/s Sindhu Corporate Services (P) Ltd., 18(A) (New No.492), East Marredpally, Secunderabad-500 026 as its Registrar & Share Transfer agents for all work relating to Share Registry in terms of both physical as well as electronic.

ANNEXURE TO NOTICE:**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT.**

The explanatory statement relating to Special Business under item 4 of the accompanying notice is set out below:

The Board of Directors appointed Sri K M Mannem, as an Additional Director with effect from 30-04-2003 pursuant to the provisions of the Articles of Association of the Company read with Section 260 of The Companies Act, 1956. Sri K.M. Mannem holds office up to the date of the ensuing Annual General Meeting.

The Company has received a notice in writing from a Member under Section 257 of The Companies Act, 1956 signifying his intention to propose the appointment of Sri K.M. Mannem as Director of the Company, at the ensuing AGM, and is subject to retirement by rotation.

Sri K.M. Mannem, aged 47 years, is a Commerce Graduate and is in business in different fields viz. Hospitality and Hotel, etc.

Having regard to his wide knowledge, experience and business acumen, the Board recommend the appointment of Sri K M Mannem as a director of the Company. No director, except Sri K M. Mannem is concerned or interested in the business set out item No.4.

Registered Office:

6-3-663/E/501 & 502,
5th Floor, Diamond House,
Punjagutta
HYDERABAD - 500 082.

By order of the Board of Directors
For TYCHE PERIPHERAL SYSTEMS LTD.

T. ANJANEYULU
COMPANY SECRETARY

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the 12th Annual Report together with the Audited Accounts for the year ended 31st March, 2003.

FINANCIAL RESULTS

(Rs. in Lacs)

PARTICULARS	2002-2003	2001-2002
Income	2032.38	1853.69
Operating Profit	14.39	15.07
Provision for Taxation	5.99	1.98
Profit after tax	8.96	9.73
Retained Earnings	3.81	9.43

OPERATING PERFORMANCE:

During the year under review your company has achieved a total turnover of Rs.20.32 Crores. The Company maintained the turnover growth by 10% over the previous year. The market share in the Banking Sector has zoomed largely due to the automation planned in the Banking Sector. Thus, during the year the sale of Currency Counting Machines and other Currency Handling Devices have improved considerably. The Company continues maintaining an appreciative growth in the market share of Electronic Cash Registers.

Your Company has entered into agreements with foreign business associates to import latest technology in Currency Bundle Strapping Machines and Currency Note Banding Machines and entered the market in a big way for these two products. Your Company has also entered into an agreement with foreign company for marketing the EFT POSS Terminals with latest state of the art technology.

MANAGEMENT DISCUSSIONS:

Management discussions and analysis of the Company for the year end review as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges is given as a separate statement (Annexure) in the Annual Report.

DIVIDENDS:

In the absence of adequate and sufficient profits your Directors decided not to recommend any dividends for the year.

DIRECTORS:

Sri I Prem Kumar, Director retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Sri K.M. Mannem was appointed as Additional Director to strengthen the Board of Directors in view of his vast experience and business acumen and holds office upto the date of the ensuing Annual General

Meeting. Sri K.M. Mannem, who is a Graduate in Commerce and has varied experience, presently runs his own business. A Notice under Sec.257 of the Companies Act, 1956 from a Member was received, proposing the appointment of Sri K.M. Mannem.

PUBLIC DEPOSITS:

Your Company has not accepted any deposits from the public during the year.

AUDITORS:

M/s S Srinivasan & Co., Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting and being eligible offers themselves for re-appointment. The Company has received a certificate from the Auditors to the effect that their appointment, if made will be in accordance with the provisions of Section 224(1B) of the Companies Act, 1956.

INDUSTRIAL RELATIONS / HUMAN RESOURCES:

Your Company is committed to operational excellence and in the process all the employees at all levels have put in their dedicated and sincere efforts in achieving objectives of the Company. The Industrial relations remained cordial through out the year. Your directors wish to place their appreciation to all the employees at all levels.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information required under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 with respect to conversion of energy, technology absorption and foreign exchange earnings/outgo is appended hereto and forms part of this Report under Annexure 1.

PARTICULARS OF EMPLOYEES:

During the year under review, none of the employees were in receipt of remuneration in excess of the limits prescribed under the Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

DIRECTORS' RESPONSIBILITY STATEMENT:

Your Directors' report that

1. In the preparation of the Annual Accounts, the relevant and applicable accounting standards have been followed along with proper explanation relating to material discrepancies if any.
2. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and

prudent in order that the financial statements reflect a true and fair view of the state of the affairs of the Company at the end of the financial year and of the profit of the company for the year.

3. The Directors have taken proper and sufficient care for adequate internal control and maintenance of 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.
4. The Annual accounts have been prepared on a going concern basis.

