



COMPUTERS LTD.

19th Annual Report

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COMPUTERS LIMITED

DIRECTORS

R.K. Saraf
(Chairman & Managing Director)
H.P. Ranina
B.H. Antia
B.K. Tibrewala
S.V. Haribhakti
Vijayrani Saraf

**VICE-PRESIDENT (FINANCE) &
COMPANY SECRETARY**

K. Vaidyanathan

BANKERS

Indian Bank
State Bank of India
Oriental Bank of Commerce
Federal Bank Ltd.
Union Bank of India
Canara Bank

AUDITORS

C.L. Khanna & Co.,
Chartered Accountants, Mumbai

SOLICITORS

Mulla & Mulla & Craige
Blunt & Caroe, Mumbai

**REGISTRARS &
TRANSFER AGENTS**

MCS Limited,
27, MIDC Central Road,
Andheri (East),
Mumbai 400 093.

**REGISTERED &
CORPORATE OFFICE**

29, MIDC Central Road,
Andheri (East),
Mumbai 400 093.

PLANTS

Shed No. SA 31/39,
Sancoale Industrial Estate,
P.O. Zuari Nagar,
Goa 403 726.

**NOTICE**

Notice is hereby given that the NINETEENTH ANNUAL GENERAL MEETING of ZENITH COMPUTERS LIMITED will be held at 11.30 a.m. on Thursday, the 18th November, 1999 at the "Sivaswamy Auditorium" of The Fine Arts Cultural Centre, 16 & 21, R.C. Marg, Near Flyover, Chembur, Mumbai - 400 071 to transact the following business:

A. ORDINARY BUSINESS:

1. To receive and adopt the Directors' Report and the audited Balance Sheet of the Company as at March 31, 1999 and the audited Profit and Loss Account for the year ended on that date.
2. To declare a Dividend.
3. To appoint a Director in place of Mr. B.H. Antia, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. H.P. Ranina who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint the Statutory Auditors and to fix their remuneration.

B. SPECIAL BUSINESS:

To consider and, if thought fit, to pass, with or without modification, the following resolutions:

6. As a Special Resolution:

"RESOLVED THAT pursuant to Section 94(1)(e) and other applicable provisions, if any, of the Companies Act, 1956, the Special Resolution passed by the Shareholders in the 18th Annual General Meeting held on the 30th December, 1998 for increasing the Authorised Capital of the Company from Rs. 16 crores to Rs. 50 crores, be and is hereby rescinded, withdrawn and cancelled and accordingly, the Authorised Share Capital of the Company be restored to Rs. 16 crores comprising of 1,59,75,000 Equity Shares of Rs. 10/- each and 2,500 Preference Shares of Rs. 100/- each, and the existing Clause V of the Memorandum of Association of the Company be and is hereby altered, amended and modified accordingly.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take all necessary steps for giving effect to the aforesaid resolution".

7. AMENDMENT OF THE MEMORANDUM OF ASSOCIATION**As a Special Resolution**

"RESOLVED THAT pursuant to the provisions of Sections 16, 94 and other applicable provisions, if any, of the Companies Act, 1956, the Authorised Share Capital of the Company be increased from Rs. 16 Crores to Rs. 25 Crores by the creation of 19 Lakh new shares of Rs. 10/- each with authority to the Board of Directors to classify the unissued shares into several classes as permitted by law (including Equity shares with or without voting

rights) and consequently the existing Clause V of the Memorandum of Association of the Company be substituted by the following:-

- V. The Authorised Share Capital of the Company is Rs. 25,00,00,000/- (Rupees Twenty Five Crores) divided into 2,00,00,000 Equity Shares of Rs. 10/- each (including non voting equity shares, if permitted under the law) and 50,00,000 unclassified Shares of Rs. 10/- each with power to increase or reduce the capital of the Company in accordance with the relevant provisions of the Articles of Association of the Company and the legislative provisions for the time being in force in this behalf and with power to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, qualified or special rights, privileges or conditions as may be determined by or in accordance with the provisions of the Act, and the regulations of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the regulations of the Company".

