



TYCHE PERIPHERAL SYSTEMS LTD.

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14th
ANNUAL REPORT
2004-2005

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 B. Balaji Gupta

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

BOOK CLOSURE

27-09-2005 to 30-09-2005 (both days inclusive)

Date, Time and Venue of AGM

30-09-2005, 10.00 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 14th Annual General Meeting of the members of Tyche Peripheral Systems Limited will be held on Friday, the 30th September, 2005 at Blue Bird Function Palace, 12-2-718, Nanal Nagar, Hyderabad - 500 028 at 10.00 A.M. to transact the following business :

ORDINARY BUSINESS

1. To adopt the Balance Sheet as at 31st March, 2005 and Profit and Loss Account for the year ended as 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 a Special Resolution:

RESOLVED THAT pursuant to the applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines - 2003, and subject to the provisions of the Companies Act, 1956, (including any statutory modification(s) or reenactment thereof for the time being in force), Securities Contracts (Regulation) Act, 1956 and the rules framed thereunder, listing agreements and all other applicable rules, regulations and guidelines and subject to the approval, consent, permission or sanction of the Securities and Exchange Board of India, Stock Exchanges where the shares of the Company are listed and any other appropriate authorities, institutions, or regulators, as may be necessary and subject to the necessary conditions and modifications, if any as may be prescribed or imposed by any authority while granting such approvals, permissions, and sanctions, which may be agreed to by the Board of Directors of the Company (hereafter referred as the Board), which term shall be deemed to include any committee thereof for the time being exercising powers conferred on the Board be and is hereby authorised to delist the equity shares of the Company from The Hyderabad Stock Exchange Ltd., The Bangalore Stock Exchange Ltd., The Calcutta Stock Exchange Association and The Stock Exchange, Ahmedabad, at such time as the Board may decide.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things as may be necessary for the purpose and to settle any questions difficulties or doubts that may arise in this regard.

5. Alteration of Objects Clause IIIA of Memorandum of Association.

To take note of the following special resolution, which has been placed before the shareholders for approval through postal ballot.

"RESOLVED THAT pursuant to the provisions of section 17 and other applicable provisions of the Companies Act, 1956 or any amendment, modification or supersession thereof, existing Clause IIIA of the Memorandum of Association of the Company be and is hereby altered:

a) By substitution of the existing Sub Clause 1 as :

1. To carry on the business as manufacturers, processors, buyers, sellers, importers, exporters, distributors, stockists, representatives, suppliers, collaborators, technologists, advisors, consultants and agents in India or elsewhere of all kinds and description of electronic and electrical products and systems, power supplies, switch mode power supplies, linear power supplies, uninterruptible power supplies, alternate power suppliers, emergency power systems, **"Solar Silicon Photo Voltaic Cells"**, components, materials, instruments, computers, instrumentation, peripherals, electronic lab equipment, defence equipment, television (Black and White and Colour), micro processor based systems, special systems and their by-products.

b) By deletion of the existing Sub Clause 3.

c) By addition of the new Sub Clause 3 as :

3. To conduct study, research, analyze, computerize, codify, reconcile, rectify the systems biotechnological products and deal in biochemical compounds, tools, apparatus, systems and to use new and imported designs, models, modulations, calculations, reports, Performa in the field of biotechnology and bio-fuel; to manufacture, develop, buy, sell, import export, study turn into account and deal in all kinds and varieties of Bio-compounds, Chemicals, Combinations, Substances, either solid or liquid or air based used ingredients, in the manufacture and preparation of intoxicants, sedatives, drug formulations, chemical compounds, pharmaceutical formulations, oils, grease liquid and solid substances; to manufacture, buy, sell and deal in Bio-technique, Biotechnological and Bio-chemical, Bio-fuel, carbon credits, raw materials and ingredients used in the above activity; to carry on the business of consultancy which includes aspects relating technical and other aspects in the field of biotechnology and bio-fuel; to undertake, promote, assist, engage and deal in research development and manufacturing and distribution of biotechnology products and services related to clinical diagnostic, diagnostics kits, biological products, therapeutics and genomics; to setup laboratories, purchase and acquire any equipment and instruments required for carrying out research in the fields of biotechnology, bio-fuel and medical research.