REPORT ON CORPORATE GOVERNANCE:

Report of Corporate Governance pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges, is given as a separate statement in the Annual Report.

ACKNOWLEDGEMENTS:

The Directors acknowledge with gratitude and wish to place on record their sincere thanks and appreciation for the co-operation received by the company from State Bank of India, Commercial Branch, Koti, Hyderabad, Andhra Pradesh Industrial Development Corporation, Suppliers, Customers and staff during the year.

For and on behalf of the Board

Place : Hyderabad Pradeep Chauhan Ms Sabari S Kambli
Date : 30-08-2003 Managing Director Wholetime Director

ANNEXURE TO THE DIRECTORS' REPORT:

ANNEXURE-1

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO AS PER SECTION 217(1) (e) OF THE COMPANIES ACT, 1956 AND THE RULES MADE THEREIN AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2003.

(A) CONSERVATION OF ENERGY:

The Company's operations do not involve high-energy consumption warranting measures for conservation. However, measures are being taken to make optimum use of the energy.

(B) 1. TECHNOLOGY ABSORPTION & RESEARCH AND DEVELOPMENT

Technology absorption in ECRs, Currency Counting and Handling machines and other

products are continuously incorporated based on the R & D efforts of the Company.

In this context special efforts were towards identifying procedures and processes and customer needs, for development and innovate products of the company.

In this direction, efforts were made to import latest state of art technology with agreements with foreign business associates.

2. IMPACT OF MEASURES TAKEN

The above measures would lead to improved quality of products of the company giving it a marketing edge.

The Company has ensconced a sizeable market share for its products. The brand image 'CASHTRON' has cut a niche for itself in the markets for the Company's range of products.

(C) FOREIGN EXCHANGE EARNINGS/ OUTGOINGS

Earnings in foreign currency : NIL

Expenditure in foreign Currency : Rs.181.34 Lacs
(Purchase of raw materials, spares and foreign travel etc).

ADDENDUM TO DIRECTORS' REPORT:

Your Directors noted for future guidance the observations of Auditors, at para 3 of Auditor's Report.

The individual balances of Sundry Debtors, Creditors, Loans & advances are many in number, in view of the nature of our transactions. Many of the customers are institutions like Bank, Govt. Departments, / Undertakings, and similar organizations. As such confirmation from all the parties may not be practical. The Auditor's observations are noted by your Board. Regarding the Auditor's observation with regard to non-compliance of Accounting Standard 15, issued by ICAI; The company would be taking necessary steps for such compliance.

For and on behalf of the Board

Place : Hyderabad Pradeep Chauhan Ms Sabari S Kambli
Date : 30-08-2003 Managing Director Wholetime Director

ANNEXURE - A

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:**A) Industry Structure and Development:**

Your Company has set new growth patterns and has powered ahead of all other players in Retail Automation Business on a National level. The opportunities for Retail Automation have been recognized in India and in the past few years, major Retail Stores have realized the importance of having effective tools to manage sales transactions as crucial to the success of any retail operation. Transaction automation from a business perspective seeks to develop a transaction solution for retailers. In this context your Company has given the industry various ranges of products, like Electronic Cash Registers (ECRs), Point of Sales Systems (POSS), which cater to all retail operations, which can be installed in a store regardless of size or specialty to enable them to optimize sales information, cut costs, in areas such as, inventory, increase profits, reduce pilferage and give their consumers better overall service.

The Company has made inroads into Banking Industry by introduction of Currency Counting Machines, Banding Machines, Strapping Machines, etc. Most Public Sector Banks and Private Banks in the country have realized that the key to retain customers and deal with falling margins and ballooning costs is to keep pace with technology. The last three years have seen a boom of technology spins by Public Sector Banks. The strategy of banks is now very clear, which seems to be; Automate Branches, Interconnect outlets, and eventually move to a centralized database. The goal is to provide anywhere, any time banking services to its customers. Realizing this change in strategy and thought process of major banks in the country, TYCHE has planned to move towards this line of thinking and added new products like, ATMs, Currency Sorting Machines, Coin / Currency Exchanging Machines, etc., to its existing line of products.

(B) SWOT Analysis:**(i) Strengths:**

- (a) Excellent brand image of 'CASHTRON' brand in India.
- (b) 49 Branch Offices and Service Centers all over India.
- (c) 120 Trained Service Engineers to cater after sales service for its installations all over India.
- (d) Excellent customer relationship with almost all banks in India.
- (e) Availability of latest state of art technology for all its products.

(ii) Weaknesses:

- (a) Low customer awareness on the benefit of using ECRs and POSS, due to which market penetration has been slow.
- (b) High level of selling overheads for maintaining sales and service centers across the country, increases the per unit cost of the Company, as compared to its competitors, who are basically regional players.