8. BUY-BACK OF SHARES/SECURITIES**As a Special Resolution**

"RESOLVED THAT subject to all applicable provisions or re-enactments thereof and the Companies (Amendment) Ordinance, 1999 and subject to approvals, permissions, and sanctions, as may be agreed to by the Board and subject to the regulations framed by the Securities and Exchange Board of India and such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors of the Company (hereinafter referred to as the "Board" which expression shall also include a Committee thereof), or as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to or accepted by the Board, the consent of the Company be and is hereby accorded to the Board, to purchase its own shares on buy back basis, such percentage of the total paid up capital and free reserves of the Company as may be thought fit, from the holders of the Equity Shares or other Securities of the Company in such proportion and manner as may be permitted by the law, from such funds of the Company as are permitted to be used for this purpose or out of the proceeds of any issue made by the Company, on such terms and subject to such conditions as may be prescribed by the law.

RESOLVED FURTHER that for the purpose of giving effect to this Resolution, the Board be and is hereby authorised to do all such acts and



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things and give such directions as may be necessary or desirable and to settle all questions or difficulties whatsoever that may arise with regard to the said purchase of Equity Shares or other Securities.

RESOLVED FURTHER that the Board be and is hereby authorised to appoint merchant bankers for this purpose and to determine the price at which the Equity Shares or other Securities of the Company would be bought back in accordance with the Rules/Regulations framed by Securities and Exchange Board of India.

RESOLVED FURTHER that nothing herein above contained shall confer any right on any shareholder to offer or any obligation on the Company or the Board to buy back any Equity Shares or Securities."

9. **ISSUE OF SECURITIES IN THE INTERNATIONAL MARKET**

As a Special Resolution

"RESOLVED THAT in accordance with Section 81 and other applicable provisions, of the Companies Act, 1956, [including any statutory modification(s) or re-enactment thereof or any ordinance that may be promulgated in respect thereof] and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors of the Company (hereinafter referred to as the "Board" which expression shall also include a Committee thereof), or as may be prescribed or imposed while granting such approvals, permissions and sanctions, and subject to the regulations that may be framed by the Securities and Exchange Board of India, the consent of the Company be and is hereby accorded to the Board to issue, in one or more tranches, in the international market to Foreign Financial Institutions, Foreign investors/Companies and/or Foreign Investment Institutions operating in India, whether shareholders of the Company or not (hereinafter collectively referred to as "Investors") through a public issue and/or on private placement basis and/or on preferential allotment basis, Equity Share related instruments, including Convertible Bonds or Bonds with Share Warrants attached thereto (hereinafter collectively referred to as "Securities") as may be thought fit, upto an amount not exceeding US\$15 million inclusive of such premium as may be payable on the Equity Shares, at such time or times, on such terms and at such price or prices as the Board in its absolute discretion deems fit.

RESOLVED FURTHER that the Board be and is hereby authorised to issue and allot such number of additional Equity Shares as may be required in pursuance of the above issue, and that the Equity Shares so allotted shall rank in all respect pari

pasu with the existing Equity Shares of the Company save and except that:

- (i) if prior to the issue of any of the Securities hereinabove mentioned, the Company is enabled as a result of any legislative changes or enactments, to issue Equity Shares without voting rights attached to them (such shares hereinafter being referred to as the "Non-voting Shares") the Board may, at its discretion issue the whole or any part of such Shares without voting rights upon such terms and conditions and with such rights and privileges annexed thereto as may be permitted by the relevant law; and
- (ii) such Equity Shares, which may be with or without voting rights, shall carry the right to receive either the full dividend or a pro rata dividend from the date of allotment, as may be decided by the Board, declared for the financial year in which the allotment of the Shares shall become effective.

"RESOLVED FURTHER that the consent of the Company be and is hereby granted in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 and subject to all necessary approvals, to the Board to secure, if necessary, all or any of the above mentioned securities to be issued by the creation of mortgages and/or charges on all or any of the Company's immovable and/or movable assets, both present and future in such form and manner and on such terms as may be deemed fit and appropriate by the Board.

"RESOLVED FURTHER that for the purpose of giving effect to the above, the Board be and is hereby authorised to determine the form and terms of the Issue, the Issue price and all other terms and matters connected therewith including the creation of mortgages and/or charges and to make and accept any modifications in the proposal as may be required by the concerned authorities in India and abroad and to settle any questions or difficulties that may arise in regard to the Issue."

