



# **SPARC SYSTEMS LIMITED**

**ANNUAL REPORT 2005 - 2006**

Report  Junction.com

#### BOARD OF DIRECTORS

Mr. J. T. D'souza	Chairman & Managing Director
Mr. Arand Raj Jain	Director
Ms. Punit Neb	Wholetime Director
Mr. Santosh Shetty	Director
Mr. Padmakar Chandrachood	Director
Mr. Amit Bothra	Director

#### BANKERS

Union Bank of India
Indian Overseas Bank
ICICI Bank Ltd.

#### AUDITORS

M/s Sanklecha & Co.  
Chartered Accountants, Mumbai

#### REGISTERED OFFICE & WORKS

Sparc Systems Limited  
Plot No.11  
Survey No.118/1 - 2  
Village Pundhe  
Taluka Shaniapur  
At Post Athgaon  
District Thane - 421301

#### CORPORATE OFFICE

Sparc Systems Limited  
127, Hiranandani Industrial Estate  
Kanjurmarg (W)  
Mumbai - 400078  
Phone: 25770864 / 25796698 / 25791165  
Fax: 25795698  
Email: sparc@bom3.vsnl.net.in

#### SHARE TRANSFER AGENTS

Mondkar Computers Pvt. Ltd.  
21 Shakil Niwas  
Mahakali Caves Road  
Andheri (E), Mumbai - 400093  
Phone: 28257641 / 28366620  
Fax: 28211996  
Email: mcplnt@bom7.vsnl.net.in

#### NOTICE

NOTICE is hereby given that Annual General Meeting of the Members of Sparc Systems Limited will be held on Saturday, September 30, 2006 at 10.00 am, at the Registered Office of the Company at Plot No. 11, Survey No. 118-1 & 2, Village Pundhe, Taluka Shaniapur, At Post Athgaon, District Thane - 421301, to transact the following business:

#### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2006 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. Santosh Shetty, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

#### SPECIAL BUSINESS:

4. To consider and if thought fit to pass with or without modifications, the following resolution as an ordinary resolution:  
**'RESOLVED** that Mr. Padmakar Chandrachood who was appointed as an Additional Director of the Company pursuant to the Articles of Association of the Company and Section 260 of the Companies Act, 1956 and holds office up to the date of this Annual General Meeting, but being eligible for appointment and in respect of whom the Company has received notice in writing from a member proposing his candidature for the office of Director be and is hereby appointed as Director of the Company.
5. To consider and if thought fit to pass with or without modifications, the following resolution as an ordinary resolution:  
**'RESOLVED** that Mr. Amit Bothra who was appointed as an Additional Director of the Company pursuant to the Articles of Association of the Company and Section 260 of the Companies Act, 1956 and holds office up to the date of this Annual General Meeting, but being eligible for appointment and in respect of whom the Company has received notice in writing from a member proposing his candidature for the office of Director be and is hereby appointed as Director of the Company.

For and on behalf of the Board

J. T. D'souza  
Chairman & Managing Director  
Mumbai, June 30, 2006

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.
2. 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.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 26.09.2006 to 30.09.2006, inclusive of both days.
4. 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.
5. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business to be transacted at the meeting is attached hereto.
6. 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.
7. Additional details in terms of Clause 49 of Listing agreement in respect of Directors seeking appointment / re-appointment are as below

#### DIRECTOR SEEKING RE-APPOINTMENT:

Mr. Santosh Shetty, aged 33 years, is on the Board of the Company since October 1, 2003. Mr. Shetty is a Bachelor of Chemical Engineering and Masters of Marketing Management. Mr. Shetty has ample experience and expertise in Marketing and Channel Management. Mr. Shetty does not hold Directorships or Committee positions in any other company.

#### DIRECTORS SEEKING APPOINTMENT:

Mr. Padmakar Chandrachood, aged 44 years, was appointed as Additional Director of the Company on December 31, 2005. Mr. Chandrachood is a Bachelor of Mechanical Engineering and Master of Management Studies (Finance). Mr. Chandrachood has more than 16 years experience in the Finance and Software industry. Mr. Chandrachood does not hold Directorships or Committee positions in any other company.

Mr. Amit Bothra, aged 26 years, was appointed as Additional Director of the Company on December 31, 2005. Mr. Bothra is a Chartered Accountant and Masters of Commerce. Mr. Bothra has several years of experience as Chartered Accountant. His areas of expertise encompass Accounting, Financial Planning and Indirect Taxation. Mr. Bothra holds Directorship and Committee positions in Texplast Industries Limited.

