



# **PCS TECHNOLOGY LIMITED**

**25th  
Annual Report  
2005-2006**

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PROXY	

**PCS**  
TECHNOLOGY  
**PCS TECHNOLOGY LIMITED**

**BOARD OF DIRECTORS** (As on 29th September, 2006)

Mr. G. K. Patni	Chairman
Mr. A. K. Patni	Vice Chairman & 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. M. Y. Kulkarni	Director
Mr. H. C. Tandon	Jt. Managing Director & CEO

**COMPANY SECRETARY**

Mr. Bhaskar J. Patel

**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  
Union Bank of India  
Central Bank of India

**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  
Fax: 022-2847 5207

**25TH ANNUAL GENERAL MEETING**

Day, Date & Time	:	Wednesday, 20th December, 2006 at 10.00 a.m.
Venue	:	Plot No. 148/151, Alandi Markaal Road, Village Dhanore, Alandi, Dist. Pune – 412106.

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

# PCS TECHNOLOGY LIMITED

## NOTICE TO MEMBERS

**NOTICE** is hereby given that the 25<sup>th</sup> ANNUAL GENERAL MEETING of **PCS Technology 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 Wednesday, 20th December, 2006 at 10.00 a.m. to transact the following business.

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet of the Company as at 30<sup>th</sup> June, 2006 and the Profit & Loss Account for the 15th months financial period ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. P. V. Mehta who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Satish Ajmera who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. G. M. Dave who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office until the conclusion of the next Annual General Meeting and to fix their remuneration.

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

By Order of the Board  
For **PCS Technology Ltd.**

Mumbai  
September 29, 2006

**Bhaskar J Patel**  
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 A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- (2) The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 11th December, 2006 to Wednesday, 20th December, 2006, both days inclusive.
- (3) Members are requested to:
  - (a) intimate to the Company / their Depository Participant ("DP"), changes, if any, in their registered address at an early date;
  - (b) quote their Registered Folio No. and/or DP Identity and Client Identity number in their correspondence;
  - (c) bring their copy of the Annual Report and the Attendance Slip with them at the Annual General Meeting.
  - (d) encash their Dividend Warrants on their receipt as Dividend remaining unclaimed for seven years are now required to be transferred to the 'Investor Education and Protection Fund' established by the Central Government under the amended provisions of the Companies Act, 1956. Pursuant to Section 205A(5) of the Companies Act, 1956, all unclaimed dividend for the financial year 1998-99 will be deposited by the Company with the Central Government on or before 15<sup>th</sup> December, 2006. Members who have not encashed their dividend warrants for the said year are requested to encash the same immediately and the members shall not be able to claim any unpaid dividend from the said fund or from the Company thereafter.
  - (e) to send their queries, if any, at least 10 (ten) days in advance of the meeting so that the information can be made available at the meeting.

4. Information pursuant to Clause 49 of the Listing Agreement for Re-appointment of Directors:

<i>Name of the Director</i>	<i>Date of Birth</i>	<i>Date of Appointment</i>	<i>Directorships in other companies incorporated in India</i>	<i>Chairman/Member of Other Committees of Companies</i>
Mr. P. V. Mehta	12.02.1942	23.07.1987	Bharat Bijlee Ltd.  Hikal Ltd.  Mukund Engineers Ltd.  W H Brady & Co. Ltd.  JBF Industries Ltd.  Advani Hotels & Resorts (I) Ltd.  India Safety Vaults Ltd.  Kristeel Shinwa Industries Ltd.  Omega Management Services Ltd.  Tulsidas Khimji Pvt. Ltd.  Rajasvi Properties Holdings Pvt. Ltd.  KJMC Investment Trust Co. Ltd.	Chairman of Audit Committee of India Safety Vaults Ltd.  Member of Audit & Shareholders Grievance Committee of Bharat Bijlee Ltd.  Member of Audit Committee of Mukund Engineers Ltd.  Member of Audit Committee of Advani Hotels & Resorts (I) Ltd.  Member of Audit & Shareholders' & Investors Grievance Committee of Hikal Ltd.  Member of Investors' Grievance Committee of JBF Industries Ltd.
Mr. Satish Ajmera	26.10.1944	25.06.1990	Lakshmi Mills Co. Ltd. Wires & Fabriks (S.A.) Ltd. S. Ajmera Pvt. Ltd. SRP Infosystems Pvt. Ltd. Universal Luggage Mfg. Co. Ltd.	Chairman of Audit Committee Wires & Fabriks (S.A.) Ltd.
Mr. G. M. Dave	12.07.1938	29.09.1995	Vinati Organics Ltd.  PSI Data Systems Ltd.  IL&FS Investsmart Ltd.  UltraTech Cement Ltd.  Tajir Investment & Properties Ltd.	Member of Audit Committee of Vinati Organics Ltd.  Member of Audit Committee of PSI Data Systems Ltd.  Member of Remuneration Committee of IL&FS Investsmart Ltd.

