

# PRIYA LIMITED

23rd Annual Report 2009-2010



## 23<sup>rd</sup> ANNUAL GENERAL MEETING

Date : 24<sup>th</sup> August 2010.  
 Time : 11.00 A.M  
 Place : "Hall of Harmony", Nehru Centre, Dr. Annie Besant Road,  
 Worli, Mumbai-400 018.

### BOARD OF DIRECTORS

<b>SHRI A. K. BHUWANIA</b>	Chairman
<b>SHRI R. K. SARASWAT</b>	Director
<b>SHRI M. K. ARORA</b>	Director
<b>SHRI ASHISH BHUWANIA</b>	Executive Director
<b>SHRI ADITYA BHUWANIA</b>	Executive Director
<b>SHRI ANUJ BHARGAVA</b>	Director
<b>SHRI P. V. HARIHARAN</b>	Director
<b>SHRI BASAVRAJ LONI</b>	Company Secretary
<b>SHRI RAKESH JAIN</b>	Chief Financial Officer

### BANKERS

Indian Bank  
 Bank of India  
 Union Bank of India

### AUDITORS

M/s. M. L. Bhuwania & Co.  
 Chartered Accountants  
 Mumbai.

### REGISTERED OFFICE

2<sup>nd</sup> Floor 209-210 Kimatrai Building 77-79  
 Maharshi Karve Marg, Marine Lines (E),  
 Mumbai 400002.

### REGISTRAR AND SHARE TRANSFER AGENT (COMMON AGENCY)

Bigshare Services Pvt. Ltd.,  
 E-2/3, Ansa Industrial Estate, Sakivihar Road,  
 Saki Naka, Andheri (East), Mumbai-400 072.  
 Tel: 022-2847 3474, 2847 0652

### EQUITY SHARES ARE LISTED AT:

The Bombay Stock Exchange Ltd (BSE)

### WEBSITE

www.priyagroup.com

CONTENTS	Page Nos.
Board of Directors	
Notice	1
Directors' Report	3
Management Discussion & Analysis Report	5
Corporate Governance Report	7
Auditors' Report	15
Balance Sheet	18
Profit and Loss Account	19
Cash Flow Statement	20
Schedules	21
Notes on Accounts	25
Balance Sheet Abstract	33

**NOTICE**

NOTICE is hereby given that the **Twenty-Third Annual General Meeting** of the members of **PRIYA LIMITED** will be held at "Hall of Harmony", Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai-400 018 on Tuesday, the 24<sup>th</sup> day of August, 2010 at 11.00 A.M. to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31 March, 2010 and Profit & Loss Account for the year ended on that date together with the Auditors' and Directors' Report thereon
2. To declare dividend for the Financial Year 2009-2010
3. To appoint a Director in place of Mr. Arun Kumar Bhuwania, who retires by rotation and being eligible, offers himself for re-appointment
4. To consider & if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**

**"RESOLVED THAT** pursuant to the provisions of Sections 224, 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s. M. L. Bhuwania & Co., Chartered Accountants having Registration No. 101484W issued by the Institute of Chartered Accountants of India, be and are hereby appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting of the Company, on a remuneration to be fixed by the Board of Directors of the Company, based on the recommendation of the Audit Committee, in addition to reimbursement of all out-of-pocket expenses in connection with the audit of the accounts of the Company for the year ending March 31, 2011"

**SPECIAL BUSINESS:**

5. To consider & if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**:

**"RESOLVED THAT** Mr. Anuj Bhargava, who holds office as an Additional Director up to the date of this Annual General Meeting pursuant to Article 91 of the Articles of Association of the Company read with section 260 of the Companies Act, 1956, be and is hereby appointed as Director of the Company."

6. To consider & if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**:

**"RESOLVED THAT** Mr. P.V. Hariharan, who holds office as an Additional Director up to the date of this Annual General Meeting pursuant to Article 91 of the Articles of Association of the Company read with section 260 of the Companies Act, 1956, be and is hereby appointed as Director of the Company."

