

spice net

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ANNUAL REPORT 2000

BOARD OF DIRECTORS

Mr. Raghunath Murti
Chairman

Mr. Ram Nath Bansal
Mr. Deepak Mohla
Mr. Rangachari Srinivasan Desiken
Mr. Radha Krishna Pandey

COMPANY SECRETARY

Mr. M.V. Rama Kanth

AUDITOR

S.R. Batliboi & Co.
Chartered Accountants
SRB House
20, Community Centre
Madangir
New Delhi-110062 (India)

INTERNAL AUDITORS

H.K.S. & Associates
Chartered Accountants
811, Chiranjiv Towers
43, Nehru Place,
New Delhi - 110019

REGISTERED OFFICE

Modipuram-250110
Distt. Meerut (U.P.)

HEAD OFFICE

D-4, Okhla Industrial Area
Phase-I
New Delhi-110020

WORKS

Shahzad Nagar, Modipur,
Rampur (U.P.) -244901

BANKERS

Banque Nationale De Paris
State Bank of India
State Bank of Patiala
State Bank of Bikaner & Jaipur
State Bank of Hyderabad
State Bank of Travancore



DIRECTORS' REPORT

Excellence at Every Step!

Dear Shareholders,

The Board of Directors of **Spice Net Limited** are pleased to announce the results of the financial year ended 31st December, 2000. The year saw an effervescent market that changed dynamically. You will be happy to note that Spice Net Limited faced all challenges admirably, countering every undulation adroitly, and ending on a high note with growth on all fronts.

CHANGE OF NAME

During the year the Shareholders passed a resolution in the Extra Ordinary General Meeting of the Company on 14th November, 2000, changing the name of the Company from MOL India Limited to Spice Net Limited. Consequently, the Registrar of Companies, Uttar Pradesh, vide his letter dated 5th December, 2000, approved the change of name of the Company and issued a fresh Certificate of Incorporation in the name of "Spice Net Limited" with effect from 5th December, 2000.

FINANCIALS

Particulars	(in Rs. '000)	
	Year ended 31st December, 2000	Year ended 31st December, 1999
I. Income		
Sale of Goods and Services	566,498	320,029
Other Income	4,585	1,656
Increase / (Decrease) in Stocks	(15,473)	4,038
	555,610	325,723
Profit before Finance Charges and Depreciation	38,653	27,094
Finance Charges	13,577	10,386
Profit after Finance Charges but before Depreciation	29,076	16,708
Depreciation	3,833	3,479
Profit for the year	21,243	13,229

The Sales of Goods and Services for year 2000 amounted to over Rs. 56.6 crores, a growth of over 177% as compared against last year's performance – embodying the spirit to achieve *excellence at every step*.

Ever since its inception in 1989, Spice Net Limited has achieved Market Leadership by investing in a highly-skilled and motivated task force, inculcating an enthusiastic and customer-oriented approach towards seeking solutions. The Company has an extensive national network of direct sales and support, with nodes at Delhi, Mumbai, Pune, Kolkata, Bangalore, Hyderabad, Chennai, Chandigarh and Bhopal.

The Company has leveraged strategic tie-ups with **IBM, Compaq, Acer** and **Hewlett-Packard**, as their National Business Partner and Authorised Service Provider for *PC's Desktops, Notebooks, Services, Workstations Mid-range Servers*. The Company has also maintained healthy associative relations with **Microsoft, Novell, AMP, CISCO, Nortel, Wipro LIPI** and **HP** in several areas.

The Company's **spice** brand of PCs and Servers are manufactured at an ISO 9002 certified, state-of-the-art plant at Rampur, while the renowned **Olivetti** range of *Office Automation Products* are marketed only by the Company. The *Olivetti PR2 Passbook Printer* is sold by the Company's OEM Network, and is an undisputed market leader.

FIXED DEPOSITS

The Company has not accepted any fixed deposit during the year within the meaning of Section 58A of the Companies Act, 1956, read with Companies (Acceptances of Deposits) Rules, 1975.