# PCS TECHNOLOGY LIMITED

## DIRECTORS' REPORT

The Members,  
**PCS TECHNOLOGY LIMITED**

Your Directors have the pleasure in presenting their Twenty Fifth Annual Report together with Audited Accounts for the Fifteenth months period ended 30<sup>th</sup> June, 2006.

### FINANCIAL RESULTS

(Rs. In lacs)

Particulars	15 months financial period ended 30.06.2006	12 months financial year ended 31.03.2005
Gross Revenue	<u>43353</u>	<u>33970</u>
Gross Profit	856	779
Depreciation	249	275
Profit for the year from Operations	607	505
Bad Debts, Remission & Exceptional items	97	265
Provision for Taxation - Net	248	(83)
Profit for the year	262	322
Net Surplus available for Appropriation	1050	788
Balance Carried to Balance Sheet	1050	788

### OPERATIONS

During the current financial period, Your Directors have decided to change the Financial Year of the Company commencing from 1<sup>st</sup> July and ending on 30<sup>th</sup> June. Consequently the current Financial period closes on 30<sup>th</sup> June, 2006 and represents results for a period of 15 months.

During the period under review, your Company has achieved Gross Turnover of Rs. 421.00 crores ( for 15 months) as against Rs 329.00 crores (for 12 months) for the previous financial year.

The production of CCL division of the Company continued to be suspended due to adverse market conditions and low demand.

### SOFTWARE & IT SERVICES AND NEW INITIATIVES

The Company has expanded its product portfolio by launching new products and solutions in Laboratory Management Solutions , GPS/GIS based Solutions and IT security Consulting. These green field portfolio would reap benefits and improve bottom line in the upcoming year.

### DIVIDEND

In order to conserve the resources of the Company, your Directors express their inability to recommend dividend for the current financial period ended 30<sup>th</sup> June, 2006.

### DIRECTORS

During the current financial period the Board has re-constituted & re-designated some Directors w. e. f. 30<sup>th</sup> December 2005 in compliance to revised clause 49 of the listing agreement.

Mr. G. K. Patni as Chairman, Mr. A. K. Patni as Vice Chairman & Jt. Managing Director, Mr. H.C Tandon as Jt. Managing Director & CEO of the Company were re-designated w. e. f. 30<sup>th</sup> December 2005.

Mr. B. N. Agrawal Whole time Director of the Company and Mr. Amit Kumar Patni , Director have resigned from the Board with effect from the close of business hours on 30.12.2005. The Board of Directors of your company wish to place on record their sincere appreciation of the valuable services rendered by them during their tenure.

As per the Article 35 of the Articles of Association of the Company, Mr. P. V. Mehta, Mr. Satish Ajmera and Mr. G. M. Dave, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment on the Board of your Company.

A brief note on Directors retiring by rotation and eligible for re-appointment is furnished in the notice convening the Annual General Meeting.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to sub section (2AA) of Section 217 of the Companies Act, 1956, the Board of Directors of the Company hereby Confirm that:

1. In The Preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. Appropriate accounting policies have been selected and applied consistently and have made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at 30<sup>th</sup> June, 2006 and of the profit of the company for the said period;
3. Proper and sufficient care has been taken 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;
4. Annual Accounts have been prepared on a going concern basis.

## **CORPORATE GOVERNANCE**

A report on Corporate Governance and Management Discussion Analysis is included as part of the Annual Report along with a compliance Certificate from the Statutory Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the amended listing Agreement.

## **DEPOSITS**

Your company has neither invited nor accepted any deposits from the public so far.

## **SUBSIDIARY COMPANIES**

During the current financial period ended 30<sup>th</sup> June, 2006 your company has subscribed 99.43 % equity share capital of PCS Positioning Systems Pvt Ltd., which is incorporated in India under the Companies Act, 1956. Therefore, by virtue of the said investment the PCS Positioning Systems Pvt Ltd., has become the subsidiary company of our company w. e. f. 30.07.2005.

As required under Section 212 of the Companies Act, 1956 the Audited Balance Sheet and Profit & Loss Account for the Financial period ended 30<sup>th</sup> June, 2006 of PCS International Limited, Mauritius , PCS Technology USA, Inc. and PCS Positioning Systems Pvt. Ltd. and the respective reports of the Board of Directors' and Auditors' thereon are annexed.

## **AUDITORS:**

The Company's auditors, M/S S.C.Bandi & Co. Chartered Accountants, retire and are eligible for re-appointment. Your Directors recommend their to re-appointment for the ensuing financial year.

## **PARTICULARS OF EMPLOYEES**

During the current financial period, the Company had no employees covered under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended.