By order of the Board
for TYCHE PERIPHERAL SYSTEMS LIMITED

Place : Hyderabad

Date : 26.08.2005

B. BALAJI GUPTA
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, 2005 to 30th September, 2005 (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, be requested to bring their copy along with them.
7. Alteration of Objects Clause under Item No.5 above is being sought through Postal Ballot sent along with this Notice. Ballot papers duly filled in must be sent to Mr. P.Jagannatham, Scrutinizer on or before 28th September 2005. Ballot forms received after this date will be treated as if reply from such shareholder has not been received. The results of the postal ballot will be announced by the Chairman in the Annual General Meeting on 30th September, 2005. Ms. Sabari S Kambli, Director (Finance) and Mr. B. Balaji Gupta, Company Secretary have been held responsible for the entire poll process.
8. Brief Resume of Shri I. Prem Kumar, who is seeking re-appointment as a Director.

Shri I. Prem Kumar, who retires by rotation and being eligible offer himself for re-appointment.

Shri I. Prem Kumar was first appointed as the Director of the Company on 15th April 1999 and thereafter has served the Board of the Company.

Shri I. Prem Kumar is a Graduate in Commerce with a Post Graduate Diploma in Computer Management. From 1993 to 1998, Shri I. Prem Kumar has been consulting independently in the Information Technology industry during which time he has executed several projects in various industries. In April 1999, he joined Tyche as Director of the Company.

He is holding membership in the following Committee of Directors:

Name of the Company	Name of the Committee	Position Held
Tyche Peripheral Systems Ltd.	i) Audit	Member
	ii) Remuneration	Member
	iii) Shareholders'/	Member
	Investors' Grievance	

Annexure to Notice**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT.****Item No.4**

At present, the Company's equity shares are listed on The Bombay Stock Exchange Ltd. (IndoNext Segment), The Hyderabad Stock Exchange Ltd. (HSE), the Regional Stock Exchange, The Bangalore Stock Exchange Ltd. (BgSE), The Calcutta Stock Exchange Association (CSEA) and The Stock Exchange, Ahmedabad (SEA). There had been low/nil trading in your Company's shares on the HSE, BgSE, CSEA & SEA for the last 3 to 4 years. The equity Shares of the Company were enlisted on the Indonext segment of Bombay Stock Exchange Ltd. with effect from 8th August 2005 and now the phenomenal changes in technology have opened gates for extensive networking of nation-wide online terminals and eased access of the investors to these terminals.

Securities Exchange Board of India (SEBI) has recently issued guidelines viz. SEBI (Delisting of Securities) Guidelines – 2003 (the guidelines), allowing the delisting of the shares by the Company voluntarily. The guidelines do not require the Company to provide exit opportunity, if the shares are listed and traded on the Stock Exchanges having nation-wide trading terminals.

In view of the above and extremely low/nil trading of shares of the Company on HSE, BgSE, CSEA & SEA, it has been proposed to delist the securities of the Company from HSE, BgSE, CSEA & SEA. Pursuant to the guidelines, the Company shall obtain the approval of the shareholders by way of special resolution for the purposes of delisting of securities from the Stock Exchanges.

The Company has proposed this resolution as set out in Item No.4 to enable it to delist its equity shares from HSE, BgSE, CSEA & SEA at an appropriate time in future.

The proposed delisting of the Company's equity shares from HSE, BgSE, CSEA & SEA, as and when it takes place will not affect the investors in any way. The Company's equity shares will continue to be listed on BSE (IndoNext).

Your Directors recommend the resolution for your approval. None of the Directors of your Company is in any way concerned or interested in this resolution.

