

**PCS**

TECHNOLOGY

**PCS INDUSTRIES LIMITED**

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**TWENTY THIRD . . .  
ANNUAL REPORT  
2003-2004**

# PCS

TECHNOLOGY

## PCS INDUSTRIES LIMITED

### BOARD OF DIRECTORS

Mr. G. K. Patni	Joint Managing Director
Mr. A. K. Patni	Joint Managing Director
Mr. D. B. Engineer	Director
Mr. Satish Ajmera	Director
Mr. P. V. Mehta	Director
Mr. G. M. Dave	Director
Mr. K. K. Barjatya	Director
Mr. N. K. Patni	Director
Mr. Amit Kumar Patni	Director
Mr. M. Y. Kulkarni	Director
Mr. H. C. Tandon	Whole-time Director
Mr. B. N. Agrawal	Whole-time Director

### COMPANY SECRETARY CUM FINANCIAL CONTROLLER

Mr. J. T. Shah

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### AUDITORS

**S. C. Bandi & Co.**  
Chartered Accountants, Mumbai

### BANKERS

Canara Bank  
Indian Bank  
The United Western Bank Limited  
Dena Bank  
Standard Chartered Bank  
Bharat Overseas Bank Limited

### REGISTERED OFFICE

Plot No. 148/151, Alandi Markaal Road,  
Village Dhanore, Alandi, Dist. Pune - 412106

### PLANT LOCATIONS

- Plant No.1:** Plot No. 148/151  
Alandi Markaal Road, Village Dhanore,  
Alandi, Dist. Pune - 412 106.
- Plant No.2:** Plot No. 110/1/111, Himalaya Ind. Estate,  
Village Amli, Silvassa 396 230
- Plant No.3:** 44/45, Mapusa Industrial Estate,  
Mapusa, Goa 403 507.

### REGISTRAR & SHARE TRANSFER AGENT

M/s. Bigshare Services Pvt. Ltd.  
E-2/3, Ansa Industrial Estate,  
Saki Vihar Road, Saki Naka,  
Andheri (E), Mumbai - 400 072.  
Tel.: 2847 3474/0652/0653/3747/5693 6291  
Fax: 022-2852 5207

MEMBERS ARE REQUESTED TO BRING THEIR COPY OF THE ANNUAL REPORT  
ALONG WITH THEM AT THE ANNUAL GENERAL MEETING

### 23RD ANNUAL GENERAL MEETING

Day, Date & Time	:	Thursday, 30th September, 2004 at 12.00 Noon.
Venue	:	Plot No. 148/151, Alandi Markaal Road, Village Dhanore, Alandi, Dist. Pune - 412106.

# TWENTY THIRD ANNUAL REPORT 2003-2004



## NOTICE TO MEMBERS

**NOTICE** is hereby given that the **Twenty Third Annual General Meeting** of the members of PCS Industries Limited will be held at the Registered Office of the Company at 148/151, Alandi Markaal Road, Village Dhanore, Alandi, Dist. Pune 412 106, on Thursday the 30th day of September, 2004 at 12.00 noon to transact the following business:

### ORDINARY BUSINESS:

1. To receive, approve and adopt the Directors' Report and Audited Profit and Loss Account for the year ended 31st March 2004 and the Balance Sheet as at that date, together with Auditors' Report thereon.
2. To appoint a Director in place of Mr. G. M. Dave, who retires by rotation, and is eligible for reappointment.
3. To appoint a Director in place of Mr. N. K. Patni, who retires by rotation, and is eligible for reappointment.
4. To appoint a Director in place of Mr. K. K. Barjatya, who retires by rotation, and is eligible for reappointment.
5. To appoint the Auditors and to fix their remuneration.

### SPECIAL BUSINESS:

#### 6. REVISION IN TERMS OF REMUNERATION OF WHOLETIME DIRECTOR, MR. H. C. TANDON:

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

'RESOLVED THAT in partial modification of Resolution No.7 passed at the 21st Annual General Meeting of the Company held on 29th September 2001 for the re-appointment and terms of remuneration of Mr. H. C. Tandon as Wholetime Director and in accordance with the provisions of Section 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves of the change in salary scale applicable to Mr. H. C. Tandon with the authority to the Board of Directors to fix his salary within the scale, increasing thereby proportionally all benefits related to the quantum of salary with effect from 01st April 2004, for the remainder of the tenure of his contract as set out in the Supplemental Agreement submitted to this meeting and initialed by the Director of the Company for the purpose of identification is hereby specifically sanctioned."

