



TYCHE PERIPHERAL SYSTEMS LTD.

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13th
ANNUAL REPORT
2003-2004

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 Sampath Kumar. P****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**

13-6-436/A/26,
 Lakshmi Nagar Colony,
 Mehdiapatnam,
 Hyderabad – 500 028.

AUDIT COMMITTEE

Shri M Balaramakrishnaiah
Shri I Premkumar
Shri K.M. Mannem
Ms. Sabari S Kambli
Shri Pradeep Chauhan

INVESTORS GRIEVANCES COMMITTEE

Shri M Balaramakrishnaiah
Shri I Premkumar
Shri K.M. Mannem

LISTING

The Hyderabad Stock Exchange Limited
The Bangalore Stock Exchange Limited
The Stock Exchange - Ahmedabad
The Calcutta Stock Exchange Association Ltd.

BOOK CLOSURE**27-09-2004 to 30-09-2004 (both days inclusive)****Date, Time and Venue of AGM**

30-09-2004, 11.00 A.M.
Blue Bird Function Palace
12-2-718, Nanal Nagar,
Hyderabad – 500 028.

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

M/s. XL Softech Systems Limited,
3, Sagar Society, Road No.2, Banjara Hills,
Hyderabad – 500 034.

NOTICE

Notice is hereby given that the 13th Annual General Meeting of the members of Tyche Peripheral Systems Limited will be held on Thursday, the 30th September, 2004 at Blue Bird Function Palace, 12-2-718, Nanal Nagar, Hyderabad - 500 028 at 11.00 A.M. to transact the following business :

ORDINARY BUSINESS

1. To adopt the Balance Sheet as at 31st March, 2004 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 K.M. Mannem, 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 further to the resolution passed at the Annual General Meeting held on September 30, 1999 and pursuant to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII to the Act, and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and subject to such sanctions and approvals as may be necessary, approval be and is hereby accorded to the reappointment of Shri. Pradeep Chauhan as Managing Director of the Company for a further period of 2 years with effect from 05.09.2004 at a remuneration as has been set out below:

- i. Salary (per month) - Rs.35,170/-
- ii. Perquisites:
 - (a) Contribution to Provident Fund, Superannuation Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
 - (b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
 - (c) Leave encashment as per the Company's rules.
 - (d) Provision of Company Owned Car for official purposes.

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

RESOLVED THAT further to the resolution passed at the Annual General Meeting held on September 30, 1999 and pursuant to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII to the Act, and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and subject to such sanctions and approvals as may be necessary, approval be and is hereby accorded to the reappointment of Smt. Sabari S Kambli, as Wholtime Director of the Company, under the designation, Director (Finance), for a further period of 2 years with effect from 05.09.2004 at a remuneration as has been set out below:

- i. Salary (per month) - Rs.29,575/-
- ii. Perquisites:
 - (a) Contribution to Provident Fund, Superannuation Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
 - (b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
 - (c) Leave encashment as per the Company's rules.
 - (d) The Company shall pay actual Petrol and Maintenance charges of Car owned by Smt. Sabari S Kambli.

By order of the Board
for TYCHE PERIPHERAL SYSTEMS LIMITED

Place : Hyderabad
Date : 30.08.2004

SAMPATH KUMAR .P
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, 2004 to 30th September, 2004 (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.

In compliance with direction of Securities and Exchange Board of India, the Company has appointed M/s. XL Softech Systems Limited, 3, Sagar Society, Road No.2, Banjara Hills, Hyderabad – 500 034, 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.****Item No.4**

Shri Pradeep Chauhan's 5 years' term of office as the Managing Director of the Company expires on 5th September 2004. During the tenure of Shri Pradeep Chauhan as the Managing Director, the Company has made considerable progress in all the spheres and has since acquired good name and reputation in business. Your Directors consider that the appointment of Shri Pradeep Chauhan will be in the interest of the Company and accordingly, it has been proposed to appoint Shri Pradeep Chauhan as the Managing Director of the Company for a further period of two years with effect from 5th September 2004, at a remuneration as provided in the resolution.

Your Directors recommend the resolution as setout in Item No.4 of the notice for approval of the members.

None of the directors other than Shri Pradeep Chauhan is interested in the resolution.

Item No.5

Smt. Sabari S Kambli's 5 years' term of office as the Wholetime Director of the Company, under the designation Director (Finance), expires on 5th September 2004. In view of the significant progress of the Company during her tenure as the Director (Finance), your Directors proposed to reappoint Smt. Sabari S Kambli, as a Wholetime Director, under the designation Director (Finance), for a further period of two years with effect from 5th September 2004, at a remuneration as provided in the resolution.