Item No.5

Your Company proposes to undertake the manufacture / trading of Solar Silicon Photo Voltaic Cells in a full-fledged manner and also proposes to venture into the business of Bio-diesel and Biotechnology. As the existing Objects Clause of the Memorandum does not explicitly provide for manufacture / trading of Solar Photo Voltaic Cells and also does not provide for the new activity of Bio-diesel and Biotechnology, it is proposed to alter the Memorandum suitably. This requires alteration of the main objects as detailed in the Object Clause of Memorandum of Association of the Company, as detailed in Item No.5.

Section 17 of the Companies Act, 1956 ('the Act') stipulates that the Object Clause of the Memorandum of Association of a company can be altered by a Special Resolution passed by the members of the company. Section 192A of the Act read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, stipulates that the consent of the members of the company for this purpose shall be obtained by means of Postal Ballot and hence this resolution.

The Directors of the Company may be deemed to be concerned or interested in the resolution as set out in the Notice to the extent of shares held by them in the Company.

The Board of Directors of the Company recommend the Special Resolution set out in the notice for approval by the Members through the enclosed Postal Ballot.

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.

B. BALAJI GUPTA
COMPANY SECRETARY

DIRECTORS' REPORT

Dear Members,

Your Directors take pleasure in presenting their report for the Financial Year 2004-2005.

1. FINANCIAL HIGHLIGHTS

(Rs. in Lacs)

PARTICULARS	2004-05	2003-04
Income	3265.10	4827.74
Operating Profit	66.13	89.35
Provision for Taxation	26.80	33.21
Profit after tax	42.45	57.29
Retained Earnings	40.75	57.56

2. OVER VIEW OF PERFORMANCE DURING THE YEAR 2004-2005:

During the year 2004-05, your Company has been able to increase its profitability from 1.85% of its income in the previous year to 2.02% of its income in the current year under review. This increase in percentage of profit is despite the fall in the income levels from Rs.4,827.74 Lacs to Rs.3,265.10 Lacs in the year under review.

The increase in operating profit as a percentage of income during the year under review, has been mainly due to substantial increase in service income in the year 2004-05, as compared to the year 2003-04. This has been possible because of the huge installation base that has been created by your Company over the previous years. The drop in income during the year under review can be attributed to many reasons, most of which are beyond your Company's control. As you are aware in the year 2003-04, your Company was able to cash in on Reserve Bank of India's (RBI) clean note policy of doing away with stapling of Currency Notes. Your Company expected that the trend would continue with all banks instead of being limited to only certain banks, who had already placed orders with your Company in the year 2003-04. However, certain bankers have not implemented this clean note policy of RBI, thereby, substantially reducing the turnover of Currency Banding Machines and Currency Strapping Machines in 2004-05, as compared to 2003-04. These products however had contributed to a large extent for increase in turnover in the year 2003-04. Due to intense competition from small and regional players at the entry level, your Company was forced to reduce its selling price by 30% (approx.) of its other products, which translated in the drop in value of turnover. However, the marginal drop in operating profit due to this strategy was more than compensated by substantial profit generated from the service income, as mentioned earlier.

As has been the practice with your Company to respond quickly and favourably to the developments in the market scenario, your Directors are pleased to announce that your Company was able to make a small beginning in Solar Energy Field. Your Company has been studying the market of Solar Energy and to start with, a modest beginning has been made in the last quarter of year 2004-05, which has translated into Rs.3.21 Lacs turnover during the year under review.

3. ISO 9001:2000 CERTIFICATION

During the year under review, your Directors are pleased to inform you that your Company has been certified as ISO 9001:2000 Company with effect from 24th March, 2005.

4. 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 activities.

5. PUBLIC DEPOSITS:

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

6. DIRECTORS:

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

7. DIRECTORS' RESPONSIBILITY STATEMENT:

Your Directors' report that

- 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.
- 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.
- 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.
- The Annual accounts have been prepared on a going concern basis.

8. 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.

9. 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.

10. 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.

11. AUDITORS' OBSERVATIONS:

Your Directors noted for future guidance the observations of Auditors, at para 2 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.

