

**26<sup>th</sup> ANNUAL  
REPORT  
2013-14**



**IO SYSTEM LIMITED**

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**CORPORATE INFORMATION****BOARD OF DIRECTORS**

Mr. Arun Seth	Chairman
Mr. R C Agarwal	Director
Mr. S K Gupta	Director

**COMPANY SECRETARY**

Mr. Dinkar Sharma

**CHIEF EXECUTIVE OFFICER**

Mr. Ravi Garg

**CHIEF FINANCIAL OFFICER**

Mr. Munish Garg

**AUDITORS**

M/s Gupta Garg & Agrawal,  
Chartered Accountants,  
G-55, 2nd Floor,  
Laxmi Nagar, Vikas Marg,  
Delhi-110 092.

**SHARE TRANSFER AGENT**

M/s MAS Services Ltd.  
T-34, 2nd Floor, Okhla Industrial Area,  
Phase-II, New Delhi – 110020  
Tel No. 011- 26387282  
Fax No. 011- 26387284

**REGISTERED OFFICE**

Global Knowledge Park,  
Plot No. 19A & 19B, Sector-125,  
Noida, U. P. - 201301

**BANKERS**

Indusind Bank  
State Bank of Patiala

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**I O SYSTEM LIMITED**

Regd. Office: – Global Knowledge Park,  
Plot No.19A & 19B, Sector-125, NOIDA-201 301  
CIN: L65921UP1987PLC008764

**NOTICE**

Notice is hereby given that the Twenty Sixth Annual General Meeting of IO System Limited will be held on Monday, the 29th day of September, 2014 at 11:00 A.M. at Sri Aurobindo Bhawan, C-56/36, Sector-62, NOIDA - 201 301, (U.P.) to transact the following business :

**ORDINARY BUSINESS**

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2014 and the Profit and Loss Account for the year ended on that date along with the Directors' Report and Auditors' Report thereon.
2. To consider and appoint Director in place of Mr. Arun Seth, who retires by rotation and being eligible, offers himself for reappointment.
3. To consider and appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration. M/s Gupta Garg & Agrawal, Chartered Accountants, the retiring Auditors, being eligible, offer themselves for re-appointment.

**SPECIAL BUSINESS**

4. To consider and if thought fit to pass with or without modification, the following resolution as a SPECIAL RESOLUTION:  
"RESOLVED THAT pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder read with Schedule IV to the Act, as amended from time to time, Mr. Ramesh Chandra Agarwal (DIN 00037477), a non-executive independent director of the Company, who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for appointment, and in respect of whom the Company has received a notice proposing his candidature for appointment as Director from a member of the Company alongwith the requisite deposit, be and is hereby appointed as an Independent Director of the Company, with effect from 29th September, 2014 upto 28th September, 2019.
5. To consider and if thought fit to pass with or without modification, the following resolution as a SPECIAL RESOLUTION:  
"RESOLVED THAT pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder read with Schedule IV to the Act, as amended from time to time, Mr. Satish Kumar Gupta (DIN000 30841), a non-executive independent director of the Company, who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for appointment, and in respect of whom the Company has received a notice proposing his candidature for appointment as Director from a member of the Company alongwith the requisite deposit, be and is hereby appointed as an Independent Director of the Company, with effect from 29th September, 2014 upto 28th September, 2019.

**By Order of the Board,  
For I O SYSTEM Limited,**

**Place : NOIDA  
Date : 14th August, 2014**

**Arun Seth  
Chairman  
(DIN: 00007895)**

**NOTES :**

1. The relative statement pursuant to Section 102 of the Companies Act, 2013 with respect to the Special Business set out in Item Nos. 4 to 5 above is annexed hereto.
2. The relevant details as required under Clause 49 of the Listing Agreement with the Stock Exchanges of persons seeking appointment/reappointment relating to item nos. 2 and 4 to 5 of the Notice are also annexed.