7. To consider & if thought fit, to pass with or without modification(s), the following resolution as **SPECIAL RESOLUTION**:

**"RESOLVED THAT** in accordance with the provision of Section 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and subject to the approval of the Central Government if applicable, the consent of the Company be and is hereby accorded to the re-appointment of Mr. Aditya Bhuwania as a Whole time Director, designated as 'Executive Director' of the Company, for a period of 5 (five) years with effect from

1<sup>st</sup> September, 2010 on a remuneration of Rs. 75,000/- per month (all inclusive) with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any committee which the Board may constitute to exercise its powers, including the powers conferred by this resolution) to alter and vary the terms and conditions of the said appointment and/or remuneration so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 including any statutory modification(s) or re-enactment thereof, for the time being in force or any amendments and/or modification(s) that may hereafter be made thereto by the Central Government in that behalf from time to time, or any amendments thereto as may be agreed to between the Board and Mr. Aditya Bhuwania **RESOLVED FURTHER THAT** where in any financial year during the tenure of Mr. Aditya Bhuwania, the Company has no profits or its profits are inadequate, the Company will pay minimum remuneration by way of salary, perquisites and allowances not exceeding the ceiling limit specified under Section II of Part II of Schedule XIII to the Companies Act, 1956

**RESOLVED FURTHER THAT** the Board/any Director (s) of the Company be and is hereby authorised to take all such steps as may be necessary, proper or expedient including but not limited to filing of e-form/form (s) with Registrar of Companies, Central Government or such other authorities as the case may be, to give effect to this resolution."

**NOTES:**

1. **MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE MEMBER OF THE COMPANY.**
2. The proxy form, in order to be effective, must be duly completed and deposited at the registered office of the Company not less than 48 hours before the commencement of the Meeting.
3. The register of members and the share transfer books of the Company will remain closed from 18<sup>th</sup> day of August 2010 to 24<sup>th</sup> day of August 2010 (both days inclusive).
4. Dividend recommended for the year ended 31<sup>st</sup> March, 2010 if approved by the members will be paid to those eligible members whose names appear:
  - I. As Beneficial Owners, as on 24<sup>th</sup> August, 2010, as per the list to be furnished by National Securities Depository Ltd. and Central Depository Services (India) Ltd., in respect of shares held in electronic form; and
  - II. As Members in the Register of Members of the Company as on 24<sup>th</sup> August, 2010.
5. Members, who have not given the Bank Account Details earlier, are requested to send the same immediately to enable the Company to pay dividend accordingly.
6. Members are requested to bring their copy of the Annual Report to the Meeting.
7. Members/proxies attending the Meeting should bring the Attendance Slip, duly filled, for handing over at the venue of the meeting.
8.
  - (a) Members holding shares in physical form are requested to advice immediately change in their address, if any, quoting their folio number(s) to the Registrar & Share Transfer Agent of the Company.
  - (b) Members holding shares in the electronic form are

requested to advise immediately change in their address, if any, quoting their Client ID no., to their respective Depository Participants.

7. Members are hereby informed that Dividends which remain unclaimed/unpaid over a period of 7 years from the date of transfer to the Unpaid Dividend Account have been transferred by the Company, pursuant to sub-section (5) of Section 205A of the Companies Act, 1956, to a fund called the Investor Education & Protection Fund established by the Central Government under sub-section (1) of Section 205C of the Companies Act, 1956. Please note that no claim shall lie against the Fund or the Company in respect of the dividend amount so transferred to the Investor Education & Protection Fund.
8. Members may avail dematerialisation facility by opening Demat Accounts with the Depository Participants of either National Securities Depository Limited or Central Depository Services (India) Limited and get the equity share certificates held by them dematerialised. The ISIN No. of the Company is **INE686C01014**.
9. Members desirous of getting any information in respect of accounts of the Company and proposed resolutions, are requested to send their queries in writing to the Company at its registered office atleast 7 days before the date of the meeting, so that the required information can be made available at the meeting.

#### EXPLANATORY STATEMENT U/S. 173

Explanatory Statement as required under section 173(2) of the Companies Act, 1956

##### Item No. 5

Mr. Anuj Bhargava, was appointed as an Independent Additional Director of the Company on 27<sup>th</sup> May 2010

In accordance with the provisions of the section 260 of the Companies Act, 1956 and Article 91 of the Articles of Association of the Company, the above Director hold office till the date of the next Annual General Meeting.

The Company has received Notices from two members in writing under section 257 of the Companies Act, 1956 separately signifying their intention to propose the aforesaid person respectively for appointment to the office of Director at the ensuing Annual General Meeting of the Company.