12. 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.

13. 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.

14. 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.

15. 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.

For and on behalf of the Board

Place : Hyderabad
Date : 26.08.2005

Pradeep Chauhan
Managing Director

Ms Sabari S Kambli
Wholtime 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, 2005.****(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 made towards identifying procedures and processes and customer needs, for development and innovate products of the company. The Company's R&D was quick enough to develop and offer VAT enabled billing machines to cater to the VAT Rules, as issued by the Government.

Efforts were made to import latest state of art technology with agreements with foreign business associates.

New products, which are technologically advanced like Digital Video Recorders (DVR) and Closed Circuit Televisions (CCTV), Dynamic Queue Management (DQM), etc. were developed and offered to the ever changing market sentiments.

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 : Rs.1.39 Lacs

Expenditure in foreign Currency : Rs.361.57 Lacs

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

For and on behalf of the Board

Place: Hyderabad
Date: 26.08.2005

Pradeep Chauhan
Managing Director

Ms Sabari S Kambli
Wholtime Director

ANNEXURE - A

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

A) Industry Structure and Development:

The overall economic growth of the country continued at an aggressive pitch during the year under review. Due to this hyper active growth, the Transaction Automation Segment has also taken a spurt in the positive and upward direction. This has motivated your Company to extend its product range in the arena of Transaction Automation Solutions. Keeping in line with Government's policy of introducing VAT across the country, your Company has been quick enough to adapt to this change and has successfully launched VAT enabled billing machines i.e. Electronic Cash Registers (ECRs) and Point of Sale Systems (POSS).

People involved in transaction automation, mostly bankers and financial institutions, are getting more and more security conscious in relation to the cash transactions, due to the increase in crime activity in this line. Preempting the requirement of the market in this direction, your Company has brought out Electronic Surveillance Systems viz. Digital Video Recorders (DVR) and Closed Circuit Televisions (CCTV).

Efficient and quick customer handling / disposal has become the order of the day with most of the banks and institutions. This market sentiment has enabled your Company to bring out another new product, to adhere to the handling of customer flow. The product is a console, which handles Dynamic Queue Management (DQM), which is integrated to the banking network.

Reserve Bank of India's policy to eliminate physical clearance of cheques has prompted your Company to bring out yet another product viz. Document Imaging System. This system digitalizes the image of the document and the same is electronically exchanged between clearing houses of various banks and its branches. This device will be supplied by your Company and the same would be interfaced with the existing Core Banking System and TBA, which are already in place with most banks.

(B) SWOT Analysis:

(i) Strengths:

- (a) 'CASHTRON' brand has more or less become a generic name in Transaction Automation Devices across the country.
- (b) 65 Branch Offices and Service Centers all over India.
- (c) Strong Software Team to cater to the in-house software solutions and provide software solutions to major customers like, Reliance Energy Ltd., for offering them software for revenue collection centers.
- (d) TYCHE has also been invited by other major companies like Calcutta Electric Supply Company (CESC) for providing revenue collection center solutions.
- (e) Excellent customer relationship with all its major and minor customers like banks, electric supply companies and many small shops and establishments, etc.
- (f) Availability of latest state of art technology for all its products.
- (g) Certification as ISO 9001:2000 Company has enabled your Company to bag many Government tenders, which are awarded only to standard Companies.

(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 all major banks and financial institutions and other large customers like Electric Supply Companies, etc.
- (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) Government regulation of introducing VAT across the country has given a new opportunity for your Company to develop and supply VAT enabled billing machines.
- (e) 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 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 all its products.

(C) Product wise performance :

(Rs. in Lacs)

S.NO.	PRODUCT	VALUE	% TO TOTAL
A.	Machine sales:		
1.	Electronic Cash Registers	252.71	7.78
2.	Cash Handling Devices	2318.93	71.42
3.	Others	228.78	7.05
B.	Consumables & Spares	210.28	6.48
C.	Service Income (from AMC & others)	236.11	7.27