**DIRECTORS' REPORT**

The Directors present the Annual Report together with the Audited Statement of Accounts of the Company for the year ended March 31, 2006.

**FINANCIAL HIGHLIGHTS**

	Rs. In lacs	
	2005-2006	2004-2005
Profit before Depreciation	16.84	16.17
Less: Depreciation	5.74	5.82
Profit after Depreciation	11.1	10.35
Less: Provision for Taxation	1.28	.60
Add: Deferred Tax assets / Liabilities	(3.74)	(4.90)
Profit after Tax	6.08	4.85
Add: Balance Profit brought forward from Previous Year	(15.54)	(20.39)
Deferred Tax Assets	--	--
Surplus carried to Balance Sheet	(9.54)	(15.54)

**OPERATIONS**

During the year, income of the Company was higher at Rs. 529.00 lacs as compared to Rs. 62.60 lacs during the previous year. Net profit after tax was at Rs. 6.08 lacs as compared to Rs. 4.85 lacs during the previous year.

The Management intends to continue to pursue Software and Hardware Solutions for Office Automation, Electronic Security Systems, Embedded and Internet Appliances. The Company has added several new clients covering different industry segments. The Company's Vehicle tracking and delivery systems have been well received. The Company has several installations and has bagged repeat orders. The Company's Biometric Security products are being pushed hard in the market. The Company's existing systems and components like Video Conference, Security Systems, Firewalls etc are spreading into the market and have resulted in increased revenues.

These initiatives will have favorable impact on the Company's operations. In view of this the outlook for the coming year is positive.

**DIVIDEND**

The Directors do not recommend declaration of any dividend for the year.

**FIXED 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 are given in Annexure 'A' forming part of this Report.

**DIRECTORS**

During the year, Mr. Amit Bothra was appointed as Additional Director of the Company twice. During the year, Mr. Padmakar Chandrachud were also appointed as Additional Director of the Company.

Mr. Padmakar Chandrachud and Mr. Amit Bothra are eligible for appointment and the Company has received notice in writing from a member signifying their intention to propose the candidatures of Mr. Padmakar Chandrachud and Mr. Amit Bothra, as Directors of the Company.

Mr. Santosh Shetty, Director of the Company retires by rotation from the Board of Directors and being eligible, offers himself for re-appointment.

**DIRECTORS RESPONSIBILITY STATEMENT**

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

- In the preparation of the annual accounts, the applicable Accounting Standards have been followed with proper explanation relating to material departures;
- 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, 2006 and of the profit of the Company for the year;
- 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;
- The annual accounts have been prepared on a going concern basis.

**CORPORATE GOVERNANCE REPORT**

Pursuant to Clause 49 of the Listing Agreement, a Report on Corporate Governance, together with a certificate from Statutory Auditors is given in Annexure 'B' forming part of this Report.

**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 in Annexure 'C' forming part of this Report.

**LISTING AND DEMATERIALIZATION OF SHARES**

The Equity Capital of the Company is listed on Bombay Stock Exchange Ltd., Ahmedabad Stock Exchange, and Bangalore Stock Exchange. The Company has paid the listing fees for the year 2006-2007 to Bombay Stock Exchange Ltd. and The Stock Exchange Bangalore.

**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 Sanklecha & Co., Chartered Accountants, the Auditors of the Company, retire at the conclusion of this Annual Meeting and are eligible for re-appointment. Members are requested to appoint Auditors and fix their remuneration.

**SUSPENSION IN TRADING OF EQUITY SHARES**

Last year, trading of the Equity Shares was suspended by Bombay Stock Exchange Ltd., due to non compliance of Clause 49 of the Listing Agreement with effect from December 21, 2004. The Company has submitted required application along with all the necessary documents as required by Bombay Stock Exchange Ltd. for revocation of suspension of trading of Equity Shares. However Bombay Stock Exchange Ltd. has rejected. The Company is in the process of reapplying for revocation of suspension of trading of Equity Shares to Bombay Stock Exchange Ltd.