#### 7. RE-APPOINTMENT OF MR. B. N. AGRAWAL, WHOLE-TIME DIRECTOR OF THE COMPANY:

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

"RESOLVED THAT in accordance with the provisions of Section 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII of the said Act as amended upto date, the Company hereby approves the re-appointment of Mr. B. N. Agrawal, Whole-time Director of the Company on revised terms, conditions and remuneration as set out in the draft Agreement submitted to this meeting and initialed by the Director of the Company, for the purpose of identification, which agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the said terms and conditions of the said appointment including fixation of salary, increasing thereby remuneration and all benefits related to the quantum of salary and/ or agreement in such manner as may be agreed to between the Board of Directors and Mr. Agrawal."

#### 8. RE-APPOINTMENT OF MR. H. C. TANDON, WHOLE-TIME DIRECTOR OF THE COMPANY:

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

"RESOLVED THAT in accordance with the provisions of Section 269, 309, 311 and other applicable provisions if any, of the Companies Act, 1956 read with Schedule XIII of the said Act as amended upto date, the Company hereby approves the re-appointment of Mr. H. C. Tandon, Whole-time Director of the Company on revised terms, conditions and remuneration as set out in the draft Agreement submitted to this meeting and initialed by the Director of the Company, for the purpose of identification, which agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the said terms and conditions of the said appointment including fixation of salary, increasing thereby remuneration and all benefits related to the quantum of salary and/ or agreement in such manner as may be agreed to between the Board of Directors and Mr. Tandon."

#### 9. CHANGE IN THE NAME OF THE COMPANY :

*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 provisions of Section 21 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government the name of the Company be changed from PCS Industries Limited to PCS Technology Limited."

"RESOLVED FURTHER THAT the name PCS Industries Limited wherever it occurs in the Memorandum and Articles of Association of the Company be substituted by the new name "PCS Technology Limited" with effect from the date on

## PCS INDUSTRIES LIMITED

which a fresh Certificate of Incorporation is issued by the Registrar of Companies, Pune, Maharashtra, under Section 23 of the Companies Act, 1956."

### 10. PCS EMPLOYEES' STOCK OPTION SCHEME 2004 (ESOP 2004)

*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 provisions of Section 81(1A), and all other applicable provisions, if any, of the Companies Act 1956, the Memorandum and Articles of Association of the Company and the regulations/guidelines issued by Securities and Exchange Board of India or any other relevant authority on Employees Stock Option Plans, from time to time and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the consent of the company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee, including the ESOP Compensation Committee which the Board may constitute to exercise its powers, including the powers, conferred by this resolution), to create, offer, issue and allot, at any time to or to the benefit of such person(s) who are in permanent employment of the Company, including any Directors of the Company, whether whole time working in India except Promoter Directors, options exercisable for allotment of equity shares being in the aggregate of not more than 15% of the Paid Up equity share capital of the Company so however that the shares to be allotted to the employees / directors working in the Company overseas and/or to any single employee shall not exceed the ceiling, if any, as may be prescribed under any applicable law for the time being in force under a scheme titled "Employee Stock Option Plan 2004" (hereinafter referred to as the "ESOP 2004"), in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board or Committee in accordance with the provisions of the law or guidelines issued by the SEBI and other concerned Authorities as may be prevailing at that time.

**"RESOLVED FURTHER THAT** two types of options – Type A and Type B – under ESOP Plan 2004 for the benefit of employees may be granted on the terms and conditions as set out in the Explanatory Statement annexed hereto."

**"RESOLVED FURTHER THAT** the Board be and is hereby authorised to issue and allot equity shares upon exercise of such options from time to time in accordance with the ESOP 2004 and such equity shares shall rank pari passu in all respects with the then existing equity shares of the Company; except that they shall be entitled to dividend on a pro-rata basis from the date of allotment till the end of the relevant financial year in which the new equity shares are allotted."

**"RESOLVED FURTHER THAT** for the purpose of giving effect to any creation, offer, issue or allotment or listing of the securities, the Board be and is hereby authorised to make modifications, changes, variations, alterations or revisions in the said ESOP 2004 as it may deem fit, from time to time in their sole and absolute discretions in conformity with the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company and any other Rules or Regulations in force for the time being."