SHARE CAPITAL

During the year the shareholders approved capital reduction subject to the confirmation of the High Court. The Company had filed an application with Allahabad High Court for reduction of Paid up Capital of the company from Rs.186,595,000 consisting of 186,59,500 equity shares of Rs.10/- each fully paid up to Rs.55,978,500 consisting of 186,59,500 Equity Shares of Rs.3/- each fully paid up which is pending disposal.

DIRECTORS

Mr. Radha Krishna Pandey has joined the Board as Additional Director on 30th March, 2001 holds office upto the date of the forthcoming Annual General Meeting. The Company received a notice under section 257 of the Companies Act, 1956 from a shareholder proposing his candidature for the position of Director of the company.

Mr. Deepak Mohla retires by rotation and being eligible, offers himself for reappointment.

AUDIT COMMITTEE

Pursuant to section 292A of the Companies Act 1956, a committee of the Board of Directors known as 'Audit Committee' has been constituted consisting of Mr. Ram Nath Bansal, Mr. Radha Krishna Pandey and Mr. Rangachari Srinivasan Desiken. Further the Head of Finance, the Statutory Auditor and the Internal Auditor will be the invitees of the committee.

AUDITORS

M/s S. R. Batliboi & Co., New Delhi, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for appointment. The Company has received notice from them stating that if appointed they are within the limits laid down under section 224 (1-B) of the Companies Act, 1956.

AUDITORS' OBSERVATIONS

Efforts are on to strengthen the internal control procedure with regard to the sale of revenue under an Annual Maintenance Contract. The other observations of the auditors are self-explanatory.

CORPORATE GOVERNANCE

Corporate Governance is an important corner stone of Company's objective of creating shareholder value. We firmly believe in and have consistently practiced good corporate governance. Our Corporate Governance Policies recognize the accountability of the board and the importance of its decisions to all our constituents including investors, employees, bankers, etc. The Company's essential character and complexion are shaped by the very values of transparency, professionalism and accountability.

Corporate Governance is practiced through a well structured delegation, organisation, and regularity framework involving the board of directors, committees of the board, the chairman, CEO and a team of senior executives. The function of the board and executive management are well defined and are distinct. The board governs through a framework of *Direction Setting* – to ensure effective and appropriate strategy development and objective setting, *Performance Management* – to ensure effective business performance review and high quality management review and thorough review of key decisions – to ensure justification of Capital Expenditure and major decisions and to define meaning threshold for CEO authority.

The non executive directors on our board are highly qualified and experienced individuals who are active participants in the decision making process and to provide strategic guidance and objective judgement to the company.

Various committees of the Board have been set up to oversee the function of executive management. The Committee meet regularly to discharge their functions.

ADDITIONAL INFORMATION

The additional information required to be disclosed in terms of the Companies (Disclosure of the particulars in the report of Board of Directors) Rules, 1988, are given in Annexure-A, and form part of this report.

PERSONNEL

The particulars of employees as per section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended are set out in the statement annexed thereto (Annexure-B) and form part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT

In the preparation of the annual accounts, the Company has followed the applicable accounting standards along with proper explanation relating to material departures.

Such accounting policies have been selected and applied consistently, and reasonable judgements and estimates have been made, so as to get a true and fair view of the state of affairs of the Company for this period.

Proper and sufficient care has been taken for maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

The annual accounts have been prepared on an ongoing concern basis.

ACKNOWLEDGEMENTS

Spice Net Limited continues to offer clients **Total Solutions & Services**, ensuring continuous growth, promising a bright and secure future for all its Shareholders, Stockholders, Partners, Suppliers and Employees alike. The Board of Directors acknowledges every individual's contribution, and recognises their role as a partner in our success.

The Directors wish to thank the Central Government, Government of Uttar Pradesh, Financial Institutions and the Company's Bankers for all the help and encouragement extended by them to the Company. Your Directors deeply acknowledge the continued trust and confidence that the customers and the shareholders have reposed in the Company. The Directors also wish to place on record their deep appreciation for the services rendered by the officers, staff and workers of the Company at all levels, and their dedication and loyalty.

Place: New Delhi
Dated: 30th March, 2001

BY ORDER OF THE BOARD

(RAGHUNATH MURTI)
CHAIRMAN

Annexure 'A' to the Directors' Report

Statement of Particulars under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

(A) Conservation of Energy

The factory operations do not consume high energy. However, adequate steps have been taken to achieve high power factor by installation of shunt capacitor on power line. A low capacity generator has been installed to maintain safety, lighting during power cut. High capacity generator is used only when required. There has been no increase in the energy requirement of the factory.