**ACKNOWLEDGMENTS**

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

For and on behalf of the Board

J. T. D'souza

Chairman & Managing Director

Mumbai, June 30, 2006

**ANNEXURE 'A' 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**

	Rs. in lacs	
	2005-2006	2004-2005
Foreign Exchange Earning	NIL	NIL
Foreign exchange used		
- Raw material purchase	0.18	1.55

**ANNEXURE 'B' TO DIRECTORS' REPORT****CORPORATE GOVERNANCE REPORT**

The primary objective of the Corporate Governance is to create and adhere to a corporate culture of transparency and openness. The Company believes in attainment of highest levels of transparency in all facets of its operations and has always focused on good corporate governance.

**1. BOARD OF DIRECTORS**

The Board comprises of the following members. During the year, the Board met six times. Details of attendance at Board Meetings and last AGM are as below

Name	Category Position	Last AGM Attended	No. of Board Meetings attended of the 6 held during the year
Mr. J. T. D'souza	Chairman & Managing Director	Yes	6
Ms. Purit Neb	Wholetime Director	Yes	6
Mr. Anand Raj Jain	Non-Executive Director	Yes	6
Mr. Santosh Shetty	Non-Executive Director / Independent	Yes	6
Mr. Padmakar Chandrachud	Non-Executive Director / Independent	Not Applicable	2
Mr. Amit Bothra	Non-Executive Director / Independent	Yes	3

**NUMBER OF BOARD MEETINGS HELD AND DATES THEREOF**

During the year, six Board Meetings were held. The meetings were held on June 30, 2005, August 3, 2005, September 14, 2005, October 25, 2005, December 31, 2005 and January 14, 2006.

**Note:**

A meeting of the Board of Directors was scheduled to be held on July 28, 2005 but could not be held due to heavy floods in Mumbai. The meeting was subsequently held on August 3, 2005.

**CODE OF CONDUCT**

The Board of Directors has laid down a Code of Conduct for all Board Members and members of Senior Management who have affirmed their compliance therewith. The said code is also posted on the Company's website [www.sparcsys.com](http://www.sparcsys.com).

**AUDIT COMMITTEE**

The Audit Committee of the Company has been reconstituted with Mr. Santosh Shetty, Mr. Anand Raj Jain and Mr. Amit Bothra as members of the Committee. All Committee Members are Non Executive Directors, out of which Mr. Santosh Shetty & Mr. Amit Bothra are Independent Directors. The Audit Committee constitution meets with the requirements under Section 292A of the Companies Act, 1956. During the year, the Committee met 5 times. The terms of reference of the Audit Committee are as contained in the Clause 49 of the Listing Agreement. Mr. Amit Bothra Independent Director is the Chairman of this Committee.

**SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE**

The Board of Directors have constituted a Shareholders' / Investors' Grievance Committee. The Committee has been constituted, inter-alia to consider rematerialisation of Equity Shares, transposition of names, consolidation of shares, issue of duplicate equity shares and redressal of shareholders' complaints. Mr. Santosh Shetty, Mr. Amit Bothra and Ms. Punit Neb are Members of this Committee. Ms. Punit Neb is the Chairman of this Committee.

During the year under review, the Registrar and Share Transfer Agents of the Company have not received any complaints from the members directly or through the Stock Exchanges.

**REMUNERATION COMMITTEE**

The Remuneration Committee of the Company has been reconstituted with Mr. Santosh Shetty, Mr. Anand Raj Jain and Mr. Padmakar Chandrachood, as members of the committee. Mr. Padmakar Chandrachood, Independent Director is the Chairman of this Committee.

The Remuneration Committee has been constituted to review the remuneration package of the Directors and recommend suitable revision to the Board in accordance with the Companies Act, 1956.

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

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

There was one meeting of the Remuneration Committee during the financial year 2005-2006.

Details of Equity Shares held by Directors is as below

Name	No. of Equity Shares held
Mr. J. T. D'souza	51200
Ms. Punit Neb	27300
Mr. Anand Raj Jain	1000
Mr. Santosh Shetty	Nil
Mr. Padmakar Chandrachood	Nil
Mr. Amit Bothra	Nil

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

Mr. J. T. D'souza	-
Ms. Punit Neb	-
Mr. Anand Raj Jain	Satta Securities Pvt. Ltd., Sndru Valley Technologies Ltd.
Mr. Santosh Shetty	-
Mr. Padmakar Chandrachood	-
Mr. Amit Bothra	Texplast Industries Limited

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.

**SUBSIDIARY COMPANIES**

The Company does not have any subsidiary companies.

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

Relevant details forms part of the Directors' Report.