**"RESOLVED FURTHER THAT** the Directors be and are hereby authorised to take all necessary or desirable steps for the aforesaid purpose including making of the ESOP 2004 in consonance with the proposals contained in the Explanatory Note hereto and matters incidental thereto."

### 11. EMPLOYEES' STOCK OPTION SCHEME 2004 (ESOP 2004) FOR SUBSIDIARY COMPANIES:

*To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution.*

**"RESOLVED THAT** the benefit of ESOP 2004 proposed under Item No.10 contained in this Notice be also extended to or to the benefit of such persons who are in permanent employment of the subsidiary company(ies) whether in India or abroad, except that the Promoter Directors of such Subsidiaries on the terms and conditions as may be decided by the Board of Directors of the Company or the Compensation Committee as the case may be within the overall limit of 15% of the paid up equity share capital of the Company, that the shares to be allotted to such employees / directors shall be within the ceiling, if any, prescribed under any applicable law for the time being in force."

By Order of the Board

**J. T. SHAH**

Company Secretary cum Financial Controller

Mumbai, July 26, 2004

**Registered Office:**

148/151, Alandi Markaal Road,  
Village Dhanore,  
Alandi, Dist. Pune 412 106

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## Notes:

1. The relevant Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the business under item Nos. 6, 7, 8, 9, 10 and 11 is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.** Proxies, in order to be effective, must be lodged at the Registered office of the company not less than forty-eight hours before the commencement of the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from September 15, 2004 to September 30, 2004 (both days inclusive).
4. Members are requested to notify immediately any change in their address to their respective Depository Participants (DPs) for shares held in electronic form and if the shares are held in Physical form, to the Office of M/s. Bigshare Services Private Limited, Registrar and Transfer Agents of the Company situated at E-2/3, Ansa Industrial Estate, Saki-Vihar Road, Saki Naka, Andheri (East), Mumbai 400 072.
5. The amount of unclaimed dividend for the financial year 1995-96 has already been transferred to the Investor Education & Protection Fund in accordance with Section 205A of the Companies Act, 1956. Please note that as per Section 205C of the Companies Act, 1956 no claims shall lie against the Fund or the Company in respect of Individual amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claims. The Members who have not encashed the dividend warrant(s) for the financial years 1996-97, 1997-98 and 1998-99 are requested to make their claims to the Company.
6. Information pursuant to clause 49 VI(A) of the Listing Agreement for re-appointment of Directors

Name of the Director	Date of Birth	Date of Appointment	Directorships in other companies incorporated in India	Chairman/Member of Other Committees of Companies
Girish M. Dave	12.07.1938	29.09.1995	Birla Global Finance Limited  GIC Asset Management Company Limited IL&FS Investsmart India Limited Mangalore Refinery And Petrochemicals Limited PSI Data Systems Limited  Vinati Organics Limited	Member of the Remuneration Committee  —  Member of the Remuneration Committee Member of the Audit Committee Member of the Audit Committee  Member of the Audit Committee
Narendra Kumar Patni	09.03.1942	29.09.1995	Patni Computer Systems Ltd	Chairman & CEO Member of the Compensation Committee
K. K. Barjatya	25.03.1938	30.10.1995	Rajshri International (P) Ltd. Rajshri Pictures (P) Ltd. Rajshri Productions (P) Ltd. Rajshri Films (P) Ltd. Rajshri Cinemas (P) Ltd. Sargam Pictures (P) Ltd. Rajshri Movies (P) Ltd. Rajshri Movies and Entertainment Industries (P) Ltd. National Storage (P) Ltd.	Director Director Director Director Director Director Director Director Director



# PCS INDUSTRIES LIMITED

## ANNEXURE TO THE NOTICE

**Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956:**

### Item No.6

At the 20th Annual General Meeting of the Company held on 29th September 2001, approval was accorded for salary of Rs.71,100/- per month to Mr. H. C. Tandon - Wholetime Director. Based on the present scenario and improvement in working of the Company, the Board has decided to revise the salary of Wholetime Director, Mr. H. C. Tandon to Rs.94,000/- per month in the scale of Rs.50,000/- to Rs.2,00,000/- per month. With the increase in his basic salary to Rs.94,000/- per month there will be proportionate increase in the value of benefits related to salary for the remaining tenure of his appointment.