(B) Technology Absorption

The information required to be disclosed under rule 2 of the aforesaid rules is given hereunder in form B

FORM 'B'**Form for disclosure of particulars with respect to Absorption, Research and Development (R&D)**

1. **Specific area in which R&D carried out by the Company.**
No R & D was carried out during the year
2. **Benefits derived as a result of the above R&D**
N.A.
3. **Future Plan of action.**
Banking and finance sector continues to be company's main thrust area. The expertise acquired in R&D and systems integration will be further exploited to offer innovative solutions to our customers.
4. **Expenditure on R&D**

a) Capital	NIL
b) Recurring	NIL
c) Total	NIL
d) Total R&D expenditure as a percentage of total turnover	N.A.

Technology absorption, adaptation and innovation.

1. **Efforts, in brief, made towards technology absorption, adaptation and innovation.**
This is a continuous process involving industry knowledge, training and adaptation
2. **Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution, etc.**
Some of the more significant benefits have been in the achievement of indigenisation targets, improvement in productivity and reduction in cost.
3. **In case of imported technology (imported during the last five years reckoned from the beginning of the financial year), following information may be furnished.**
 - a) **Technolgy imported.**
PR-50 Production
 - b) **Year of Import**
1994
 - c) **Has technology been fully absorbed?**
Yes, the technology has been fully absorbed.
 - d) **If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action.**
Not applicable.

(C) Foreign Exchange Earnings and Outgo

The Company used Foreign Exchange amounting to Rs.1450 Lakhs and earned Rs.32 Lakhs Foreign Exchange during the period under review.

ANNEXURE 'B' TO THE DIRECTORS' REPORT

Particulars of employees forming part of Directors' Report for the Period ended December 31, 2000 in terms of Section 217 of Companies Act, 1956.

Persons employed throughout the period who are in receipt of remuneration for the period which in aggregate was not less than Rs. 12,00,000.

Sr. No.	Name	Designation	Age Years	Qualification	Total Past Experience (yrs)	Last Employment / Designation	Gross Remuneration (Rs)	Date of Joining
1	Arun Seth	Chief Executive Officer	47	B.A., A.I.H.S.	27	D C M Data Products National Manager M. R. Operation	1,672,864	01/02/90

Notes :

- 1 Above appointment is contractual. Other terms and conditions are as per company's rules.
- 2 Remuneration includes salary, leave encashment, incentives, actual expenditure incurred in connection with residential accommodation, house rent allowance, ex-gratia, reimbursement of medical expenses, L.T.A etc.
- 3 Above employee is not related to any Director of the company.
- 4 Above employee, either individually or together with his spouse or dependent children, has not held more than 2% of the equity of the company.

AUDITORS' REPORT

To the Members of Spice Net Limited (Formerly MOL India Limited)

We have audited the attached Balance Sheet of Spice Net Limited as at December 31, 2000 and the annexed Profit and Loss Account for the year ended on that date :

As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such examination of the books and records of the Company as we considered appropriate and the information and explanations given to us during the course of the audit, we report that :

