



NINTH
Annual Report
2001-2002

ZEN TECHNOLOGIES LIMITED

Regd. Office : 40, Radha Swamy Colony, Sikh Road, Secunderabad-500 009, India

BOARD OF DIRECTORS**CHAIRMAN &
MANAGING DIRECTOR**

Ashok Atluri

WHOLE-TIME DIRECTOR

M. Ravi Kumar

DIRECTORSSatish Atluri
Y. Venkat Rao
D. V. Rajendra**BANKERS**Indian Bank
Karan Centre, S. D. Road,
Secunderabad - 500 003Global Trust Bank Limited
Bowenpally Branch, Sikh Road
Secunderabad - 500 009Corporation Bank
Gunrock Enclave Branch, Sikh Road
Secunderabad - 500 009**AUDITORS**Prayaga & Co.,
Chartered Accountants
5-2-392/5, Hyderbasti, R.P. Road
Secunderabad - 500 003**REGISTERED OFFICE**40, Radha Swamy Colony, Sikh Road
Secunderabad- 500 009.
Ph No.+91-40-7818534,7843279
Fax No.+91-40-7843279**LISTED AT**

The Hyderabad Stock Exchange Limited

**DEPOSITORY REGISTRAR &
SHARE TRANSFER AGENT**Ikon Visions Private Limited
33, Sanali Heavens, 8-3-948
Ameerpet, Hyderabad - 500 073**CONTENTS**

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NOTICE

NOTICE is hereby given that the Ninth Annual General Meeting of the members of Zen Technologies Limited will be held on Thursday the 26th September, 2002 at 10.00 A.M. at Function Plaza, Plot No. 21, Karthik Enclave, Near Diamond Point Hotel, Sikh Road, Secunderabad- 500 009 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended on March 31, 2002, the Balance Sheet as on that date, the Schedules and annexures thereto, the Auditors' Report and the Report of Directors' thereon.
2. To appoint a Director in place of Sri Y. Venkat Rao, Director, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s. Prayaga & Co, Chartered Accountants, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

4. To consider and if thought fit to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 311 read with Schedule XIII to the Companies Act, 1956, consent of the Company be and is hereby accorded for the revision of remuneration of Sri M. Ravi Kumar, Whole-time Director with effect from 1st September, 2001 on the following terms and conditions:

- i Salary: Entitled to the monthly salary of Rs. 25,000/-details as follows;

| | | | |
|----------------------|---|-----|--------|
| Basic | - | Rs. | 15,000 |
| Dearness Allowance | - | Rs. | 3,000 |
| House rent allowance | - | Rs. | 7,000 |
| Total | | Rs. | 25,000 |

- ii He is entitled for reimbursement of Vehicle Maintenance incurred for office purpose to a maximum of Rs. 60,000/- (Rupees sixty thousand only) **per annum**.
- iii In case of loss or inadequacy of profits of the Company in any financial year, Sri M. Ravi Kumar is entitled to the above minimum remuneration."

For and on behalf of the Board

Place: Secunderabad
Date : July 29, 2002

Ashok Atluri
Managing Director

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote thereat instead of himself/herself. A proxy need not be a member.
2. An instrument appointing proxy to be effective must be lodged at the Registered Office of the Company at least 48 hours before the meeting.
3. The Register of Members and Transfer Books of the Company will be closed from Tuesday, the 24th September 2002 to Thursday, the 26th September 2002 (both days inclusive).
4. Shareholders are requested to bring their admission slips along with the copies of Annual Reports to the Annual General Meeting.
5. Members holding shares in physical form are requested to notify / send any change in their address to the Company's Share Transfer Agents or to the Company at its registered office.
6. Re-appointment of Director:

Sri Y. Venkat Rao, Director retires by rotation at ensuing Annual General Meeting and being eligible offers himself for reappointment. The information or details to be provided under Corporate Governance code for the director is as under:

Sri Y. Venkat Rao has been inducted in to the Board on 13th July, 2000 to comply with the stipulations of IDBI to have an Independent Director on the Board. He is a qualified Chartered Accountant gained rich experience for more than a decade in the field of finance, taxation, accounting and auditing. He is aged 38 years. He is a member of Audit Committee & Shareholder Grievances Committee. He does not hold any other directorships.