3. ANY MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXY(IES) TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY(S) NEED NOT BE A MEMBER OF THE COMPANY. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company. In case a proxy is proposed to be appointed by a member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy of any other member.
4. The instrument of proxy, in order to be effective should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the meeting. Proxies submitted on behalf of limited companies, societies etc. must be supported by appropriate resolutions/ authority, as applicable.
5. The Register of Members and Share Transfer Books of the Company shall remain closed from September 25, 2014 to September 29, 2014 (both days inclusive).
6. Members are requested to bring their copy of the Annual Report and Attendance Slip with them at the Annual General Meeting.
7. Members holding shares in electronic form are hereby informed that the bank particulars registered against their respective depository accounts will be used by the Company for the payment of dividend. The company or its Registrars cannot act on any request received directly from the members holding shares in electronic form for any change in address, change of bank particulars or bank mandates. Such changes are to be advised only to the Depository participant of the Members.
8. Members holding shares in physical form are requested to advise any change of address, bank details etc. immediately to the Company's Registrar and Share Transfer Agents (RTA), M/s MAS Services Ltd. – T-34, Okhla Industrial Area, Phase-II, New Delhi – 110 020.
9. Electronic copy of the Annual Report is being sent to all the members whose e-mail IDs are registered with the Company/ Depository Participant(s) unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report is being sent in the permitted mode.
10. To promote green initiative, members are requested to register their e-mail addresses through their Depository Participants for sending the future communications by e-mail. Members holding the shares in physical form may register their e-mail addresses through the RTA, giving reference of their Folio Number.
11. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their Demat Accounts. Members holding shares in physical form shall submit their PAN details to the Company at its Registered Office or to the Registrar and Share Transfer Agents M/s MAS Services Ltd. – T-34, Okhla Industrial Area, Phase-II, New Delhi – 110 020.
12. Members may also note that the Annual Report for the Financial Year 2013-14 shall also be available on the Company's website [www.iosystem.co.in](http://www.iosystem.co.in) for their download.
13. Pursuant to Clause 35B of the Listing Agreement and the provisions of Section 108 of the Companies Act, 2013, read with the Companies (Management and Administration) Rules, 2014, the business may be transacted through electronic voting system and the Company is pleased to provide the facility for voting by electronic means ("e-voting") to its members. The Company has engaged the services of Central Depository Securities (India) Limited ("CDSL") to provide e-voting facilities and for security and enabling the members to cast their vote in a secure manner.
14. For E-voting procedure, please refer to the attached Attendance Slip.
15. The e-voting period begins on Monday, the 22nd September, 2014 (at 9.00 a.m.) and ends on Wednesday, the 24th September, 2014 (at 6.00 p.m.). During this period, shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 29th August, 2014 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.

**IO SYSTEM LIMITED**

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**EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013 :****ITEM NO. 4 AND 5 :**

In terms of Section 149 of the Companies Act, 2013, (the Act) read with Companies (Appointment and Qualification of Directors) Rules, 2014, the Company is required to appoint Independent directors, who shall hold office for a period of upto five consecutive years and shall not be liable to retire by rotation. They may be appointed for a maximum of two consecutive terms of upto five years each. In terms of revised Clause 49 of the listing agreement, which will be applicable from 1st October, 2014, persons who have already served as Independent Directors on the Board of a Company for five years or more can be appointed for only one term of five years.

Shri Ramesh Chandra Agarwal and Shri Satish Kumar Gupta, are Independent Directors of the Company and have been holding the office of directorship for period beginning from 27th July, 2005. As per their existing terms of appointment, they are liable to retire by rotation. The Company has received notices, in writing, from a member, alongwith the deposit of the requisite amount under Section 160 of the Act, proposing the candidature of each of the abovementioned Director for appointment as Independent Directors of the Company. They are not disqualified from being appointed as Directors in terms of Section 164 of the Act and have given their consent to act as Directors. The Company has also received declarations from these Directors that they meet with the criteria of independence as prescribed under Section 149 (6) of the Act and Clause 49 of the listing agreement.