Keeping in view the qualification and an experience possessed by Mr. Anuj Bhargava, your Directors feel that appointment of the said person as Independent Director will be beneficial to the Company and accordingly recommend the resolutions set out in item no. 5 of the notice convening Annual General Meeting, for your approval

Mr. Anuj Bhargava do not hold any shares in the Company. Mr. Anuj Bhargava is concerned or interested in the resolution relating to his appointment, excepting him no other Directors of the Company is in any way concerned or interested in the said resolution.

##### Item Nos. 6

The Board of Directors in their meeting held on 27<sup>th</sup> May 2010 appointed Mr. P.V. Hariharan, as an Independent Additional Director of the Company with effect from 1<sup>st</sup> July, 2010.

In accordance with the provisions of the section 260 of the Companies Act, 1956 and Article 91 of the Articles of Association of the Company, the above Director hold office till the date of the next Annual General Meeting.

The Company has received Notices from two members in writing under section 257 of the Companies Act, 1956 separately signifying their intention to propose the aforesaid person respectively for appointment to the office of Director at the ensuing Annual General Meeting of the Company.

Keeping in view the qualification and an experience possessed by Mr. P.V. Hariharan, your Directors feel that appointment of the said person as Independent Director will be beneficial to the Company and accordingly recommend the resolutions set out in item no. 6 of the notice convening Annual General Meeting, for your approval

Mr. P.V. Hariharan holds 500 equity shares of the Company. Mr. P.V. Hariharan is concerned or interested in the resolution relating to his appointment, excepting him no other Directors of the Company is in any way concerned or interested in the said resolution.

##### Item Nos. 7

Mr. Aditya Bhuwania, aged 36 years is by qualification B.Sc. (Business Computer system) from Bradley University, Pearle, Illinois (U.S.A) and has over 14 years experience in the field of computer hardware.

Mr. Aditya Bhuwania is also Director of Priya International Ltd., Brent Properties Investment Private Ltd., Cheshire Properties Investments Private Ltd., Halifax Properties Investments Private Ltd., and Gaurav Electrochem Private Ltd.,

The Board of Director vide their resolution dated 27<sup>th</sup> May 2010 re-appointed Mr. Aditya Bhuwania as the Whole Time Director, designated as Executive Director for the period of five years with effect from 1<sup>st</sup> September, 2010, subject to the approval by a resolution of the shareholders in forthcoming Annual General Meeting.

The Remuneration Committee of Directors of the Company vide their resolution passed in their meeting dated 27<sup>th</sup> May 2010, approved the reappointment and payment of remuneration to Mr. Aditya Bhuwania

In view of the increased activities and contribution to the Company of Mr. Aditya Bhuwania his re-appointment as Executive Director is considered essential. Mr. Aditya Bhuwania is well aware of the intricacies of the Company's business and is expected to duly discharge the functions of Executive Director. He is agreeable to continue to serve the Company on the terms & condition, if re-appointed. The Board of Directors has recommended his re-appointment as Executive Director for a further period of 5 years with effect from 1<sup>st</sup> September, 2010 (i.e. from 1.09.2010 to 31.08.2015). The re-appointment has to be approved by a resolution of the shareholders in forthcoming annual general meeting. The approval is being sought by proposing resolution in item no. 6 In compliance of provisions contained in schedule XIII of the Companies Act, 1956, the resolution approving the appointment and payment of remuneration is placed before the annual general meeting of the shareholders for their approval.

This statement should be treated as an abstract of the terms & conditions of the contract with Mr. Aditya Bhuwania for the purpose of section 302 of the Companies Act, 1956.

Mr. Aditya Bhuwania, Mr. A. K. Bhuwania, & Mr. Ashish Bhuwania, Directors of the Company are deemed to be concerned or interested in the resolution.

For and on behalf of the Board  
For Priya Limited

**Basavraj Loni**  
Company Secretary

Place : Mumbai  
Dated : 27<sup>th</sup> May, 2010.

##### Registered Office:

2<sup>nd</sup> Floor, 209-210 Kimatrai Building, 77-79,  
Maharshi Karve Marg, Marine Lines (E),  
Mumbai-400002

**DIRECTORS' REPORT**

To  
The Members,

Your Directors have pleasure in presenting the **23rd Annual Report** together with the Audited Accounts of your Company for the financial year ended 31<sup>st</sup> March, 2010.