EXPLANATORY STATEMENT

[Pursuant to Section 173 (2) of the Companies Act, 1956]

Item # 4: Ratification of change in terms of remuneration payable to Sri M. Ravi Kumar

Sri M. Ravi Kumar is a promoter director of the Company and presently working as a Wholetime Director of the Company. Having regard to his experience, expertise and the contribution made to the Company, Board of Directors in their meeting held on 29th January, 2002 have revised the remuneration payable to him. The remuneration was enhanced from Rs. 8,500/- to Rs. 25,000/- per month plus maximum of Rs. 60,000/- per annum towards vehicle maintenance. As per Section 311 read with Schedule XIII to the Companies Act, 1956, any change in terms of appointment and / or remuneration payable to the Wholetime directors requires the approval of the members in General Meeting. Hence the above resolution is submitted to the meeting for the ratification of members.

None of the Directors except Sri M. Ravi Kumar is interested or concerned either directly or indirectly in this item

For and on behalf of the Board

Place: Secunderabad
Date : July 29, 2002

Ashok Atluri
Managing Director

DIRECTORS' REPORT

Dear Shareholders,

Directors have pleasure in presenting the 9th Annual Report and Audited Accounts of your Company for the financial year ended 31st March, 2002.

FINANCIAL RESULTS

The financial results for the year under review along with the Comparative figures for the previous year are as follows:

| (Rs. in. Lacs) | | |
|---------------------------|-----------|-----------|
| Particulars | 2001-2002 | 2000-2001 |
| Total Income | 202.64 | 269.23 |
| Operating Profit (PBDT) | 54.16 | 103.77 |
| Interest | 2.67 | 7.10 |
| Depreciation | 3.73 | 2.65 |
| Profit before tax | 47.76 | 94.02 |
| Provision for Tax | 0.68* | 6.26 |
| Profit after Tax | 47.07 | 87.76 |
| EPS (Rs.) | 0.62 | 1.15 |

* Provision for Tax is after adjusting Rs. 2,98,939 of Deferred Tax Asset.

PERFORMANCE

Your company recorded a revenue of Rs. 202.64 Lakhs and net profit of Rs. 47.07 Lakhs for the period under review as against Rs. 269.23 Lakhs and Rs. 87.76 Lakhs, respectively, for the previous year. The main reason for reduction in sales and profit was due to less offtake by the Government Agencies. However as on 31st March 2002 the Company had orders pending worth Rs. 162.15 Lakhs and the same have been executed in the first quarter of the current year.

DIVIDEND

With a view to conserve the resources of the Company, your directors have not recommended payment of any dividend.

OVERSEAS OFFICE

Our London marketing office is operational and we are in contact with a few NATO and African countries. We expect some orders to materialize in the financial years 2002-2004.

FIXED DEPOSITS

Your Company has not accepted any deposits and, as such, no amount of principal or interest was outstanding on the date of the Balance Sheet.

DIRECTORS

As per Article 57 & 58 of the Articles of Association of the Company, Sri Y. Venkat Rao, retires by rotation at the ensuing Annual General Meeting and, being eligible, offers himself for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement Under Section 217 (2AA) of the Companies Act, 1956, with respect to the Director's Responsibility Statement, it is hereby confirmed that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed;
- Appropriate accounting policies have been selected and applied consistently and have made judgement 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 and of the profit of the company for the financial year ended 31st March, 2002;

- iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) That the directors had prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement with the Hyderabad Stock Exchange, a separate section on Corporate Governance and Management Discussion and Analysis together with a certificate from the Company's Auditors confirming compliance is set out in the Annexure forming part of this report.

AUDITORS

M/s. Prayaga & Co., Chartered Accountants, retires at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. The Company has received a letter from the Auditors to the effect that, their appointment if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956.

ACTUALS Vs PROJECTIONS

As per Clause 43 of the Listing Agreement the following is the statement showing projected and actual profitability for the year ended on 31st March 2002.