The Board of Directors, considers that their continued association would be of immense benefit to the Company and has proposed their appointments as Independent Directors under Section 149 of the Act to hold office for a term of five consecutive years commencing from the date of 26th Annual General Meeting of the Company. In the opinion of the Board all the above mentioned Directors fulfill conditions of appointment as Independent Director as specified in the Act and the listing agreement.

Details of the Independent Directors, whose appointment is proposed at item nos. 4 to 5 of the accompanying Notice have been given in the Notes to the Notice. A copy of their draft letters of appointment as Independent Directors, setting out the terms and conditions are available for inspection by the members at the registered office of the company on all working days between 10.00 A. M. to 1.00 P. M. upto the date of Annual General Meeting None of the Directors/ Key Managerial Personnel and their relatives thereof other than Shri Ramesh Chandra Agarwal and Shri Satish Kumar Gupta and their relatives are concerned or interested in the respective resolutions for their appointment.

The Board recommends the resolutions as set out in the item nos. 4 to 5 of this notice for your approval.

**By Order of the Board,  
For I O SYSTEM Limited,**

**Place : NOIDA  
Date : 14th August, 2014**

**Arun Seth  
Chairman  
(DIN: 00007895)**

**Details of Directors seeking Appointment / Reappointment in forthcoming Annual General Meeting  
(In pursuance of Clause 49 IV (G) of the Listing Agreement)**

<b>Name of Director</b>	<b>Arun Seth</b>	<b>Ramesh Chandra Agarwal</b>	<b>Satish Kumar Gupta</b>
<b>Date of Birth</b>	24th September, 1953	2nd February, 1944	2nd January, 1965
<b>Date of Appointment as Director</b>	30th September, 2002	27th July, 2005	27th July, 2005
<b>Qualification</b>	B.A., Diploma in Marketing Management	FCA, FCS, LL.B.	FCA
<b>Expertise in specific functional areas</b>	Marketing, Electronics and Information Technology	Finance and Accounts	Finance and Accounts
<b>List of Companies in which outside Directorship held as on the date of notice</b>	<ul style="list-style-type: none"> <li>i) First Choice Enterprises Private Limited</li> <li>ii) Bharat IT Services Limited</li> <li>iii) Peremex Computer Systems Pvt. Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>i) Rajputana Fertilisers Ltd.</li> <li>ii) Super Investments (India) Ltd.</li> <li>iii) MBM Ltd.</li> <li>iv) Avon Mercantile Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>i) SGS Mercantile Pvt. Ltd.</li> <li>ii) Spice Bulls Investments Ltd.</li> <li>iii) MBM Ltd.</li> <li>iv) Avon Mercantile Ltd.</li> </ul>
<b>Chairman / Member of the Committees of the Board of the Companies on which he / she is a Director</b>	<b>IO System Limited :</b> Member - Audit Committee Member - Investor Grievance /Share Transfer Committee	A. Audit Committee 1. MBM Ltd. – Member 2. Avon Mercantile Ltd. – Chairman B. Stateholders Relationship Committee 1. MBM Ltd. – Member 2. Avon Mercantile Ltd. – Member C. Nomination and Remuneration Committee 1. MBM Ltd. – Member 2. Avon Mercantile Ltd. – Member	A. Audit Committee 1. MBM Ltd. – Chairman 2. Spicebulls Investments Ltd. – Member 3. Avon Mercantile Ltd.- Member B. Stakeholders Relationship Committee 1. MBM Ltd. – Chairman 2. Avon Mercantile Ltd. – Member 3. Spicebulls Investments Ltd. – Chairman C. Nomination and Remuneration Committee 1. MBM Ltd. – Chairman 2. Avon Mercantile Ltd. – Chairman 3. Spicebulls Investments Ltd. – Chairman

**DIRECTORS' REPORT**

To,  
The Members,  
IO System Limited.

The Board of Directors of your Company have pleasure in placing before the Members the 26th Annual Report together with the audited Statement of Accounts of the Company for the financial year ended on March 31, 2014.