All other terms and conditions of the appointment of Mr. H. C. Tandon as approved by the members in their Meeting held on 29.09.2001 will remain unchanged.

The draft of the Supplemental Agreement between the Company and Mr. H. C. Tandon is available for inspection by the members of the Company between 11.00 a.m. and 1.00 p.m. on any working day upto the date of Annual General Meeting of the Company.

This may also be treated as an abstract of the draft Supplemental Agreement between the Company and Mr. H. C. Tandon pursuant to Section 302 of the Companies Act, 1956.

Except Mr. H. C. Tandon, no other Director of the Company is concerned or interested in this resolution.

### Item No. 7

The Board of Directors at their meeting held on July 26, 2004 has re-appointed Mr. B. N. Agrawal, as a Whole-time Director of the Company, for a further period of three years from July 20, 2004, subject to the approval of the members at the ensuing Annual General Meeting on revised terms, conditions and remuneration.

Mr. B. N. Agrawal was appointed for the first time as a Whole-time Director of the Company with effect from July 20, 1995. His present term of appointment as a Whole-time Director of the Company expires on July 19, 2004.

Mr. B. N. Agrawal has done his Engineering in Electronics and Communication from Jadhavpur University of Calcutta. He is associated with the PCS Group from a very long period and looks after Material Management and Product Planning. He was first inducted as an Executive Director of PCS Data General (India) Limited with effect from November 14, 1992 which was merged with PCS Data Products Limited, presently known as PCS Industries Limited. The Board of Directors are of the opinion that his association would bring immense benefit to the Company.

The re-appointment of Mr. B. N. Agrawal as the Whole-time Director of the Company is recommended, for a further period of three years with effect from July 20, 2004 subject to the approval of the members at the ensuing Annual General Meeting on the revised terms, conditions and remuneration

as per the draft Agreement proposed to be entered into between the Company and Mr. B. N. Agrawal.

The draft agreement between the Company and Mr. B. N. Agrawal contain the following main terms and conditions:

Period: 3 years with effect from July 20, 2004

Salary: Rs. 60,000/- per month (Rupees sixty thousand only) in the Salary Scale of Rs.50,000/- to Rs.2,00,000/- per month with the authority to the Board to fix salary as it may deem appropriate.

### Perquisites:

Accommodation (furnished or otherwise) or house rent allowance in lieu thereof.

Medical Reimbursement: Expenses incurred for Mr. B. N. Agrawal and his family, subject to a ceiling of one month's salary in a year or three months salary over a period of three years.

Leave Travel Concession: Leave Travel Concession for Mr. B. N. Agrawal and his family, once in a year, incurred in accordance with the Rules of the Company.

"Family" in relation to the Whole-time Director means:

- (i). the spouse and children of the individual; and
- (ii). the parents, brothers and sisters of the individual or any of them, wholly or mainly dependent on the individual.

City Compensatory Allowance will be paid to him as per the Company's Rules.

Other Allowances: Dearness Allowances, Adhoc Allowance, performance linked incentive, bonus, ex-gratia and other allowances benefits facilities and expenses as decided by the Board from time to time.

The Whole-time Director shall also be eligible for the following perquisites, which shall not be included in computation of ceiling on the Whole-time Director's remuneration as aforesaid:

- i. The Company's contribution to Provident Fund and Superannuation or Annuity Fund, to the extent these either singly or together are not taxable under the Income Tax Act, 1961.
- ii. Gratuity payable to the Whole-time Director as per the Rules of the Company.
- iii. Encashment of leave at the end of the Whole-time Director's tenure.

Provision of car for use on Company's business and telephone at residence will not be considered as perquisites.

Minimum Remuneration: In the event of absence or inadequacy of profits in any financial year during the tenure of the Whole-time Director, the Salary and perquisites payable to Mr. B. N. Agrawal, Whole-time Director of the Company shall not be reduced, but at all times shall be subject to the provisions as regards minimum remuneration notified by the Central Government and any amendments thereto.

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The draft agreement between the Company and Mr. B. N. Agrawal is available for inspection by the Members of the Company at its Registered Office of the Company between 11.00 a.m. and 1.00 p. m. on any working day upto the date of Annual General Meeting of the Company.

