



# **SPARC SYSTEMS LIMITED**

**ANNUAL REPORT 2003 - 2004**



**BOARD OF DIRECTORS**

J.T. D'souza Chairman & Managing Director  
Anand Raj Jain Director  
Punit Neb Wholetime Director  
P. S. Patel Director  
Ralph D'souza Director  
Santosh Shetty Director

**BANKERS**

Union Bank of India  
Indian Overseas Bank  
ICICI Bank

**AUDITORS**

M/s. Bhandari Pradeep & Co.  
Chartered Accountants, Mumbai

**REGISTERED OFFICE & WORKS**

Plot No.11 Survey No.118/1 - 2  
Village Pundhe, At Post Athgaon  
Dist. Thane - 421301

**CORPORATE OFFICE**

138, Hiranandani Industrial  
Estate,  
Kanjurmarg (W),  
Mumbai 400078  
Ph: 25770864 / 2579 6698 /  
25791165  
Fax: 25796698  
Email: sparc@bom3.vsnl.net.in

**SHARE TRANSFER AGENTS**

Mondkar Computers Pvt. Ltd.  
21 Shakil Niwas,  
Mahakali Caves Rd.  
Andheri (E), Mumbai - 400093  
Ph: 28257641 / 28366620  
Fax: 28211996  
Email: mcplrt@bom3.vsnl.net.in

**NOTICE TO THE MEMBERS**

NOTICE is hereby given that the Fifteenth Annual General Meeting of the members of Sparc Systems Limited will be held on Thursday, the 30<sup>th</sup> September 2004, at 10.30 am. at the Registered Office of the Company at Plot No. 11, Survey No. 118-1 & 2, Village Pundhe, Tal. Shahapur, At Post Athgaon - 421301, to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider, and adopt the Audited Balance Sheet as at March 31, 2004 and the Profit and Loss Account for the year ended on that date and the Reports of Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Ralph D'souza, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Santosh Shetty, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE IN HIS PLACE AND THE 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 27.09.2004 to 30.09.2004. (both days inclusive).
3. Members seeking any information with regard to Accounts are requested to write to the Company at an early date so as to enable the Company to keep the information ready.
4. Members are requested to:
  - a. Notify immediately any change in their address to the Company's Share Transfer Agents;
  - b. Bring their copy of the Annual Report and the Attendance Slip with them at the Annual General Meeting.

For and on behalf of the Board

J.T. D'souza  
Chairman & Managing Director  
Mumbai, 17<sup>th</sup> July 2004

**DIRECTORS' REPORT TO THE MEMBERS**

Members present the Fifteenth Annual Report together with the Audited Statement of Accounts of Company for the year ended 31st March 2004.

**FINANCIAL HIGHLIGHTS**

	Rs. in lacs	
	2003-2004	2002-2003
Profit before Depreciation	6.53	2.60
<b>Less:</b> Depreciation	5.78	5.87
Profit after Depreciation	0.75	(3.27)
<b>Less:</b> Provision for Taxation	--	--
<b>Add:</b> Deferred Tax assets / Liabilities	.38	(0.32)
Profit after Tax	1.13	(3.59)
<b>Add:</b> Balance Profit brought forward from Previous Year	(21.52)	(17.93)
Deferred Tax Assets	--	---
Surplus carried to Balance Sheet	(20.39)	(21.52)

**OPERATIONS**

During the year under review, the Company continues to pursue Software and Hardware Solutions for Office Automation, Electronic Security Systems, Embedded Systems, and Internet Appliances. The Company has added several new clients covering different industry segments. The Company has received inquiries from foreign buyers for various projects. The Company is actively pursuing these inquiries. However competition on account of global players continues to be very high. The Company intends to utilize its existing expertise and intellectual property for creating embedded solutions for the Information economy.

**DIVIDEND**

Yours Directors do not recommended declaration of any dividend for the year under review.

**DEPOSITS**

The Company has not invited or accepted any Public Deposits during the year.

