



TYCHE PERIPHERAL SYSTEMS LTD.

Report  junction.com

16th
ANNUAL REPORT
2006-07

TYCHE

BOARD OF DIRECTORS

Mr. Pradeep Chauhan
 Ms. Sabari S Kambli
 Mr. M Balaramakrishnaiah
 Mr. I Premkumar
 Mr. K M Mannem
 Mr. K S Muralidhar
 Mr. Ch. Vijay Kumar

Managing Director
 Wholetime Director
 Director
 Director
 Director
 Director

COMPANY SECRETARY

Mr. B Balaji Gupta

AUDITORS

M/s. S Srinivasan & Co.
 Chartered Accountants
 H.No.8-2-293/82/W/93,
 Plot No.93, Road No.7B,
 Jubilee Hills,
 HYDERABAD – 500 033.

BANKERS

State Bank of India
 Commercial Branch,
 Koti, Hyderabad.

SHAREHOLDERS' INFORMATION**REGISTERED OFFICE**

"TYCHE HOUSE",
 13-6-436/A/26,
 Lakshminagar Colony,
 Mehdiapatnam,
 Hyderabad – 500 028.

AUDIT COMMITTEE

Mr. M Balaramakrishnaiah
 Mr. I Premkumar
 Mr. K M Mannem
 Mr. K S Muralidhar
 Mr. Ch. Vijay Kumar

INVESTORS' GRIEVANCES COMMITTEE

Mr. M Balaramakrishnaiah
 Mr. I Premkumar
 Mr. K.M. Mannem
 Mr. K S Muralidhar
 Mr. Ch. Vijay Kumar

LISTING

The Hyderabad Stock Exchange Limited
 Bangalore Stock Exchange Limited
 Ahmedabad Stock Exchange Limited
 The Calcutta Stock Exchange Association Ltd.
 Bombay Stock Exchange Ltd. (IndoNext Segment)
 (Permitted for trading)

BOOK CLOSURE

24-09-2007 to 27-09-2007 (both days inclusive)

Date, Time and Venue of AGM

27-09-2007, 9.30 A.M.
 At Banquet hall of Shilpakala Vedika,
 adjacent to Shilparamam, Madhapur, Hyderabad-500 081.

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 16th Annual General Meeting of the members of Tyche Peripheral Systems Limited will be held on Thursday, the 27th September, 2007 at Banquet hall of Shilpakala Vedika, adjacent to Shilparamam, Madhapur, Hyderabad-500081, at 9.30 A.M., to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt:
 - a) The audited balance sheet as at March 31, 2007:
 - b) The audited profit and loss account for the year ended as on that date:
 - c) The auditors' report, thereon and
 - d) The directors' report, thereon
2. To appoint a Director in place of Mr. I. Prem Kumar, Director, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s. S. Srinivasan & Co., Chartered Accountants, as auditors of the company, for the period commencing from the conclusion of this meeting till the conclusion of next Annual General Meeting and to authorize the Board to fix their remuneration.

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 Mr. Ch. Vijay Kumar, who was appointed as an Additional Director of the Company by the Board of Directors to hold office upto the date of ensuing Annual General meeting as per Section 260 of the Companies Act, 1956, and in respect of whom the company has received a notice in writing proposing his candidature for the office of director, be and is hereby appointed as a director of the Company, liable to retire by rotation”.

By order of the Board
for TYCHE PERIPHERAL SYSTEMS LIMITED

Place : Hyderabad
Date : 27.08.2007

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 24th September, 2007 to 27th September, 2007 (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.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**Item No.4**

The Board of Directors appointed Mr. Ch. Vijay Kumar, as an Additional Director with effect from 27-11-2006 pursuant to the provisions of the Articles of Association of the Company read with Section 260 of The Companies Act, 1956. Mr. Ch. Vijay Kumar 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 Mr. Ch. Vijay Kumar as Director of the Company, at the ensuing AGM, and is subject to retirement by rotation.

The Board recommends the above resolution for members' approval.

None of the directors except Mr. Ch. Vijay Kumar, is interested or concerned in the proposed resolution.

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

B. BALAJI GUPTA
COMPANY SECRETARY

Date : 27.08.2007

Registered Office:

"TYCHE HOUSE",
13-6-436/A/26,
Lakshmi Nagar Colony, Mehdiapatnam,
HYDERABAD - 500 028.

ADDITIONAL INFORMATION:

1. Brief profile of Mr. I. Prem Kumar, who seeks re-appointment as a director.

Mr. 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.

Mr. I. Prem Kumar is a Graduate in Commerce with a Post Graduate Diploma in Computer Management. From 1993 to 1998, Mr. 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'/ Investors' Grievance	Member

2. Brief profile of Mr. Ch. Vijay Kumar, whose appointment will be placed in the meeting for the approval of the members.