**FINANCIAL RESULTS**

	(Rs. in Lacs)	
	Year Ended 31/03/2010	Year Ended 31/03/2009
<b>Sales</b>		
Export	11252.08	12703.60
Local	7963.84	7331.47
	<b>19215.92</b>	<b>20035.07</b>
Other Income	149.47	138.83
	<b>19365.39</b>	<b>20173.90</b>
Profit/ (Loss) before Tax and Extra Ordinary Item	187.44	371.88
Extra ordinary item	-	-
Profit/ (Loss) before Tax and after Extra Ordinary Items	187.44	371.88
Provision for taxation-Current Tax	67.70	68.60
Provision for taxation-Wealth Tax	-	6.46
Provision for taxation-Deferred Tax	(1.17)	42.93
Provision for taxation-Fringe Benefit Tax	-	4.80
	<b>120.91</b>	<b>249.09</b>
(Add)/Less: Taxation of earlier years	9.13	(0.71)
Profit/(Loss) After Tax	111.78	249.80
Add: Balance brought forward	338.24	88.44
Profit available for appropriation	450.02	338.24
Appropriations		
Proposed Dividend	15.01	0.00
Corporate Dividend Tax	2.49	0.00
Balance carried to Balance Sheet	432.52	338.24
	<b>450.02</b>	<b>338.24</b>

**DIVIDEND**

Your Directors are pleased to recommend a dividend of Rs. 0.50 per equity share (i.e. @ 5%) on 30,02,300 fully paid equity shares of Rs. 10/- each for the financial year ended 31<sup>st</sup> March 2010. The said dividend will absorb a sum of Rs. 15,01,150/-

**OPERATIONS**

Your Company has achieved aggregate turnover of Rs. 19365.39 lacs in the year 2009-2010 as compared to Rs. 20173.90 lacs in the previous year. The Company has earned profit after tax and exceptional item of Rs. 111.78 lacs in 2009-

2010 as compared to Rs. 249.80 in the previous year.

There is slight decrease in turnover due to the economic down turn in USA & in European countries, which has affected the profitability of the Company. However your Company has been able to cut down its costs as compared to previous year.

Keeping pace with the changing dynamics of the industry and striving in very competitive European market, your Company has still been able to perform well during the year. There is a marginal increase in local sales & decrease in export of electronics & chemicals products compared to last year.

We expect better performance in the coming periods.

Your Company is concentrating in the marketing of VXL thin clients and other computer peripherals such as Notebooks from MSI and Computer peripherals (Keyboard/Mouse, Gaming Cabinets and SMPS), networking products from SMC, and is targeting a greater market share in these key areas. Your Company is also thriving to build an image of a complete system solution provider by marketing enterprise level software in the Indian Market.

All the branches are adequately equipped to provide complete support to the customers. Internal control systems have been well established and cost consciousness in branch operations has also led to improved profitability.

Your Directors are hopeful of improving upon the last financial year's results for the Company during the current year.

**DIRECTORS**

As per the provisions of Section 256 of the Companies Act, 1956, Mr. A. K. Bhuwaria, Director of the Company shall be liable to retire by rotation at the ensuing Annual General Meeting and he, being an eligible to offers himself for re-appointment.

Mr. Anuj Bhargava was appointed as Independent Additional Director on the Board of Directors in their meeting held on 27<sup>th</sup> May 2010. In terms of Article 91 of the Articles of Association of the Company read with section 260 of the Companies Act, 1956 Mr. Anuj Bhargava, hold office upto the date of the forthcoming Annual General Meeting of the Company. The Company has received notices in writing pursuant to section 257 (1) of the Companies Act, 1956 from two members signifying their intention to propose his name for election to the Office of Director at the ensuing Annual General Meeting.

Mr. P.V. Hariharan, was appointed as Independent Additional Director with effect from 1<sup>st</sup> July, 2010, on the Board of Directors in their meeting held on 27<sup>th</sup> May 2010. In terms of Article 91 of the Articles of Association of the Company read with section 260 of the Companies Act, 1956 Mr. P.V. Hariharan, hold office upto the date of the forthcoming Annual General Meeting of the Company. The Company has received notices in writing pursuant to section 257 (1) of the Companies Act, 1956 from two members signifying their intention to propose his name for election to the Office of Director at the ensuing Annual General Meeting.

The members are requested to consider his appointment as specified in item no. 6 of notice convening Annual General Meeting.