**PARTICULARS OF EMPLOYEES**

Particulars of employees under Section 217(2A) of the Companies Act, 1956 read with The Companies (Particulars of Employees) Rules, 1975 as amended have not been furnished, as there was no employee in the aforesaid category.

**STATUTORY INFORMATION**

Information in accordance with the provisions of section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, requiring disclosure of particulars regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo given in the prescribed format is annexed hereto and forms part of this report.

**DIRECTORS**

Mr. Ralph D'souza and Mr Santosh Shetty, Directors of the Company retire by rotation from the Board of Directors and being eligible, offer themselves for re-appointment.

**DIRECTORS RESPONSIBILITY**

Pursuant to Section 217(2AA) of the Companies Act, 2000, the Directors confirm that:

1. In the preparation of the annual accounts, the applicable Accounting Standards have been followed with proper explanation relating to material departures;
2. Appropriate accounting policies have been selected and applied consistently, and have made judgments and estimates that are reasonable and prudent so as to give a true & fair view of the state of affairs of the Company as at March 31, 2004 and of the profit of the Company for the year;
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 & for preventing & detecting fraud & other irregularities;
4. The annual accounts have been prepared on a going concern basis.

**CORPORATE GOVERNANCE REPORT**

A detailed compliance report on Corporate Governance is provided elsewhere in the Annual Report. The Auditor's Certificate on Compliance with the conditions of Corporate Governance under clause 49 of the Listing Agreement is also provided.

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

Pursuant to Clause 49 of the Listing Agreement, a Management Analysis Report, giving segment wise performance and outlook, is given as Annexure to this Report.

**LISTING AND DEMATERIALIZATION OF SHARES**

The Equity capital of your Company is listed on the Stock Exchange Mumbai, Ahmedabad Stock Exchange, and Bangalore

Stock Exchange. The Company has paid the listing fees for the year 2003-2004 to The Stock Exchange, Mumbai.

#### AUDITORS' REMARKS

The observations made by the Auditors with reference to Notes to the Accounts for the year under report are self-explanatory and need no further comments from the Directors.

#### AUDITORS

M/s. Bhandari Pradeep & Co., Chartered Accountants, the Auditors of the Company, retire at the conclusion of this Annual Meeting and are eligible for re-appointment.

#### ACKNOWLEDGMENTS

Your Directors acknowledge with gratitude the co-operation and assistance extended to the Company by its Bankers, The Maharashtra State Financial Corporation, Shareholders, and Employees.

For and on behalf of the Board

J. T. D'souza  
Chairman & Managing Director  
Mumbai, 17<sup>th</sup> July 2004

#### ANNEXURE TO THE DIRECTORS' REPORT

Particulars with respect to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

##### A. Conservation of Energy

The Electronic Industry is a low power consumption industry; therefore the cost of electricity purchased and generated through genset is very low in comparison to other industries. Although the consumption of energy is low, efforts are being made at all levels to minimise the use of energy. In view of the multi-product and multi-stage nature of production, it is not possible to furnish data relating to consumption per unit of production.

##### B. Technology Absorption

Not Applicable

##### C. Foreign Exchange Earnings and Outgo

	2003-2004	2002-2003
Foreign Exchange Earning	Nil	Nil
Foreign exchange used	Nil	NIL
Raw material purchase		

#### REPORT ON CORPORATE GOVERNANCE

The primary objective of the Corporate Governance is to create and adhere to a corporate culture of transparency and openness. A Company to succeed on sustained basis must maintain global standards of Corporate conduct towards its employees, shareholders and society. The Company believes in attainment of highest levels of transparency in all facets of its operations and has always focus on good corporate governance.