Your Directors recommend the resolution as setout in Item No.5 of the notice for approval of the members.

None of the directors other than Smt. Sabari S Kambli is interested in the resolution.

Registered Office:

13-6-436/A/26,
Lakshmi Nagar Colony,
Mehdipatnam,
HYDERABAD - 500 028.

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

SAMPATH KUMAR. P
COMPANY SECRETARY

DIRECTORS' REPORT

Dear Members,

Your Directors take pleasure in presenting their report for the Financial Year 2003-2004. During the Financial Year under review, your Company has achieved a growth of 41% and 16% in terms of total revenues and net profit, respectively.

FINANCIAL HIGHLIGHTS	(Rs. in Lacs)	
PARTICULARS	2003-04	2002-03
Income	4827.74	1965.56
Operating Profit	89.35	14.39
Provision for Taxation	33.21	5.99
Profit after tax	57.29	8.96
Retained Earnings	57.56	3.81

OVER VIEW OF PERFORMANCE DURING THE YEAR 2003-2004:

During the year 2003-04, your Company has achieved a phenomenal increase in the turnover and an impressive growth of 41% over the previous year's figures. Many factors have contributed to this phenomenal growth of your Company. During the year under review, significant increase in productivity through in-house innovations and strict control over costs have helped to improve the financial performance, which has translated into 16% growth of total net profit over the previous year. The phenomenal growth in turnover was mainly due to considerable levels of automation in the banking sector. Major banks have decided to automate and provide all counters with small Table Top Currency Counting Machines, which translated a large chunk of market share for your Company. Also Currency Handling Devices, such as Currency Banding Machines and Strapping Machines, have been in demand mainly due to Reserve Bank of India's insistence on the banks to do away with stapled currency notes.

Agreements with foreign business associates to import latest technology has fructified in getting a major share of the market in the Currency Banding Machines and Currency Counting Machines. In addition, your Company has been able to make appreciative inroads in the Point of Sale Systems market with specific enhancement of business with Reliance Energy Ltd.

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:

The Directors do not recommend a dividend for the year, as the retained earnings have been kept in reserve for the proposed new products and towards R&D in offering software solutions for collection centers of major energy companies.

DIRECTORS:

Sri K.M. Mannem, Director retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

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 offer 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:

The Board desires to place on record its appreciation for the support and co-operation that the company received from suppliers, from retailers and others, associated with the Company. The Company has always looked upon them as partners in its progress and has happily shared with them the rewards of growth. It will be the Company's endeavour to build and nurture strong links with trade based on mutual, respect and co-operation with each other.

The Directors wish to place on record their appreciation to employees at all levels, for their hard work, dedication and commitment. The enthusiasm and unstinting efforts of the employees have enabled the company to remain at the forefront of the industry, despite increased competition from several existing and new players.

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 conservation 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 would like to thank employees, shareholders, customers, dealers, suppliers, bankers and all other business associates for the continuous support given by them and its management.

For and on behalf of the Board

Place : Hyderabad Pradeep Chauhan Ms Sabari S Kambli
Date : 30.08.2004 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, 2004.

(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 upgraded 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.

The Company's Software team has developed specific software for offering solution to revenue collection centers of a major energy company.

2. IMPACT OF MEASURES TAKEN

The above measures have helped the Company in giving technologically advanced models of Currency Counting Machines, Electronic Cash Registers and Point of Sale Systems. The development and constant upgradation of software has enabled the Company to be invited by major energy companies to provide revenue collection center solutions.

(C) FOREIGN EXCHANGE EARNINGS/ OUTGOINGS

Earnings in foreign currency : NIL

Expenditure in foreign Currency : Rs.368.84 Lacs

(Purchase of raw materials, goods, spares and foreign travel, R&D etc).

ADDENDUM TO DIRECTORS' REPORT:

Your Directors noted for future guidance the observations of Auditors, at para 2 of Auditor's Report.

1. 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.
2. 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, and negotiation with Insurance Companies to proposed to be taken for implementation of gratuity scheme.