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

The Information required under the above heads in accordance with the provision of section 217(1) (e) of the companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are given in Annexure 'A' to this report.

## **ACKNOWLEDGEMENTS**

Your directors express their warm appreciation to all the employees at various units for their diligence and contribution made towards the growth of the Company. The Board of Directors Place on record their appreciation for the un-stinted support by the Bankers and Financial Institutions and confidence given by the Customers, Suppliers and Shareholders at all levels towards the growth and development of the Company.

On behalf of the Board of Directors

Mumbai  
September 29, 2006

**G. K. Patni**  
Chairman

# PCS TECHNOLOGY LIMITED

## ANNEXURE "A" TO THE DIRECTORS' REPORT

Particulars required under the companies (Disclosure of Particulars in the Report of the Board of Directors) Rule, 1988.

### (A) Conservation of Energy

The Computer Assembly Division of the Company uses only electricity, which is very insignificant in value while considering total volume of operations. The Copper Clad Laminate Division at Pune uses in addition to electricity, Light Diesel Oil, (LDO) which is a Furnace oil for operation the boilers and High Speed Diesel Oil (HSDO) which is a fuel for generation and production of this Division, continued to remain suspended due to adverse conditions.

### (B) Technology Absorption

Not applicable

### (C) Foreign Exchange Earnings/Outgo

Your Company has earned foreign exchange worth Rs 1,104/- lacs and has spent foreign exchange worth Rs.7,873/- lacs under the following heads.

Particulars	(Rs. In lacs)
(i) Raw Material and Components	5,396
(ii) Capital Goods	Nil
(iii) Royalty and other expenses	2,477
<b>Total</b>	<b>7,873</b>

On behalf of the Board of Directors

Mumbai  
September 29, 2006

G. K. Patni  
Chairman

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Scenario & Review

This year the industry witnessed mild growth in value terms. The Desktop Market continued to characterize cutthroat competition with branded Indian, MNC and unbranded companies vying for market share. It has been a tight ropewalk for PC Manufacturers with margins under terrible pressure.

The growth in PC sales, can be attributed to significant consumption by Industry verticals such as telecom, banking & financial services, manufacturing, retail and BPO/IT-enabled services as well as major e-Governance initiatives of the Central and State Governments. The downward trend in pricing continued during the period due to technological reasons and other initiatives of the Industry.

### Performance & Review

#### Computer Division

In keeping with the above scenario your Company has maintained average growth in core business area of manufacturing and marketing of Personal Computers, Servers and Notebooks.

The Computer Division has recorded a Gross Turnover of Rs. 421.00 crores (for 15 months) against previous year Rs 329.00 crores (for 12 months). The key contributors to the growth have been the Government segment through Rate Contracts with DGS&D, Banking and State Governments.

The Company also expanded its Product Portfolio by focusing on Laboratory Management solutions, GPS, GIS based solutions, Facilities Management and IT Security Consulting. These green field portfolios would reap benefits and help in fortifying the bottom line in the upcoming year.

The Company has also stepped up its Network Presence and has positioned itself as the Second largest Service Network in the country with over 165+ direct service location. The Company also initiated operations set up in US and Europe markets to help strengthen overseas business from these markets to ensure rapid growth and business in the upcoming financial year.

#### Manufacturing Operations

The facility at Silvassa achieved ISO 14001 certification. Thus ensuring stringent and ongoing improvements in quality and manufacturing process.

## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

### Opportunities, Threats & Risks

Looking at the opportunities, the Company feels new business are ahead and this is the right time to focus on certain high growth areas. In an effort to shore up margins, your Company has diversified into new areas of business namely Security Consulting, ASP Software Solutions for Courier Industry, Enterprise Business Focus, Laboratory and Hospital Management solutions, GPS & GIS Solutions. The margins in hardware will continue to be under pressure in view of emergence of MNC & Unbranded products.

### Government Policy

The government policy in the current period was not favorable towards the hardware industry with the reintroduction of excise causing a lot of confusion and postponement of sale with upward rise in prices of finished PCs. This affected the Industry and the Company with slowdown in hardware sales in the JFM quarters. This rationalization in excise structure by Government had an immediate slowdown effect as the objective of correcting analogies in the excise and duty structure though genuine; the positive repercussions would only trickle down in the upcoming year.

### Future Outlook

Though the last year was a stagnant growth year with many strategic consolidations and realignment. Also the new verticals, which have seen substantial investments in resources from the management, will start paying returns in the upcoming year. The overseas expansion would also fuel the growth engine and fortify the bottom line in the upcoming year. The re-orientation strategy from a pure product push to solutions push strategy would help in increasing per customer productivity as well as adding new customers. The Company's rapid expansion in sales manpower would ensure better direct market penetration and increasing overall customer base to ensure rapid growth in hardware sales.