This may be treated as abstract of the draft Agreement to be entered into between the Company and Mr. B. N. Agrawal pursuant to Section 302 of the Companies Act, 1956.

Except Mr. B. N. Agrawal, no other Director of the Company is concerned or interested in this resolution.

## Item No. 8

The Board of Directors at their meeting held on July 26, 2004 re-appointed Mr. H. C. Tandon as a Whole-time Director for a further period of three years, subject to the approval of the members at the ensuing Annual General Meeting on the revised terms, conditions and remuneration.

Mr. H. C. Tandon was appointed for the first time as a Whole-time Director of the Company with effect from November 25, 1995. His present term of appointment as a Whole-time Director of the Company expires on November 24, 2004.

Mr. H. C. Tandon has done his Engineering from Birla Institute of Technology, Pillani. He possesses very long experience in the field of Electronics and is associated with the Company since its inception and looks after marketing of Computer Division. He was first inducted on the Board of PCS Data Products Limited as an Executive Director with effect from November 25, 1992 presently known as PCS Industries Limited. The Board of Directors are of the opinion that his association would bring immense benefit to the Company.

The re-appointment of Mr. H. C. Tandon as the Whole-time Director of the Company is recommended, for a further period of three years with effect from November 25, 2004 subject to the approval of the members at the ensuing Annual General Meeting on the revised terms, conditions and remuneration as per the draft Agreement proposed to be entered into between the Company and Mr. H. C. Tandon.

The draft Agreement between the Company and Mr. H. C. Tandon contain the following main terms and conditions:

**Period:** 3 years with effect from November 25, 2004

**Salary:** Rs.94, 000/- per month (Rupees ninety four thousand only) in the Salary Scale of Rs.50,000/- to Rs.2,00,000/- per month with the authority to the Board to fix salary as it may deem appropriate.

### Perquisites:

**Medical Reimbursement:** Expenses incurred for Mr. H. C. Tandon and his family, subject to a ceiling of one month's salary in a year or three months salary over a period of three years.

**Leave Travel Concession:** Leave Travel Concession for Mr. H. C. Tandon and his family once in a year incurred in accordance with the Rules of the Company.

"Family" in relation to the Whole-time Director means:

- (i). the spouse and children of the individual; and
- (ii). the parents, brothers and sisters of the individual or any of them, wholly or mainly dependent on the individual.

City Compensatory Allowance will be paid to him as per the Company's Rules.

**Other Allowances:** Dearness Allowances, Adhoc Allowance, performance linked incentive, bonus, ex-gratia and other allowances benefits facilities and expenses as decided by the Board from time to time.

The Whole-time Director shall also be eligible for the following perquisites, which shall not be included in computation of ceiling on the Whole-time Director's remuneration as aforesaid:

- i. The Company's contribution to Provident Fund and Superannuation or Annuity Fund, to the extent these either singly or together are not taxable under the Income Tax Act, 1961.
- ii. Gratuity payable to the Whole-time Director as per the Rules of the Company.
- iii. Encashment of leave at the end of the Whole-time Director's tenure.

Provision of car for use on Company's business and telephone at residence will not be considered as perquisites.

**Minimum Remuneration:** In the event of absence or inadequacy of profits in any financial year during the tenure of the Whole-time Director, the Salary and perquisites payable to Mr. H. C. Tandon, Whole-time Director of the Company shall not be reduced but at all times shall be subject to the provisions as regards minimum remuneration, notified by the Central Government and any amendments thereto.

The draft agreement between the Company and Mr. H. C. Tandon is available for inspection by the Members of the Company at its Registered Office of the Company between 11.00 a.m. and 1.00 p. m. on any working day upto the date of Annual General Meeting of the Company.

This may be treated as abstract of the draft Agreement to be entered into between the Company and Mr. H. C. Tandon pursuant to Section 302 of the Companies Act, 1956.

Except Mr. H. C. Tandon, no other Director of the Company is concerned or interested in this resolution.

## Item No. 9

The Company, in addition to assembling/manufacturing computer hardware provides computer software and IT enabled services and solutions in the area of computer technology. In order to reflect the broader business activities, it was considered most appropriate to change the name of the Company from PCS Industries Limited to PCS Technology Limited. The Registrar of Companies, Pune, Maharashtra, have approved the availability of new name i.e. PCS Technology Limited. The letter will be available for inspection by the members of the Company at the Registered office of the Company between 11.00 a.m. to 1.00 p.m. on any working

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day except Sundays and holidays upto the date of Annual General Meeting. Consequent to this change it is also necessary to amend Memorandum and Articles of Association to substitute the new name wherever it occurs. The Board recommends the proposal for your approval.