For and on behalf of the Board

Place : Hyderabad Pradeep Chauhan Ms Sabari S Kambli
Date : 30.08.2004 Managing Director Wholetime Director

ANNEXURE - A

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

Due to the overall economic growth of the country, the retail segment of the market has noticed a spurt in transaction automation activity. As it has been the experience of your Company in the past to provide the industry with various ranges of products, catering to all retail operations and developing transaction automation solutions, your Company has put in a lot of effort in developing resources at hand to bring out technologically advanced models of Currency Counting Machines, Electronic Cash Registers, Point of Sale Systems and Depository Machines Kiosks. Your Company has been able to take full advantage of being a forerunner in the banking automation industry by catering to the banking segment and providing suitable machines, which are technologically superior and which are suitable for Indian conditions to this segment.

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

- (a) 'CASHTRON' brand has more or less become a generic name in Currency Handling Devices across the country.
- (b) 50 Branch Offices and Service Centers all over India.
- (c) Strong Software Team has successfully been able to get a firm foothold into revenue collection center solutions, with a specific mention of Reliance Energy Ltd.
- (d) TYCHE has also been invited by other major energy companies for providing revenue collection center solutions.
- (e) Excellent customer relationship with all major banks of the country.
- (f) Availability of latest state of art technology for all its products.

(ii) Weaknesses:

- (a) The Company may not be able to cater to sudden expansion of markets, due to sheer volumes and the geographic spread.
- (b) High level of selling overheads for maintaining sales and service centers across the country, increases the per unit cost for the Company, as compared to its competitors, who are basically regional players.

(iii) Opportunities:

- (a) The Company's good customer relations give it an edge to generate business from almost all major banks of the country.
- (b) The Company's existing reach across the country has enabled it to serve the major banks to almost complete level of their requirements.
- (c) As the Company has been a market leader over the years in the banking automation market, huge replacement market exists for machines supplied by the Company in the earlier years.
- (d) Huge business of annual maintenance of a vast installation base can translate into good service income for the Company.

(iv) Threats:

- (a) Competition from unorganized sectors of the ECRs market.
- (b) Adverse fluctuations in exchange rates / Government policies may effect the profitability / sales.
- (c) Intense price war, due to undercutting practices and increase in the number of small players at the entry level, in the banking products segment.

(C) Product wise performance :

(Rs. in Lacs)

S.NO.	PRODUCT	VALUE	% TO TOTAL
A.	Machine sales:		
1.	Electronic Cash Registers	224.00	5
2.	Cash Handling Devices	4142.10	86
3.	Others	127.34	3
B.	Consumables & Spares	204.12	4
C.	Service Income (from AMC & others)	117.74	2

(D) Outlook for the Company:

During the year under review your Company has observed that the ATM market bubble has burst. Banks are finding it difficult to maintain the economics of ATM transactions, and hence have resorted to sharing existing ATMs amongst themselves by forming consortiums. Observing this change in strategy of the banks, as compared to the previous year, your Company was quick enough to change its strategy of aggressively selling ATMs as projected in the previous year. Your Company has now taken a wait and watch approach in this regard.

Due to the spurt in the retail market segment, your Company has been quick enough to bring in technologically advanced models of Electronic Cash Registers and Point of Sale Systems, keeping in mind the latest technology floating in the world over in this automation business.

Your Company has also been quick to gauge the need for offering solutions at collection centers of banks and major energy companies, thereby becoming one of the forerunners in this segment of the market.

(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.		2003-04	2002-03	Remarks
(i)	PAT / Net Sales (%)	1.19	0.44	The substantial reduction in interest cost, manufacturing and other overheads has lead to an improvement of this ratio.
(ii)	PBIT / Interest (times)	2.67	1.17	The increase in profit margin combined with a substantial drop in interest costs due to swapping of FCDL with a portion of rupee WCDL has reflected in improvement in this ratio.
(iii)	Working Capital Loan/Sales (%)	8.79	21.48	Due to improved collection mechanisms adopted, as a result of management's stringent procedures coupled with optimum usage of cash management products helped improve this ratio.
(iv)	Current Ratio	1.43	1.63	It is well above the industrial norm of 1.33. Effective collection and observance of better credit terms with creditors have shown a drop in the ratio on a healthier side.
(v)	Return of Equity (ROE) = PAT / NW (%)	6.29	1.05	Substantial rise in profits and consequent rise in Net Worth has improved this ratio.
(vi)	Debt Equity Ratio = Total Debt/ Equity.	2.25	1.37	Except for the working capital loan, the Company is debt free with long term loans repaid. Hence the healthy increase of Debt Equity ratio.

(G) Material development in Human Resource / 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	53	65
2.	Logistics	14	18
3.	Branches	205	189
	TOTAL:	272	272

(H) 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.