(Rs. in lacs)

| Particulars | As projected in the Prospectus dated 31/07/2000 for the year 2001-02 | Actuals for the year 2001-02 (Audited) |
|----------------------------------------------|----------------------------------------------------------------------|----------------------------------------|
| Total Sales | 1800.00 | 186.34 |
| Profit before Depreciation, interest and tax | 772.00 | 54.13 |
| Profit after tax | 425.00 | 47.07 |
| Earning Per Share (Rs.) | 5.57 | 0.62 |

REASONS FOR THE VARIATION

The company had demonstrated its new interactive simulator extensively to the Government agencies and the response was very encouraging. Since the process of purchase is a little long-drawn, the efforts are taking time to fructify. We expect our efforts to bear fruit in the coming financial years.

QUALITY

During the year under review, your Company's Management Systems have been accredited with the ISO 9001: 2000 Certification by International Certifications Limited.

EMPLOYEE PARTICULARS

There are no employees in receipt of remuneration exceeding the limit whose particulars are required to be given as prescribed under section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

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

Is given in the Annexure-I.

APPRECIATION : Your Directors take this opportunity to place on record their sincere appreciation for the continued support and co-operation received from all its customers, employees, shareholders, bankers, IDBI, DSIR and all other business associates.

For and on behalf of the Board

Place: Secunderabad
Date : July 29, 2002

Ashok Atluri
Chairman & Managing Director

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**A. Conservation of Energy:**

Even though the Company's operations are not energy intensive, we have installed sufficient procedures which ensures that only the bear minimum power is used.

B. Technology Absorption:**i) Research and Development (R & D)**

1. Specific areas in which R & D carried out by the Company.

Extensive R&D has been carried out in the region of driving simulation. This technology has application in both Government and non-government markets.

2. Benefits derived as a result of the R & D

As a result of the R&D efforts, the Driving Training Simulator is ready and is expected to be commercially launched in the financial year 2002-03.

3. Future plan of Action

Your company has developed a driving training simulator which we expect will be launched in the financial year 2002-03. There is extensive general demand for this simulator in non-Government segment also. With this we expand the reach of your products. We plan to launch low- to high-end versions of this simulator to cater to the needs of different segments of the market.

4. Expenditure on R & D

During the year company has incurred a capital expenditure of Rs.13,44,877/-. For the development of interactive Small Arms Training Simulator (ZEN iSATS) the company has incurred an amount of Rs.95,86,082/-. An amount of Rs.1,88,776/- was incurred for the development of Tactical Engagement Simulator (ZEN TacSim).

ii) Efforts made towards Technology absorption, adoption and innovation

| | | |
|---|---------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| 1 | Efforts, in brief, made towards technology absorption, adoption and innovation. | Company is striving towards a paperless office and in this connection has computerised many of its paper based operations. |
| 2 | Benefits derived as a result of the above efforts e.g. product improvement, cost reduction. | Productivity has increased as it has resulted in saved time for employees. |
| 3 | Information about Technology imported | Not Applicable |

C. Foreign Exchange Earnings and Outgo:

(Rs. in lacs)

| | 2001-02 | 2000-01 |
|------------------------|---------|---------|
| Earned during the year | Nil | 65.57 |
| Used during the year | 18.76 | 9.53 |

REPORT ON CORPORATE GOVERNANCE

As per the Clause 49 of the Hyderabad Stock Exchange Listing Agreement read with the format prescribed by the Securities and Exchange Board of India a report on corporate Governance is set out below :

1. Company's Philosophy on Corporate Governance

The Company's philosophy on Corporate Governance envisages the attainment of the highest level of transparency, accountability and equity, in all facets of its activities, operations and interaction with the stakeholders like shareholders, employees, the Government and lenders.

The Company is committed to achieve the highest standards of the corporate governance and believes that all its operations and actions must serve the underlying goal of enhancing overall stakeholder value over a sustained period of time.