### Overseas Subsidiary

#### PCS International Ltd., (Dubai)

Due to unfavourable market condition, faced during the period in Middle East, West Asia and African markets, the sales were lower. The Management is looking into the new area of providing Consultancy in information technology services with new manpower team. The new area is highly potential in revenue generations.

#### PCS Technology USA, Inc.

The US Company has started developing the market for consulting with focuses on GPS, Laboratory & Hospital Management Solutions. Both the activities have started giving encouraging results.

#### PCS Positioning Systems Pvt Ltd

The GPS /GIS based solutions vertical went into complete overhaul with realignment of resources and management structure to ensure more focus and ready to use solutions for the domestic markets. This realignment has resulted in with initial orders from leading corporates. In the upcoming year rapid progress would be seen from this segment

#### Copper Clad Laminates (CCL) Division

The production activities of Copper Clad Laminates (CCL) division at Pune continued to be suspended due to adverse market conditions.

### Budgetary Control

The Company has sound budgeting system in force. The budgets are prepared and variations in the actual and budgeted performance are reviewed periodically.

### Internal Control and Adequacy

Your Company has a Comprehensive Internal Control system across its operations commensurate with its size and operations. Your Company has appointed professional Chartered Accountants firms as internal auditors for its locations for carrying out internal audit on regular basis. The reports of internal auditors are reviewed for corrective actions wherever required.

### Human Resources

Systematic training, development, continuance of productivity and employee satisfactions is some of the highlight of human resources development activities during the year. Employee relations continued to be satisfactory. Your Directors acknowledge and thank employees for their continued contribution.

### Cautionary Statement

*Statement in this Management Discussions and Analysis describing Company's objective and predictions may be "forward looking statement" within the meaning of applicable laws and regulations. Actual results may differ from those expressed herein. Important factors that could make difference to the operations include Government regulations, tax structures, Country's economic development, availability of input and their prices and other incidental factors.*

# PCS TECHNOLOGY LIMITED

## REPORT ON CORPORATE GOVERNANCE

### Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges

The following is a report on the ongoing implementation of the Code by your Company.

#### 1. Company's philosophy on Corporate Governance

The Company firmly believes in good Corporate Governance and has endeavored to practice and improve its focus on it by increasing transparency and accountability to its shareholders in particular and other stakeholders in general.

#### 2. Board of Directors (Board)

The Board of Directors has an optimum mix of Executive and Non-Executive Independent Directors. The present strength of Board is ten members comprising two Joint Managing Directors. There are six Non-Executive Independent Directors on the Board, which is in conformity with the amended Clause 49(1) (A) of the Listing Agreement. The Non-Executive Directors bring independent

judgment in the Board's deliberations and decisions. Independent Directors are Directors, who apart from receiving Director's Sitting Fees and Professional Fees paid to the firm in which some of the Directors are Partners as disclosed in the Notes to Accounts, do not have any other material pecuniary relationship or transactions with the Company, its promoters, its management or its subsidiaries, which in the judgment of the Board may affect the independence of the judgment of the Director.

- Board Meetings held during the financial period / year 8 (eight) board meetings were held during the 15 month financial period ended on 30th June, 2006 on which the following dates :

30.04.2005, 30.07.2005, 29.10.2005, 20.12.2005, 30.12.2005, 30.01.2006, 27.02.2006, 29.04.2006.

- Details of attendance at the Board meetings, Annual General meeting and shareholding of each Director are as follows:

Name of the Director	Category	No. of board meetings attended	Attendance at last AGM held on 10.12.2005	No. of Equity shares held in the Company *
Mr. G. K. Patni Chairman **	Promoter - Non Executive	6	No	579685
Mr. A. K. Patni Vice Chairman & Jt. Managing Director **	Promoter - Executive	7	No	575995
Mr. D. B. Engineer	Non - Executive & Independent	6	No	Nil
Mr. Satish Ajmera	Non - Executive & Independent	5	No	200
Mr. P. V. Mehta	Non - Executive & Independent	3	No	600
Mr. G. M. Dave	Non - Executive & Independent	5	No	100
Mr. M. Y. Kulkarni	Non - Executive & Independent	8	Yes	Nil
Mr. K. K. Barjatya	Non - Executive & Independent	7	No	316
Mr. N. K. Patni	Promoter - Non-Executive	None	No	94079
Mr. H. C. Tandon Jt. Managing Director & CEO **	Executive	7	No	432
Mr. Amit Kumar Patni ***	Non - Executive	4	Yes	261899
Mr. B. N. Agrawal ***	Executive	4	No	Nil

\* The above shareholding as at 30th June, 2006 is in respect of shares which are held by Directors as a first holder and in which shares they have beneficial interest.

\*\* Re-designated w. e. f. 30.12.2005.

\*\*\* Resigned w. e. f. 30.12.2005 on re-constitution of Board in compliance with the provisions of Clause 49 of the Listing Agreement.