(iii) Opportunities:

- (a) The Company's good customer relations gives it an edge to generate business enquiries from all parts of the country.
- (b) The Company's reach across the country enables it to achieve business even from remote locations.
- (c) Due to the mandate set by Central Vigilance Commission, for all Public Sector Banks to be computerized by 2004, vast opportunities for players catering to the Branch Automation Market, have opened up. The fact that there are more than 68,000 branches of Public Sector Banks in India and only 19,000 have so far been computerized, only enhance the availability of market potential in this industry, of which the Company is a leader.

(iv) Threats:

- (a) Competition from unorganized sectors for ECRs and POSS market.
- (b) Adverse fluctuations in exchange rates / Government policies may effect the profitability / sales.
- (c) The price erosion of banking products, due to intense undercutting practices adopted by competitors.

(C) Segment wise / Product wise performance:

(Rs. in Lacs)

S.NO.	PRODUCT	VALUE	% TO TOTAL
A.	Machine sales:		
1.	Electronic Cash Registers	296.62	15
2.	Cash Handling Devices	1223.73	60
3.	Others	147.96	7
B.	Consumables & Spares	201.78	10
C.	Service Income (from AMC & others)	152.75	8

(D) Outlook for the Company:

TYCHE's national presence and strong service support has enabled its brand, 'CASHTRON' to be known in the market for supply of quality machines and efficient after sales service. Keeping in line with the strategy of banks to automate its branches, interconnect outlets and eventually move towards a centralized database, TYCHE has tuned itself to this line of thinking and has added new products like, ATMs, Currency Sorting Machines, Coin / Currency Exchange Machines, etc. to its existing line of products. TYCHE expects at least 5 – 10% of share of the Branch Automation market to start with. To support its strategy of entering the ATM market, which is now presently expected to explode, the Company has entered into a Technical Agreement with M/s. Synkey Group Inc, South Korea for marketing of "SYNKEY" Brand of Cash Dispensers across the country. It has exclusive rights to market and maintain such Cash Dispensers. With this agreement with Synkey, TYCHE would be fully equipped to deliver and install a state of art technology product, which is specially designed for the Indian market with a keen eye on environmental conditions under which these machines would operate in India.

(E) Internal Control System and Adequacy:

Adequate and effective internal control systems are in place; these are periodically reviewed and discussed for correction / implementation.

The internal control measures adopted reasonably assure;

- (i) Suitable recording and safeguarding of assets of the Company.
- (ii) Relevant accounting records give reliable financial information and give true and fair view.

(F) Financial Performance:

Discussion on Financial performance with respect to operational performance:

Certain important indicators:

Sl. No.		2002-03	2001-02	Remarks
(i)	PAT / Net Sales (%)	0.44	0.52	The Company was able to control its overheads as compared to previous year. Due to the introduction of certain new products, the material consumption expressed as a %age of sales has gone up in the current year by almost 25%. This is the main reason for a drop in this ratio during the year under review. The Company is confident that during the coming year, it will be able to reap the benefits of economies of large-scale Purchases thereby bringing down the material costs.

Sl. No.		2002-03	2001-02	Remarks
(ii)	PBIT / Interest (times)	1.17	1.14	There has been a marginal improvement in this coverage ratio, as the Company has successfully been able to reduce its interest costs, as compared to the previous year.
(iii)	Working Capital Loan/Sales (%)	21.48	24.61	This has been achieved by prudent management of working capital by the Company.
(iv)	Current Ratio	1.63	1.82	Though the levels of the Current Year shows a marginal drop as compared to Previous year this ratio is well above the industrial norms of 1.33. The main reason for the drop is increase in current liabilities, due to the increase in the creditors level.
(v)	Return of Equity (ROE) = PAT /NW (%)	1.05	1.15	This marginal decrease is due to the drop in the profitability in the Current Year for reasons mentioned under Ratio No.(1) above.
(vi)	Debt Equity Ratio = Total Debt/Equity	1.37	1.25	—

(F) Material development in Human Resources / Industrial relations, including number of people employed:

The Company's strength in terms of number of employees in various locations and departments are given below:

Sl.No.	Location / Department	Ending of the Yr.	Beginning of the Yr.
1.	Corp. Office	65	62
2.	Logistics	18	10
3.	Branches	189	192
	TOTAL:	272	264

(G) Cautionary Statement:

Certain statements in the 'Management Discussion and Analysis' on expectation, prediction, etc. may be forward looking. Actual results could differ materially. This may be express or implied. Some of the factors that could influence the difference are pricing in the major market sector, change in Government regulation, tax implication, economic developments and other incidental factors. The Company may not take responsibility to amend or modify publicly any forward-looking statements; on the basis of any developments, or events occurring subsequently.