None of the Directors are concerned or interested in the resolution.

### Item No.10 & 11

#### **PCS Employees Stock Option Scheme (ESOP 2004):**

Human resource is the key resource for the continuing growth and development of the Company. To motivate the employees and to enable them to participate in the long-term growth and financial success of the organisation with a common objective of maximising the shareholder value, it is proposed to introduce an Employee Stock Option Scheme (ESOP). ESOP would not only enable the Company to attract and motivate employees by rewarding performance as also to retain best talents but also enable the employees to develop a sense of ownership with the organisation.

#### **Two types of options – Type A and Type B – can be issued under ESOP 2004.**

The Compensation Committee to be constituted by the Board as per SEBI (ESOS and ESOP) Guidelines 1999 will administer the ESOP 2004 and formulate the detailed terms and conditions subject to which both Type A and Type B options would be granted.

The Compensation Committee will, specify, inter alia, the following:

- Quantum of options to be granted to an employee.
- Conditions under which options vested in employees may lapse.
- Time period within which an employee may exercise vested options in the event of termination or resignation.
- Rights of an employee to exercise all vested options at one time or at various points of time within the exercise period.
- Procedure for making a fair and reasonable adjustment to the number of options and to the exercise period, in case of rights issues, bonus issues, other corporate actions, or otherwise.
- Lock in period for the shares issued pursuant to exercise of options.
- Any other related or incidental matter.

The salient features of the ESOP 2004 are presented below.

#### **1. Total number of options to be granted:**

Options exercisable into equity shares being in the aggregate not more than 15% of the Paid up Share capital of the Company will be available for being granted to eligible employees and directors of the Company and its subsidiaries except Promoter Directors. Each option (after it is vested) will be exercisable for one Equity share of

Re. 10 each fully paid-up, and subject to such other limits or ceilings as may be prescribed under applicable law including FEMA or any regulations prescribed thereunder.

#### **2. Identification of classes of employees entitled to participate in the ESOP:**

All permanent employees and directors of the company (excluding promoters) and its present and future subsidiaries as may be decided by the Compensation Committee, from time to time, would be entitled to options under the ESOP 2004.

However, the employees would be granted Stock Options based on performance and such other criteria as the Compensation Committee may, in its absolute discretion decide.

The options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner during the lock in period.

#### **3. Requirements of vesting and period of vesting:**

The Options granted shall vest so long as the employee continues to be in the employment of the Company/the Subsidiary. Vesting of the options shall take place over a period of 5 years with a minimum vesting period of 1 year from the date of grant.

The Compensation Committee may, in its discretion, lay down certain performance metrics on the achievement of which the granted options would vest. The Compensation Committee would also lay down the detailed terms and conditions relating to such performance-based vesting.

#### **4. Exercise Price:**

Type A options would be granted at a price of Rs. 20 per option and Type B options would be granted at a discount of 20% to the market price prevailing on the date of grant.

#### **5. Exercise Period and the Process of Exercise:**

The Exercise period would commence from the date of vesting and will expire on completion of ten years from the date of vesting of options.

The options will be exercisable by the Employees by a written application to the Company to exercise the options in such manner, and on execution of such documents, as may be prescribed by the ESOP Compensation Committee from time to time.

The options will lapse if not exercised within the specified exercise period.

#### **6. Appraisal Process for determining the eligibility of the employees to ESOP:**

The appraisal process for determining the eligibility of the employee will be specified by the Compensation Committee and will be based on criteria such as seniority of employee, length of service, performance record, merit



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of the employee, future potential contribution by the employee and/or such other criteria that may be determined by the Compensation Committee at its sole discretion.

The Compensation Committee would also determine the weight / relative importance to be attached to each criteria for determining the eligibility of the employees.

## 7. Maximum number of options to be issued per employee and in aggregate:

The number of options that may be granted to employees under the Scheme shall be determined by the Compensation Committee from time to time.

## 8. Disclosure and Accounting Policies:

The Company shall comply with the disclosure and the accounting policies prescribed by concerned Authorities.