2. Board of Directors**Composition**

The Composition of the Board of Directors of the Company meets the stipulated requirements.

| Name of the Director | Category | Number of Directorships in other Companies | Number of Board Committee member-ships held in other Companies |
|----------------------|---------------------------------|--------------------------------------------|----------------------------------------------------------------|
| Ashok Atluri | Promoter & Managing Director | Nil | Nil |
| Ravi Kumar. M | Promoter & Executive Director | Nil | Nil |
| Satish Atluri | Promoter & Independent Director | Nil | Nil |
| Y. Venkat Rao | Independent Director | Nil | Nil |
| D.V. Rajendra | Independent Director | 1 | Nil |

Meetings and Attendance

During the Financial Year 2001-02, the Board of Directors met 6 times on the following dates:

14th May, 2001, 16th June, 2001, 30th July, 2001, 27th September, 2001, 29th October, 2001 and 29th January, 2002

Attendance of Directors at Board Meetings and at the last Annual General Meeting(AGM) held on 27th September , 2001

| Name of the Director | No. of Board Meetings attended | Whether attended the last AGM held on 27th September, 2001 |
|----------------------|--------------------------------|------------------------------------------------------------|
| Ashok Atluri | 5 | Yes |
| Ravi Kumar. M | 6 | Yes |
| Satish Atluri | 3* | No |
| Y. Venkat Rao | 6 | Yes |
| D.V. Rajendra | 6 | Yes |

* Out of 6 Board Meetings 1 meeting attended in person and 2 meetings participated through Conference Call

Board's Procedure

Board member's are given appropriate documents and information in advance of each Board and Committee meeting to enable the Board/Committee to discharge its responsibilities effectively.

3. Remuneration of Directors

Subject to the approval of the Board and of the Company in General Meeting and such other approvals as may be necessary, the Managing / Wholetime Directors are paid remuneration. The remuneration structure of Managing / Wholetime Directors comprises of salary only. The tenure of reappointment / appointment of the Managing / Wholetime Directors, details of the salary and commission paid / payable for the Financial

Year ended on 31st March, 2002 is as under:

| Name of the Director | Designation | Salary | Commission | Period of service |
|----------------------|--------------------|----------------|------------|-------------------|
| Sri Ashok Atluri | Managing Director | Rs. 5,04,000/- | Nil | 5 Years |
| Sri Ravi Kumar | Wholetime Director | Rs. 2,17,500/- | Nil | 5 Years |

No remuneration was paid to non-executive directors during the year hence the Company has not constituted any committee therefor.

4. Audit Committee

The Company has constituted an Audit committee comprising of following three independent Directors

1. Sri Y. Venkat Rao - Chairman
2. Sri Satish Atluri - Member
3. Sri D.V. Rajendra - Member

The Broad terms of reference of the Audit Committee are as follows:

- Review of the Company's financial reporting process and its financial statements.
- Review of accounting and financial policies and practices.
- Review of internal control and internal audit systems.
- Review risk management policies and practices.

5. Shareholders / Investors Grievances Committee

Your Company has constituted a Shareholders Grievances Committee consisting of

1. Mr. Y. Venkat Rao - Chairman
2. Mr. Ashok Atluri - Member
3. Mr. Ravi Kumar - Member.

6. General Body Meetings:

The following are the details of the last 3 Annual General Meetings:

| Financial Year | Date | Time | Venue | Nature of special resolutions, if any passed. |
|----------------|------------|------------|-----------------------------------------------------------------------------------------------------|------------------------------------------------------|
| 1998-99 | 27-09-1999 | 4-00 p.m. | Registered Office | Appointment of Vice-president |
| 1999-00 | 26-07-2000 | 10-30 a.m. | Registered Office | Appointment of Auditors |
| 2000-01 | 27-09-2001 | 9-30 a.m. | Gautam Hill Institute (GHI), 178, Sector A, Gautam Enclave, AWHO, Sikh Road, Secunderabad - 500 009 | Alteration of Articles of Association of the Company |

No Special Resolution was put through postal ballot last year.

The Company shall comply with the provisions of postal ballot under the Companies Act, 1956 as and when required.

7) Disclosures

- (a) Disclosures on materially significant related party transactions of the Company i.e. transactions of material nature, with its promoters, the directors or the management, their subsidiaries or relatives