The Board of Directors at their meeting held on 27<sup>th</sup> May, 2010 re-appointed Mr. Aditya Bhuwaria as Whole Time Director, designated as Executive Director for a period of 5 years, with effect from 1<sup>st</sup> September, 2010 subject to approval of members

in the ensuing annual general meeting,. Keeping in view his experience and expertise and the increased activities of the Company, a resolution is proposed in the notice convening Annual General Meeting for the re-appointment of Mr. Aditya Bhuwania, as Whole Time Director designated as Executive Director, on terms & conditions detailed in the resolution.

The members are requested to consider his re-appointment as specified in item no. 6 of notice convening Annual General Meeting.

#### AUDITORS

M/s. M. L. Bhuwania & Co., Chartered Accountants who are to retire at the conclusion of the forthcoming Annual General meeting, have offered themselves for re-appointment as Auditors of the Company. A written certificate to the effect that their appointment, if made, would be within the prescribed limits under Section-224(1B) of the Companies Act, 1956, has been obtained by the Company from them. The members are requested to consider their re-appointment and fix remuneration.

#### AUDITORS REPORT

The auditors reports do not contain any reservation, qualification & adverse remark for the financial year under review.

#### HUMAN RESOURCE

Employee relations throughout the Company were harmonious. The board wishes to place on record its sincere appreciation of the sincere efforts of all employees in advancing the Company's vision and strategy to deliver best quality services to its valued customers.

#### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

As required in terms of Listing Agreement with the Stock Exchange(s), a Management Discussion and Analysis Report is annexed forming part of this Annual Report.

#### REPORT ON CORPORATE GOVERNANCE

The Company has, pursuant to Clause 49 of the Listing Agreement with Stock Exchange, complied with the requirements of Corporate Governance.

A Report on Corporate Governance and a Certificate from the Auditors' regarding the compliance of Corporate Governance conditions are made part of this Annual Report.

#### INSURANCE

All insurable assets of the Company including inventories, warehouse premises etc. are adequately insured.

#### BANKS

Your Directors wish to place on record their appreciation for the support from Company's bankers namely Indian Bank, Bank of India and Union Bank of India.

#### DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217 (2AA) of the Companies Act, 1956, the directors confirm that:

- i) In the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departure;
- ii) Appropriate accounting policies have been selected and have applied them consistently and made judgments and estimates that are 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 financial year 2009-2010 and Profit of the Company for that the year ended on 31<sup>st</sup> March, 2010;
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records, in

accordance with the provisions of the Companies Act, 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.

#### DEMATERIALIZATION

Your Company has tied up with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) to enable the shareholders to trade and hold shares in an electronic/dematelized form. The shareholders' are advised to take benefits of dematerialization.

#### LISTING OF SHARES

Your Company's shares have been listed on The Bombay Stock Exchange Limited, (BSE). The Company had applied for de-listing of equity shares from The Calcutta Stock Exchange Ltd. (CSE) and the said de-listing permission is in process and the Company is constantly following up with the Exchange for completion of the process. The listing fee for the financial year 2010-2011 was duly paid to BSE.

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

##### CONSERVATION OF ENERGY:

The scope for conservation of energy is limited in the type of industry in which your Company is engaged. However, the Company continues to accord high priority to conservation of energy by opting for more power effective replacements of equipments and electrical installations. No specific investment proposals are envisaged.

Form 'A' of Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is not applicable as our industry is not included in the Schedule to the said Rules.

##### TECHNOLOGY ABSORPTION:

Your Company continues to utilize the R & D facilities available with it. The Company has not imported any technology during the year under review.

##### FOREIGN EXCHANGE EARNINGS AND OUTGO:

The relevant information in respect of the foreign exchange earnings and outgo has been given in the Notes forming part of the Accounts for the year ended on 31<sup>st</sup> March, 2010.

##### PARTICULARS OF EMPLOYEES:

As required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, the Company has no employees who were in receipt of the remuneration of Rs.24,00,000/- or more per annum during the year ended 31<sup>st</sup> March, 2010 or Rs.2,00,000/- or more per month during any part of the said year.

##### APPRECIATION

Your Directors wish to place on record their grateful thanks to the Banks and various Government Authorities for their valuable assistance and co-operation and for the trust and confidence reposed in the Company by the shareholders of the Company.