Mr. Ch. Vijay Kumar is a graduate in Commerce and has varied experience in commercial dealings. Presently he has varied businesses of his own.

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'/ Investors' Grievance	Member

DIRECTORS' REPORT

Dear Members,

Your Directors take pleasure in presenting their report for the Financial Year 2006-2007.

1. FINANCIAL HIGHLIGHTS (Rs. in Lacs)

PARTICULARS	2006-07	2005-06
Income	5023.60	3591.33
Operating Profit	688.95	150.59
Provision for Taxation	248.37	57.28
Profit after tax	435.11	91.23
Retained Earnings	432.49	91.23

2. OVER VIEW OF PERFORMANCE DURING THE YEAR 2006-2007:

Your Company has clocked a turnover of Rs.50.24 Crores in the year 2006-07, which is 40% (approx.) more than the previous year's turnover. This is mainly due to huge orders received from the Banking Industry for DVSS, QMS etc. In addition to the above, earlier installations, from the year 2003-04 which have completed the warranty period, having started adding to service income by way of AMC. Both the above factors have contributed to the growth in top line. Your Company has also been able to foray into Solar products' market, which segment has also contributed to the turnover during the year under review. The current year bottom line has shown a substantial improvement over previous year's percentage i.e. it has grown from 2.50% of sales in previous year to 8.60% of sales of current year. This was possible due to the growth in service income from 18.18% of sales in previous year to 20.15% of sales in current year.

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:

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

Mr. Ch. Vijay Kumar had been inducted as additional director of the Company and whose term expires at the commencement of the 16th Annual General Meeting and being eligible offers himself for re-appointment.

7. DIRECTORS' RESPONSIBILITY STATEMENT:

Your Directors report that

- i. 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.
- ii. 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.
- iii. 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.
- iv. 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 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 Banks, 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

Pradeep Chauhan
Managing Director

Ms Sabari S Kambli
Wholetime Director

Place : Hyderabad
Date : 27.08.2007

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, 2007.

(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 of your Company's products is on a continuous basis, based on the R&D efforts of your Company. Your Company makes special efforts to identify customer needs processes, etc. for developing innovative products and market the same. New technologically advanced products such as Touch Screen POSS, CPDT, Touch Screen Kiosks for the Rural Banking Sector, IVS, RS Kiosk Terminals, etc. are being offered to the ever dynamic markets.

2. IMPACT OF MEASURES TAKEN

The above measures have helped the Company in offering state-of-art technologically advanced products for transaction automation, which mainly happen in the Retail and Banking Sectors. Your Company has been able to judge the pulse of the market and been able to react very quickly by offering products, which are way ahead of its competitors. This has placed your Company in a pole point position.

(C) FOREIGN EXCHANGE EARNINGS/ OUTGOINGS

Earnings in foreign currency : - Nil -
Expenditure in foreign Currency : Rs.366.32 Lacs
(Purchase of raw materials, goods, spares, foreign travel, R&D, etc).

For and on behalf of the Board

Pradeep Chauhan
Managing Director

Ms Sabari S Kambli
Wholetime Director

Place : Hyderabad
Date : 27.08.2007

ANNEXURE-A

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

Your Company has always been making continual efforts to develop new products and strategies in its core strength area viz. transaction automation. These products would be suitable for the Banking Sector and Retail Sector where present retail boom is happening globally and specifically in India.

In the Retail Segment, your Company's tie-up with NCR is beginning to take-off as MNCs are entering the Retail Segment in India in a big way. Your Company has also launched Touch Screen POSS with the latest state-of-art technology. This is one of the most sought after products in outlets like McDonald, Café Coffee Day, Star burgers, etc., who are on an expansion spree in India.

In the Banking Sector, Touch Screen POSS, Self-service Terminals are very much in demand. Your Company has offered two Kiosks in this segment. As you are aware, DQM was developed by your Company and your Company has successfully marketed the same. Your Company has now come out with Touch Screen Kiosk, which is an advanced product in this segment. Your Company has also been successful in deploying low-cost Kiosk for Rural Banking Industry and expects a good chunk of business from this sector.

In the area of Surveillance and Security, your Company has tied-up with a U.K. based Company for industrial security products, which are mainly used for defense establishments, large establishments and complexes and critical infrastructures of State and Central Governments. Your company has launched Tyche Secure Zone concept, which encompasses all market segments for security solutions, such as Retail, Banking and Home. These solutions have IVS, premises' alarm systems and Remote Surveillance solutions. In the ever-expanding space of the Banking as well as Retail Sectors, providing space for documents storage has become a nightmare for major banks, insurance and other documents processing industries. To cater to this segment, your Company has brought out yet another product, which uses the Barcode technology, wherein data is compressed and stored for future use. Transfer of such small compressed data also can be done from one place to another without use of much bandwidth. Encryption and decryption of data maintains the security level of such data. Major applications of this segment are banks, insurance companies and other document processing establishments.