## 9. Method of option valuation

To calculate the stock-based compensation, the Company shall use the Intrinsic Value method for valuation of the options granted. The difference between the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' Report.

Your Board of Directors felt that it is appropriate to extend the Stock Options to select employees of subsidiary company(ies) as may be decided by the Board of Directors or Compensation Committee thereof, to motivate and retain the best talent. Clause 6.3 of ESOP guidelines requires separate approval of Company's shareholders for allotment of Stock Options to employees of subsidiary company by way of a separate resolution. It is also proposed to issue Stock Options to the employees of the subsidiary company(ies), whether working in India or overseas subject to the regulations in force from time to time.

Pursuant to the ESOP guidelines, approval for grant of Stock Options to the employees of the Company's subsidiary company(ies) is to be accorded by a separate Special Resolution. The Resolution at Item No. 11 is intended to satisfy this requirement and seeks member's approval for this purpose.

Section 81 (1A) of the Companies Act, 1956 provides, inter alia, that whenever it is proposed to increase the subscribed capital of a company by a further issue of equity shares, such shares shall be offered to any persons including the existing members of the Company in the manner laid down in the said Section, unless the members in General Meeting decide otherwise by Special Resolution. To enable the Company to introduce Employee Stock Options, consent of the members is sought for issue of shares as set out in the Resolutions at items Nos. 10 and 11.

Your Directors, therefore, recommend the above resolutions for your approval.

None of the Directors of the Company, are in any way, concerned or interested in the resolution, except to the extent of the securities that may be offered to them under the scheme.

By Order of the Board

**J. T. SHAH**

Company Secretary cum Financial Controller

*Mumbai, July 26, 2004*

### Registered Office:

148/151, Alandi Markaal Road,  
Village Dhanore,  
Alandi, Dist. Pune 412 106

# PCS INDUSTRIES LIMITED

## DIRECTORS' REPORT

To,

The Members,

### PCS INDUSTRIES LIMITED

Your Directors have the pleasure in presenting their Twenty Third Annual Report together with Audited Accounts for the year ended 31st March 2004.

### FINANCIAL RESULTS

Particulars	Year Ended 31.03.2004 (Rs. in lacs)	Year Ended 31.03.2003 (Rs. in lacs)
Net Revenue	28,913	24,303
Gross Profit/(Loss)	519	624
Depreciation	288	285
Profit for the year from Operations	230	339
Bad Debts, Remission & Extra Ordinary Items	69	174
Provisions for Taxation (Net)	40	36
Profit for the year	122	129
Add: Investment Allowance written back	--	18
Surplus brought forward	345	198
Net Surplus available for Appropriation	467	345
Balance Carried to Balance Sheet	467	345

### YEAR UNDER REVIEW

Computer Division of the Company has achieved turnover of Rs. 281 crores as against Rs. 238 crores during the corresponding period in the previous year. The Company has set up additional production facilities at Mapusa, Goa.

A fire occurred in the Silvassa factory in May 2004, which damaged the raw materials. Your Company was able to resume normal operations within a very short time with minimal disruption of operations. Your Company is confident of making up the loss in sales due to this fire during the rest of the year. The factory has adequate insurance coverage, and we expect that the insurance company will settle the claim for damaged stocks in full.

Production activity at the Copper Clad Laminate Division at Pune has remained suspended due to adverse market conditions and tariff structure.

### SOFTWARE & IT SERVICES AND NEW INITIATIVES

During the course of the year under review new equity shares were offered on a Rights basis with the objective of expanding your Company's presence in the Technology space. As you are aware from the details provided in the Letter of Offer your Company has decided to increase our presence in Software and/ or IT Enabled Services.

The Company has developed and launched new web based application software for the courier industry. This application software provides tracing and logistics support to small and medium sized courier, freight handling and logistics companies. The response has been encouraging and your company has several enquiries in hand.

Your Company has commenced building a team for providing software services and consultancy in the software security domain. Key personnel have been appointed and the initial response has been as per internal expectations.

During July 2004 your Company has invested in PCS Infodesk Positioning Systems Private Limited (PIPS). This company is engaged in software services business specializing in the spatial and communications technology domain. PIPS is now a subsidiary of your Company.

### DIVIDEND

In order to conserve the resources of the Company, your Directors express their inability to recommend dividend for the financial year ended 31st March 2004.