##### A. BOARD OF DIRECTORS

The Board comprises following members

Mr. J. T. D'souza	Chairman & Managing Director
Ms. Punit Neb	Whole-Time Director
Mr. Anand Raj Jain	Non-executive Director
Mr. Ralph D'souza	Non-executive Director
Mr. Pankaj Patel	Non-executive Director / Independent
Mr. Santosh Shetty	Non-executive Director / Independent

##### B. ATTENDANCE AT BOARD MEETING

During the year, the Board met 6 times. Dates of the meetings and attendance thereat was as below

Date of Meeting	Directors Present	Absent
April 30, 2003	Mr. J. T. D'souza Ms. Punit Neb Mr. Anand Raj Jain Mr. Santosh Shetty	Mr. Ralph D'souza Mr. Pankaj Patel
June 29, 2003	Mr. J. T. D'souza Ms. Punit Neb Mr. Anand Raj Jain Mr. Santosh Shetty	Mr. Ralph D'souza Mr. Pankaj Patel
July 31, 2003	Mr. J. T. D'souza Ms. Punit Neb Mr. Anand Raj Jain Mr. Santosh Shetty	Mr. Ralph D'souza Mr. Pankaj Patel

Date of Meeting	Directors Present	Absent
October 31, 2003	Mr. J.T. D'souza Ms. Punit Neb Mr. Anand Raj Jain Mr. Santosh Shetty	Mr. Ralph D'souza Mr. Pankaj Patel
January 31, 2004	Mr. J.T. D'souza Ms. Punit Neb Mr. Anand Raj Jain Mr. Santosh Shetty	Mr. Ralph D'souza Mr. Pankaj Patel
March 10, 2004	Mr. J.T. D'souza Ms. Punit Neb Mr. Anand Raj Jain Mr. Santosh Shetty	Mr. Ralph D'souza Mr. Pankaj Patel

**C. AUDIT COMMITTEE**

The terms of reference of the Audit Committee include:

- To review the Company's financial reporting process and its financial statement.
- To review the accounting and financial policies and practice.
- To review the efficacy of the internal control mechanism and monitor the management policies adopted by the Company and ensure compliance with regulatory guidelines
- To review reports furnished by the statutory auditors.

The Audit Committee of the Company comprises of Mr. Santosh Shetty, Chairman of the Committee and Mr. Anand Raj Jain and Mr. Pankaj Patel.

There were three meetings of the Audit Committee during the Financial Year 2003-2004. The attendance of each member of the Audit Committee in the committee meeting is given below.

Director's Name	Category	No. of meeting attended
Mr. Santosh Shetty	Non-Executive, Independent	3
Mr. Anand Raj Jain	Non-Executive	3
Mr. Pankaj Patel	Non-Executive, Independent	3

**D. REMUNERATION COMMITTEE**

The Company has constituted a Remuneration Committee to review the remuneration package of the Directors recommended suitable revision to the Board in accordance with the Companies Act. 1956.

The Remuneration Committee comprises of directors Mr. Ralph D'souza, Mr. Anand Raj Jain, and Mr. Santosh Shetty.

Remuneration paid to Mr. J.T. D'souza, Managing Director is Rs. 75,000/- as a salary.

Remuneration paid to Ms. Punit Neb, Whole-time Director is Rs. 75,000/- as a salary.

There was one meeting of the Remuneration Committee during the Financial Year 2003-2004. The attendance of each member of the Remuneration Committee in the committee meeting is given below.

Name of the Directors	Category	No. of meeting attended
Mr. Santosh Shetty	Non-Executive, Independent	1
Mr. Anand Raj Jain	Non-Executive, Independent	1
Mr. Ralph D'souza	Non-Executive	0

**E. INVESTORS' GRIEVANCES / SERVICES**

The Compliance Officer has been regularly interacting with the Share Transfer Agents to ensure that the complaints/grievances of the Investors are attended to on priority basis and where deemed expedient the complaints are referred to the said committee. In general, all complaints are attended to within 10 days from the date of receipt.

The Registrars and Share Transfer Agents of the Company had during the period from 1<sup>st</sup> April, 2003 to 31<sup>st</sup> March, 2004 had not received any complaints from the members directly and through SEBI and Stock Exchanges.