1. The company has maintained proper records showing full particulars including quantitative details and situation thereof. As informed to us, the fixed assets, including assets provided to employees, have been physically verified by the Management at reasonable intervals during the year and no significant discrepancies have been noticed between the physical balances and the books records.
2. The fixed assets of the Company have not been revalued during the year.
3. (a) Physical verification has been conducted by the management at reasonable intervals in respect of stocks of finished & trading goods, work in progress, raw materials, components and spares.
(b) Discrepancies noticed on such verification as compared to book records, which were not material, have been properly dealt with in the books of account.
(c) The procedures followed by the management for such physical verification are reasonable and adequate in relation to the size of the Company and the nature of its business.
(d) Owing to the technical nature of inventories, we have relied upon the explanations of the management on the valuation of Service Stock (Refer Note 6 (a) of Schedule 14). Further to above, on the basis of our examination and the information and explanations given by the management, we are satisfied that the valuation of the stocks is fair and proper in accordance with generally accepted accounting principles and except to the extent stated in Note 6 (a) of Schedule 14, is on the same basis as followed in the previous year.
4. In our opinion, the rates of interest and other terms and conditions on which unsecured loans have been taken from companies listed in the register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company. In terms of sub-section (6) of Section 370 of the Companies Act, 1956 provisions of Section 370 (1B) are not applicable to the Company after 31st October, 1998.
5. The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of sub section (6) of Section 370 of the Companies Act, 1956 provisions of Section 370 (1B) are not applicable to the Company after 31st October, 1998.
6. The Company has not given any loans or advances during the year.
7. Purchase of Passbook and retail printers are made by the company from a single party which are of proprietary nature and hence, in such cases, the question of comparison of price with the market rate or with purchase from other parties does not arise. Read with the above in our opinion and according to the informations and explanations given to us, the internal control procedures with regard to the purchase of raw materials, components, spares and trading goods are generally commensurate with the size of the company and the nature of its business. There are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and sale of goods. **The internal control procedures with regard to sale of revenue under Annual Maintenance Contracts are required to be strengthened to be commensurate with the size of the Company and the nature of its business.**
8. In our opinion and according to the information and explanations given to us, there are no transactions of purchase of goods and materials made in pursuance of contracts and arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party. The transaction of sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, and aggregating to Rs. 50,000 or more during the year in respect of each party, have been made at prices which, in our opinion, are reasonable having regard to prevailing market prices for such goods, material and services or the prices at which similar transaction have been made with other parties, as the case may be.
9. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged raw materials, components, spares and finished goods. We are informed that adequate provision has been made in accounts for the loss arising on the items so determined.
10. The Company has not accepted any deposits from the public within the meaning of Section 58 A of the Companies Act, 1956 and the rules framed thereunder.
11. We are informed that the Company's activities do not result in the generation of realisable scrap of any significant value. The Company does not have any by-products.
12. In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
13. We are informed that the Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 in respect of Company's products.
14. The Company has been regular in depositing the Provident Fund and Employees' State Insurance dues with the appropriate authorities.
15. According to the information and explanations given to us and the books and records examined by us, there are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty as at December 31, 2000, which were due for more than six months from the date they became payable.
16. On the basis of our examination of the books of account carried out in accordance with generally accepted auditing practices, and according to the information and explanations given to us, no personal expense of employees or directors have been charged to Revenue Account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
17. The Company is not a Sick industrial Company within the meaning of Section 3(1) (o) of the Sick Industrial Companies (Special Provisions) Act, 1985.
18. As explained to us, in respect of the trading activities of the Company, there is a regular procedure for the determination of damaged goods and provision for the loss, wherever necessary, is made in the accounts.
19. The Company has a reasonable system of recording receipts, issue and consumption of raw materials and stores commensurate with size and the nature of its service activities. However, considering the nature of the service activities rendered and the billing procedures of the Company, the management does not consider it necessary to have a system of allocation of consumption of materials, stores and man-hours consumed to the relative jobs.
20. The Company has a reasonable system of authorization at proper levels with necessary controls on the issue of stores and the related system of internal controls is commensurate with the size of the Company and the nature of its service activities.

Further to and in terms of the above, we also report that :

- a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- b) In our opinion, proper books of accounts, as required by law, have been kept by the Company so far as it appears from our examination of those books;
- c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of accounts;
- d) In our opinion, the attached Balance Sheet and Profit and Loss Accounts comply with the Accounting Standards referred to in sub section 3(c) of Section 211 of the Companies Act, 1956.
- e) As per the information and explanations given to us, none of the Directors of the Company is disqualified to act as such in terms of Section 274 (1) (g) of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said statements of account, **subject to Note 9 regarding the Managerial Remuneration paid during the current and the previous year in excess of limits prescribed under Schedule XIII of the Companies Act, 1956, which is subject to approval of Central Government** and read together with other notes as appearing in Schedule 14, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2000 and
 - (ii) in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on December 31, 2000.

S. R. Batliboi & Co.
Chartered Accounts
Per

Raj K. Agrawal
Partner

Place : New Delhi
Dated : 30th March, 2001