The latest Digital technology has invented a new platform of advertising viz. out of home advertising called the Digital Signage. Your Company has embarked on this form of media advertising by utilizing its existing customer base for deployment of screens. This project will add a substantial chunk of business to your Company.

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

- (a) Strong brand presence in Transaction Automation Devices.
- (b) Certified ISO 9001-2000 Company.
- (c) Certified ISIO Company.
- (d) 65 Branch Offices and Service Centers across the country; planing to expand to 120 centers.
- (e) Well experienced service personnel with on spot presence.
- (f) Excellent customer relationship across geographic spread including corporates and individuals.
- (g) Availability of latest state-of-art technology for all its products.
- (h) Strong software team to develop in-house customized software solutions for major corporates and individual customers.
- (i) Well equipped R&D Software development centers at Hyderabad with well experienced, skilled team in assembly languages and embedded software, etc.

(ii) Weaknesses:

- (a) High level of selling overheads for maintaining sales and service centers across the country.

(iii) Opportunities:

- (a) Retail boom happening globally and in India has created a sudden market for POSS, Cash Handling Devices, Surveillance products.
- (b) More security consciousness across the industrial segment has created a need for advanced surveillance products.
- (c) Space constraints, due to expanding businesses has created a need for products, which can save space and money.

(iv) Threats:

- (a) Competition from unorganized sectors of the market.
- (b) Adverse fluctuations in exchange rates / Government policies may affect 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.	Retail Automation Products	1253.03	25.04
B.	Banking Automation Products	2743.26	54.81
C.	Service Income	1008.39	20.15

(D) Outlook for the Company:

The retail boom happening world over and in particular in India has thrown up many opportunities for your Company's products. The primary focus of your Company is to gear-up for this explosive boom in the Retail Automation Sector by strengthening its existing branches with additional manpower, testing equipment, etc. Your Company has aggressively embarked in expansion of its service centers to B-Class and C-Class cities and plans to take the overall network from 65 Centers to 120 Centers in the coming years. This massive expansion assures the customers of your Company availability of service support for all its locations. Looking at this marketing opportunity your company has brought out new products like Touch Screen POSS, CDTs, CPDTs, Touch Screen DQMs, etc. Your Company's presence in the Retail Segment and its excellent service network across the country due to its presence PAN India will give it an edge over the competition for taking care of the Retail boom.

The latest trend in advertising media is the out of home advertising. To use this media of advertisement, your Company has planned to enter the Digital Signage Network media of advertising. This will go a long way in increasing your Company's business by leaps and bounds.

The expanding businesses have necessitated the preservation of a number of documents for various purposes. Making available huge storage space for these documents is becoming more and more difficult. To cater to this need, your Company has brought out yet another product using Barcode technology. This again has been possible due to the continuous efforts your Company has been making to respond immediately to the ever-changing customer demand. This product uses Barcode technology, wherein data is scanned, compressed and stored for future use. The advantage of this technology is it does away with the huge space occupied by the records in Segments of market where documents' storage is of primary importance, like Banks, Insurance companies and other documents processing industry. Transfer of such small compressed data is also made easy, as the data is in a compressed mode, thereby enabling quick and easy transfer, which is also economical.

(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.		2006-07	2005-06	Remarks
(i)	PAT / Net Sales (%)	8.69	2.55	Increase in service income from Rs.6.50 Crores to Rs.10.00 Crores and a reduction in expenses from 21% in the previous year to its turnover to 17.77% to turnover in the year under review, has improved this ratio.
(ii)	PBIT / Interest (times)	10.40	3.80	Increase in profits from 2.5% to the turnover of previous year to 8.6% to the turnover of the current year has been one of the reasons for substantial improvement in this ratio. A decrease in debt component has also improved this ratio.
(iii)	Working Capital Loan/Sales (%)	4.82	11.47	Improved working capital utilization and better working capital turnover has been the reason for improvement in this ratio.
(iv)	Current Ratio	1.99	1.46	A reduction in the Current Liabilities coupled with an increase in Current Assets has improved this ratio from 1.46 to 1.99. However for both the years this ratio is well above the Industry Benchmark of 1.33.
(v)	Return of Equity (ROE) = PAT/NW (%)	22.75	8.25	Substantial increase in profits as mentioned above has increased networth of the Company from Rs.11.05 Crores to Rs.19.13 Crores. This is the main reason for a healthy ratio for the year under review.
(vi)	Debt Equity Ratio = Total Debt/ Equity.	1.70	2.73	Increase in equity due to issue of shares coupled with a reduction in debt has been responsible for a reduction in this ratio.