For and on behalf of the Board  
For Priya Limited

Aditya Bhuwania  
Executive Director

R.K. Saraswat  
Director

Place : Mumbai  
Dated : 27<sup>th</sup> May, 2010.



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Company is engaged in the business of international trade of electronic products and export of dyestuffs, bulk pharmaceuticals and intermediates.

### 1.1 INDUSTRY STRUCTURE AND DEVELOPMENTS

#### Electronics Division:

Electronics and Information Technology is the fastest growing segment of Indian industry in terms of both - production and exports. According to International Data Corporation, India Fiscal Year 2009-2010 saw the revival of PC sales growth with a growth of 7.6% (from 2008-2009). This was on the back of an 8.1% decline in fiscal year 2008-2009 from the period 2007-2008. The overall India PC market sales touched 22.40 lakh units during the January-March 2010 quarter recording a 33% year-on-year (1Q 2010 over 1Q 2009) and a 14% quarter-on-quarter (1Q 2010 over 4Q 2009) increase.

Desktop PC sales accounted for nearly two-thirds of total PC sales at 14.36 lakh units, representing 18 percent growth year-on-year (1Q 2010 over 1Q 2009). The sales of Notebook computers grew at 72 percent year-on-year (1Q 2010 over 4Q 2009) clocking 8.03 lakh shipments, the highest in a quarter.

The virtual decline in computer prices in the past few years has considerably increased affordability of computers. Also, easy finance schemes, SOHO and SME segments, remarkable rise in IT and IT enabled service markets, e-governance initiatives by Central and State governments and various government departments apart from demand from households, together have bolstered the pace of growth.

#### Chemical Division:

The Chemical Industry of India is one of the fastest developing industries with an average growth of 14% per annum. The increasing demand of chemical products has played a vital role in the expansion of the sector and has triggered the restoration of chemical plants in India.

### 1.2 OPPORTUNITIES AND THREATS

#### Electronics Division:

We have improved the distribution network of VXL thin clients which is one of the global market leaders in the industry. Thin client concept is becoming increasingly important globally, where we are continuing to establish a strong market position. We are targeting both - the domestic and international markets.

The change of focus from component marketing to a solution providing Company has produced positive results. This division is facing stiff competition from multinational companies both Indian and Foreign. Attrition level is also high in this industry which also affects the sustenance of better performance.

#### Chemical Division:

The onslaught by the emerging Asian and other smaller countries continues despite the efforts by the Western and Indian governments resorting to impose anti-dumping duties. A thorough review of all the products is called for to identify only the profit making and sustainable products. Completion of this exercise should help us to re-enter the market with better vision and focus. Exercise is on

in this direction, which can also include a review on exports of bulk chemicals, pharmaceutical intermediates and also Bulk Pharmaceuticals.

### 1.3 SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

#### Electronics Division:

The overall performance during the year was satisfactory in comparison with the last year excepting marginal decrease in turnover. The segment result, before adjustment for unallocated expenses (net) and provisions for taxation, marginally decreased to Rs. 883.56 Lacs as compared to Rs. 1006.57 Lacs in the previous year.

#### Chemical Division:

There is decrease in the turnover and the margin too has decreased in the same period.

### 1.4 FUTURE OUTLOOK

#### Electronics Division:

The electronic industry shows no sign of recession, or even much of a slow down. The growing Indian market for electronic products is over US\$72 bn and is growing at about 20% per annum.

Big corporate houses, banks, educational and healthcare segments are increasingly opting for the Thin Client technology in comparison to P.C - Server technology which will increase the available market for our Electronic division.

We have set up a strong technical support team to provide total network solutions which in the long term will, enhance competitiveness and maintain profitability.

#### Chemical Division:

New product range is contributing to the otherwise low demand market. Efforts are on to concentrate on new product ranges to increase business. Some of the Latin American countries like Argentina have been given open cover by ECGC. We are trying to revive business in these countries.

### 1.5 RISKS AND CONCERNS

#### Electronics Division:

Rapidly changing technology, shift in consumer taste and increasing competition are the matters of main concerns. The depreciation of Rupee against Dollar affects the margins to a great extent and this is an imminent threat to profitability.

The competition between multinationals to capture the market has resulted in the reduction in margins. The talent crunch in research and development affects the introduction of novel products. Quickly vanishing dealers are adding to the bad debt pile for the industry as a whole and is another area of concern.