**FINANCIAL RESULTS**

(Rs. in Lacs)

Particulars	Year Ended March 31, 2014	Year Ended March 31, 2013
Sales and other Income (Net of Excise Duty)	Nil	Nil
Profit / (Loss) before Depreciation & Interest	(52,53,969)	(41,96,391)
Less: Depreciation	9,551	7,896
Profit / (Loss) for the year before Taxation	(52,63,520)	(42,04,287)
Profit / (Loss) for the year after Taxation	(52,63,520)	(42,04,287)
Balance brought forward from previous year	(19,07,18,518)	(18,65,14,231)
Profit / (Loss) at the end of the year	(19,59,82,038)	(19,07,18,518)

**OPERATING RESULTS**

During the year under review, your Company incurred a loss of 52.63 lakhs during the year under review. Your Directors are of the view that the Company is expected to do better in the years to come.

**DIVIDEND**

Your Directors do not recommend any dividend for the year under review in view of the losses incurred in the previous financial years.

**FIXED DEPOSITS**

Your Company has not accepted any fixed deposit during the period under review within the meaning of Section 58-A of the Companies Act, 1956, read with the Companies (Acceptance of Deposits) Rules, 1975.

**DIRECTORS**

Pursuant to the provisions of the Companies Act the term of Mr. Arun Seth, as a Director of the Company, is going to expire at the ensuing Annual General Meeting due to retirement by rotation. Board recommends his re-appointment. However, Mr. Arun Seth, who was also the Manager of the Company, has resigned from the office of the Manager of the Company with effect from 14th August, 2014.

Shri Ramesh Chandra Agarwal and Shri Satish Kumar Gupta, are holding office as Independent Directors of the Company and in accordance with the provisions of the Companies Act, 2013, they are being reappointed as Independent Directors of the Company with effect from 29th September, 2014 to hold office for a term of five years, i.e., upto 28th September, 2019.

There was no other change in the Directorship of the Company during the year under review.

**SUBSIDIARIES**

The Company does not have any subsidiary company(ies).

**AUDITORS**

M/s Gupta Garg & Agrawal, Chartered Accountants, Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Company has received a notice from them stating that if appointed; their appointment will be within the limits laid down under Section 224(1B) of the Companies Act, 1956.

**INTERNAL AUDITORS**

The Board of Directors in their meeting held on 14th August, 2014 have appointed M/s RBAS & Associates, Chartered Accountants, as the Internal Auditors of the Company for the year 2014-15.

**CHIEF FINANCIAL OFFICER (CFO)**

The Board of Directors of the Company in its meeting held on 14th August, 2014 has appointed Mr. Munish Garg, as the Chief Financial Officer (CFO) of the Company and designated him as the Key Managerial Personnel in accordance with Section 203 of the Companies Act, 2013.

**CHIEF EXECUTIVE OFFICER (CEO)**

The Board of Directors of the Company in its meeting held on 14th August, 2014 has appointed Mr. Ravi Garg, as the Chief Executive Officer (CEO) of the Company and designated him as the Key Managerial Personnel in accordance with Section 203 of the Companies Act, 2013.

**AUDITORS' REPORT**

The observations made in the Auditors' Report and Notes on Accounts are self-explanatory and do not require any explanation from the Directors.

**LISTING AT STOCK EXCHANGE(s)**

The Company continues to be listed at Mumbai, Delhi and U.P. Stock Exchanges. The Company also has obtained ISIN for trading in its securities in Demat Form through NSDL and CDSL. The shareholders are advised to take advantage of the said facility.

Since the shares of the Company continue to be listed at Bombay Stock Exchange having nationwide terminals, the Board of Directors in its meeting held on 14th August, 2014 has resolved to delist the shares of the Company from U.P and Delhi Stock Exchanges.