**F. OTHER DIRECTORSHIPS AND MEMBERSHIP OF COMMITTEES (AS OF DATE)**

Mr. J.T. D'souza	Epson Finance & Investments Pvt. Ltd., Cybernetix Softech Pvt. Ltd.
Ms. Punit Neb	Epson Finance & Investments Pvt. Ltd., Cybernetix Softech Pvt. Ltd.
Mr. Anand Raj Jain	Satta Securities Pvt. Ltd., Sindhu Valley Technologies Ltd., Shell Infotech Ltd.
Mr. Ralph D'souza	Epson Finance & Investments Pvt. Ltd., Cybernetix Softech Pvt. Ltd.

None of the Directors of the Company holds Directorship in more than 15 Companies or is a member of more than 10 Committees or Chairman of more than 5 Committees across all such Companies.

**G. Attendance at the last Annual General Meeting**

Sr. No.	Director	Attendance
1	Mr. J. T. D'souza	Present
2	Mr. Anand Raj Jain	Present
3	Mr. Santosh Shetty	Present
4	Ms. Punit Neb	Present
5	Mr. Ralph D'souza	Absent
6	Mr. Pankaj Patel	Absent

During the last year no resolution were put through postal ballot and neither during the current year any resolution is proposed to be conducted through postal ballot.

**H. NOTES ON DIRECTOR'S APPOINTMENT AND RE-APPOINTMENT**

Relevant details forms part of the Director's Report

**I. DISCLOSURES ON NON COMPLIANCES, RELATED PARTY TRANSACTIONS, IF ANY**

The Company has complied with the requirement of regulatory authorities on Capital Markets and no penalties/ strictures have been imposed against the Company in the last three years.

**J. Related party transactions have been disclosed in Note No. 12 of the " Notes to Accounts."****K. The Management discussion and analysis report is appended to and forms part of annual report.****L. GENERAL SHAREHOLDERS INFORMATION****1. Annual General Meeting**

A.	Date, Time	September 30, 2004 at 10.30 am
B.	Venue of AGM	Plot No. 11, Survey NO. 118-1 & 2, Village Pundhe, Tal. Shahapur, At Post Athgaon - 421 301
C.	Dates of Book Closures	September 27, 2004 to September 30, 2004 (Inclusive of both days)
D.	Special Resolutions	No special Resolutions was passed at the last AGM
E.	Financial Calendar	1 <sup>st</sup> April to 31 <sup>st</sup> March

Financial Reporting for 2004-2005	
Unaudited Financial Results for quarter ending June 30, 2004	End of July, 2004
Unaudited Financial Results for quarter ending September 30, 2004	End of October, 2004
Unaudited Financial Results for quarter ending December 31, 2004	End of January, 2005
Audited Financial Results for the Year ending March 31, 2005	End of June, 2005
Annual General Meeting for the Year ended March 31, 2005	End of September, 2005

**2. Date of Book Closure and Annual General Meeting in last three years:**

Year	Date of Book Closure		Date of AGM	Location
	From	To		
2000-01	September 20, 2001	September 24, 2001	September 24, 2001	Plot No. 11, Survey No. 118-1 & 2, Village Pundhe, Tal. Shahapur, At Post Athgaon - 421 301
2001-02	September 25, 2002	September 30, 2002	September 30, 2002	Plot No. 11, Survey No. 118-1 & 2, Village Pundhe, Tal. Shahapur, At Post Athgaon - 421 301
2002-03	September 26, 2003	September 30, 2003	September 30, 2003	Plot No. 11, Survey No. 118-1 & 2, Village Pundhe, Tal. Shahapur, At Post Athgaon - 421 301

**3. Stock Exchanges on which Company's shares are listed.**

The Company's Equity shares are listed on the Stock Exchanges at Mumbai, Ahemdabad, and Bangalore

Stock Scrip Code	531370
International Securities Identification Number (ISIN) (For dematerialized shares)	INE960B01015

The Company has been regular in paying the listing fees to The Stock Exchange, Mumbai.