#### Chemical Division:

There is a severe shortage of raw materials (both local and imported) and suppliers are finding it difficult to complete production within the given time frame. This has resulted in buyers either sourcing from elsewhere or postponing their requirements. The exchange rate and the appreciating Rupee are again areas of concern in our Exports.

**1.6 INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has adequate internal control systems/procedures in place covering all facets of business. The internal control systems/procedures are reviewed periodically and updated/ modified on need basis. The Company has an effective information technology system support in various important operational and financial areas to facilitate control systems.

The Internal control systems/procedures are commensurate with the size and nature of the business of the Company.

**1.7 DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE**

The Company has achieved a sales turnover of Rs. 19,215.92 Lacs in the year 2009-10 as compared to Rs. 20,035.07 Lacs in 2008-2009, reflecting a strong growth in the electronic export business. The Company has earned a profit (before tax and extra ordinary items) of Rs 187.44 Lacs as compared to a profit (before tax and extra ordinary items) of Rs. 371.88 Lacs in the previous year.

**1.8 MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED**

**Human Resources:** The Company and its management value the dedication of its employees and acknowledge their contribution in achieving the long term and short term goals of the Company. Human Resources Development activities predominantly comprised of training and development of employees. Apart from the normal training programs for the employees, the Company has carried out various organizational development processes, primarily to bring about transformation process within the organization.

There is a system in place for the development of Human Resource in the Company. The Developmental activities are taken up by the Company from time to time, comprising of Training and Development of all of its employees and are commensurate with the size and nature of the business of the Company.

**Industrial Relations:** Industrial Relations through out the year continued to remain very cordial and satisfactory.

Statements in "Management Discussion and Analysis" describing the Company's objective, objectives and assessments etc. may be forward looking within the meaning of applicable laws and regulation. Actual results may differ from the statements expressed therein. Important factors that could influence the Company's operations include demand and supply conditions affecting selling prices of finished goods, availability of inputs and their prices, change in Government policy, legislation and tax rates; political defense and economic development within and outside the country and other factors such as litigation and industrial relations.



### CORPORATE GOVERNANCE REPORT

#### 1. COMPANY'S PHILOSOPHY

The Company is committed to adopt the best Corporate Governance practices and endeavours continuously to implement the code of Corporate Governance in its true spirit. The philosophy of the Company in relation to Corporate Governance is to ensure transparency in all its operations, make disclosures and enhance shareholders' value without compromising in any way in complying with the laws and regulations.

The Board of Directors acknowledges that it has a fiduciary relationship and a corresponding duty towards the stakeholders to ensure that their rights are protected. Through the Governance mechanism in the Company, the Board along with its Committees endeavours to strike a right balance with its various stakeholders.

#### 2. BOARD OF DIRECTORS

##### **Composition of the Board:**

The Board of Directors of the Company has an optimum combination of Executive and Non-Executive directors. The numbers of Non-Executive Directors are not less than 50% of the Board of Directors.

The Chairman of Board of Directors is Non-Executive Promoter and 1/3<sup>rd</sup> of the Board consists of Independent Directors, however the Company has appointed one more Independent Additional Director on 27<sup>th</sup> May 2010, so as to fulfill listing agreement requirement.

None of the Directors on the Board is a member of more than 10(ten) committees and Chairman of more than 5 (five) committees as per Clause 49 of listing agreement across all Companies in which they are Directors.

Four Board Meetings were held during the financial year 2009-2010 on the following dates:

30<sup>th</sup> June 2009, 31<sup>st</sup> July 2009, 31<sup>st</sup> October 2009 & 29<sup>th</sup> January 2010

The gap between two Board meetings is not more than 4 (four) months as per the Clause-49 of the Listing Agreement.

The particulars of Directors, their category, relationship interse, number of shares held, attendance and other directorship, membership/chairmanship of the Board of Directors / Committees are furnished below:

Name of Director	Category	Relationship Interse	Attendance			No. of outside directorships and Committee membership / Chairmanship		
			No. of Shares Held	Board Meeting	Last AGM*	Public Limited Company Directorship	Committee membership **	Chairmanship **
Mr. A. K. Bhuwania	Promoter / Non-Executive Chairman	Father of Ashish Bhuwania and Aditya Bhuwania	569710	3	No	2	-	2
Mr. R. K. Saraswat	Independent / Non-Executive Director	—	NIL	4	Yes	2	-	2
Mr. M. K. Arora	Independent / Non-Executive Director	—	NIL	4	Yes	6	2	0
Mr. Anuj Bhargava #	Independent / Non-Executive Director	—	NIL	NA	NA	-	-	-
Mr. P. V. Hariharan ##	Independent / Non-Executive Director	—	NIL	NA	NA	1	-	-
Mr. Ashish Bhuwania	Promoter / Executive Director	Son of A. K. Bhuwania and Brother of Aditya Bhuwania	225200	0	No	-	-	-
Mr. Aditya Bhuwania	Promoter / Executive Director	Son of A. K. Bhuwania and Brother of Ashish Bhuwania	140300	4	Yes	1	-	-

##### **NOTE:**

The above Directorship excludes Directorship in Indian Private Limited Companies, Foreign Companies, Companies under section 25 of the Companies Act, 1956 and membership of Managing Committees of various bodies.

\* Annual General Meeting (AGM) for the financial year 2008-09 was held on 23<sup>rd</sup> September 2009.

\*\*Only Chairmanship / Membership of Audit Committee and Share Holders Grievance Committee have been considered, excluding in Priya Limited.

# Appointed as Independent Additional Director w.e.f. 27<sup>th</sup> May 2010

## Appointed as Independent Additional Director w.e.f. 1<sup>st</sup> July 2010

##### **Board procedure**

The Board meets atleast once in a quarter to inter alia, to review the quarterly performance and the financial results. The Board meetings are generally scheduled well in advance and the notice of each Board meeting is given in writing to directors of the Company. The Board papers, comprising the agenda backed by comprehensive background information are circulated to the Directors in Advance.

The information as specified in annexure IA to clause 49 of the listing Agreement is regularly placed before / made available to the Board wherever applicable.

The Board periodically reviews compliance reports of various laws applicable to the Company.

#### **Appointment and re-appointment of directors**

As per the provisions of Section 256 of the Companies Act, 1956, Mr. A. K. Bhuwania, Non Executive Chairman & Director of the Company shall be liable to retire by rotation at the ensuing Annual General Meeting and he, being eligible to offer himself for re-appointment.

The Board of Directors at their meeting held on 27<sup>th</sup> May, 2010 re-appointed Mr. Aditya Bhuwania as Whole Time Director and re-designated as Executive Director for a period of 5 years, with effect from 1<sup>st</sup> September, 2010 subject to the approval by special resolution of the shareholders in forthcoming Annual General Meeting.

Mr. Anuj Bhargava was appointed as Independent Additional Director on the Board of Directors in the Board meeting held on 27<sup>th</sup> May 2010.

Details of the same are given in the Notice convening the ensuing Annual General Meeting.

### **3. BOARD AND OTHER COMMITTEES:**

The Board of Directors had constituted the following committees:

- I. Audit Committee
- II. Remuneration and Compensation Committee
- III. Share holders Grievance Committee
- IV. Share Transfer Committee.

#### **I) AUDIT COMMITTEE**

##### **i. Terms of Reference:**

The Audit Committee of the Board of Directors of the Company, interalia, provides assurance to the Board on the adequacy of the internal control systems and financial disclosures.

##### **ii. Power of Audit Committee:**

The audit committee shall have powers, which should include the following:

- a) To investigate any activity within its terms of reference;
- b) To seek information from any employee;
- c) To obtain outside legal or other professional advice;
- d) To secure attendance of outsiders with relevant expertise, if it considers necessary.

##### **iii. Role of Audit Committee:**

The role of the audit committee shall include the following:

- a) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b) Recommending to the board, the appointment, re-appointment and if required, the replacement or removal of the statutory auditor and the fixation of audit fee.
- c) Approval of payment to statutory Auditors for any other services rendered by the statutory auditors.
- d) Reviewing with management the annual financial statements before submission to the board for approval, with particular reference to:
  - i) Matter required to be included in the Directors Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
  - ii) Changes, if any, in accounting policies and practices and reasons for the same.
  - iii) Major accounting entries involving estimates based on the exercise of judgment by management.
  - iv) Significant adjustments made in the financial statements arising out of audit findings.
  - v) Compliance with listing and other legal requirements relating to financial statements.
  - vi) Disclosure of related party transactions.
  - vii) Qualifications in draft audit report.
- e) Reviewing with the management, the quarterly financial statements before submission to the board for approval
- f) Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- g) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of the internal audit.