**CORPORATE GOVERNANCE & COMPLIANCE CERTIFICATE**

The Company is committed to follow the standards of good Corporate Governance. As required under Clause 49 of the Listing Agreement with the Stock Exchange(s), the Report on Management Discussion & Analysis, Corporate Governance as well as the Auditor's Certificate regarding Compliance of conditions of Corporate Governance forms part of this Annual Report.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the annual accounts for the period ended on March 31, 2014, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the State of Affairs of the Company at the end of the period and of the Profit or Loss of the Company for the period under review.
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the annual accounts for the period ended March 31, 2014 on a 'going concern' basis.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

Information as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 in respect of energy conservation, technology absorption and foreign exchange earnings and outgo are given in Annexure - A and forms part of this Report.

**PERSONNEL**

There is no employee covered under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975.

**ACKNOWLEDGEMENT**

Your Directors wish to convey their appreciation to the Central Government, various State Governments and the Company's Bankers for all the help and encouragement they extended to the Company. Your Directors would also like to acknowledge the continuous trust and confidence that the Customers and Shareholders have placed in this Company. Your Directors also place on record deep sense of appreciation for the services rendered by the officers and staff of the Company at all levels and for their dedication and loyalty.

**For and on Behalf of the Board of Directors,  
For IO System Limited,**

**Place : Noida  
Date : 14th August, 2014**

**Arun Seth  
Chairman  
(DIN: 00007895)**

**ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO****(A) Conservation of energy**

Since there is no manufacturing activity in the Company, therefore there is no scope for energy consumption and its conservation.

**(B) Technology Absorption**

The information that is required to be disclosed under Rule 2 of the aforesaid Rules is given hereunder in Form B.

**FORM B****FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION RESEARCH AND DEVELOPMENT (R & D)**

1. Specific areas in which R & D was carried out by the Company :	Nil
2. Benefits derived as a result of the above R & D :	Nil
3. Future Plan of Action :	Nil
4. Expenditure on R & D	
(a) Capital :	Nil
(b) Recurring :	Nil
(c) Total :	Nil
(d) Total R&D expenditure as % of total Turnover :	Nil

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

1. Efforts, in brief, made towards technology absorption, adaptation & innovation :	Nil
2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc. :	Nil
3. Information relating to imported technology (imported during the last 5 years reckoned from the beginning of the financial year) :	Nil
C. FOREIGN EXCHANGE EARNINGS AND OUTGO:	Nil

## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

### **Industry Structure and Developments: - Office Automation:**

IO System Ltd. had been the one of the forerunners in the field of Office Automation, providing state of the art products from leading sources across the world. However, due to recession and other factors like easy availability of products from other International markets viz., China, Korea, Taiwan etc. the margins in this business have reduced considerably making it difficult for the companies like us to survive. Though, we have managed to survive all through these years and are hoping that under the guidance and leadership of new CEO and CFO the Company starts earning at the earliest.

### **Outlook/Projections for 2014-15 :**

With the new Government taking charge at the centre, the Company is hopeful of better days ahead in the coming years. The company looks forward to initiate the process of revival by endeavoring to some new line of business as well as introducing the latest range of products from best companies operating globally, once the roadmap for various technologies competing currently becomes clear so that due investment of resources on a long term basis can be made.

### **Internal Control systems and their adequacy:**

During the period under review, Company had adequate internal control system in place and the same was periodically reviewed for its effectiveness.

### **Financials:**

Financial performance has been given separately in the Directors' Report.

### **Material development in HR/IR front:**

Due to closure of manufacturing activity, most of the employees have left the company. The Company has settled the dues of most of the employees related to Gratuity and Provident Fund because the management believes that the employees are valuable assets. The Company follows progressive, employee friendly policies, which are amongst the best in the industry.

### **Cautionary Statement:**

Statements in the 'Management Discussion and Analysis Report describing the Company's objectives, projections, estimates, expectations or predictions may be forward-looking statements within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed in the statement(s). Important factors that could make a difference to the Company's operations include, among others, economic conditions affecting demand/supply and price conditions in domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.

**For and on Behalf of the Board of Directors,  
For IO System Limited,**

**Place : Noida**

**Date : 14th August, 2014**

**Arun Seth  
Chairman  
(DIN: 00007895)**