10. **EMPLOYEES' STOCK OPTION SCHEME**

As a Special Resolution

"RESOLVED that in accordance with Section 81 and all applicable provisions, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof) and the Companies (Amendment) Ordinance, 1999 and/or any other Ordinance that may be promulgated in respect thereof and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors of the Company (hereinafter referred to as the "Board" which expression shall also include a Committee thereof), or as may be prescribed or imposed while granting such approvals,



permissions and sanctions, which may be agreed to or accepted by the Board in its sole discretion, the consent of the Company be and is hereby accorded to the Board to create, offer, issue or allot, in one or more tranches, to such persons as are in the permanent employment of the Company at the time the issue is made and to the Managing Director of the Company, as may be decided solely by the Board such number of Equity Shares of the Company of the face value of Rs. 10/- each, not exceeding such percentage, as permitted by law, of the Subscribed Equity Shares of the Company at that time, as the Board may deem fit, for subscription for cash or allocated as an option to subscribe, or allotted as 'Sweat Equity' (which term shall mean and include Equity Shares allotted either on discount or for consideration other than cash for providing know-how, making available intellectual rights or value addition) on such terms and at such price as may be fixed and determined by the Board prior to the issue and offer thereof in accordance with the applicable guidelines and provisions of law and otherwise ranking pari passu with the Equity Shares of the Company as then issued and in existence and on such other terms and conditions and at such time or times as the Board may, in its absolute discretion and in the best interest of the Company deem fit; Provided that the aforesaid issue of Equity Shares may instead be in the form of fully or partly Convertible Debentures, Bonds, Warrants or other securities as may be permitted by the law, from time to time and the issuance of such securities in the aggregate will result in not more than such percentage, as may be permissible, of the Subscribed Equity Shares of the Company at that time.

RESOLVED FURTHER that the Board be and is hereby authorised to issue and allot such number of Equity Shares as may be required in pursuance of the above issue, and that the Equity Shares so allotted shall rank in all respects pari passu with the existing Equity Shares of the company save and except that such Equity Shares which may be with or without voting rights, if permitted by the law, shall carry the right to receive either the full dividend or a pro-rata dividend from the date of allotment, as may be decided by the Board, declared for the financial year in which the allotment of the Shares shall become effective.

RESOLVED FURTHER that the consent of the Company be and is hereby granted in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 and subject to all necessary approvals to the Board to secure, if necessary, all or any of the above mentioned securities to be issued, by the creation of mortgages and/or charges on all or any of the Company's immovable and/or movable assets, both present and future, in such form and manner

and on such terms as may be deemed fit and appropriate by the Board.

"RESOLVED FURTHER that for the purpose of giving effect to the above, the Board be and is hereby authorised to determine the form and terms of the Issue, the Issue price and all other terms and matters connected therewith including the creation of mortgages and/or charges and to make and accept any modifications in the proposal as may be required by the authorities involved in such issues and to settle any questions or difficulties that may arise in regard to the Issue."

11. **ISSUE OF SECURITIES TO FINANCIAL INSTITUTIONS**

As a Special Resolution

"RESOLVED THAT in accordance with Section 81 and other applicable provisions, of the Companies Act, 1956 and subject to all such consents, permissions or sanctions of the appropriate authorities that may be required in this connection and subject to all such conditions and modifications as may be prescribed while granting such approvals and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee which the Board may have constituted or may hereafter constitute to exercise its powers including the powers conferred by this Resolution), the consent of the Company be and is hereby accorded to the Board to issue, offer and allot, in one or more tranches privately or otherwise, to the Banks, Insurance Companies, Financial Institutions/Mutual Funds, Foreign Institutional Investors (including corporate bodies substantially owned by them) and other entities/persons, including Members of the Company, as the case may be, upto 5,00,00,000 Shares/Securities of Rs. 10/- each to such persons, companies and other entities for general corporate purposes including capital expenditure, working capital requirements, strategic investments or any other reorganisation/arrangements as the Board may deem fit on such terms and conditions as the Board may decide.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may deem necessary, proper or desirable and settle any question, difficulty or doubt that may arise in regard to offer/issue, allotment and utilisation of proceeds for the issue of securities and to finalise and execute all documents and writings as may be necessary, desirable or expedient."

12. **PREFERENTIAL ALLOTMENT OF SHARES/ SECURITIES TO PROMOTERS**

As a Special Resolution

"RESOLVED THAT pursuant to and in accordance



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with the provisions of Section 81 and other applicable provisions of the Companies Act, 1956 and subject to such consents and/or approvals and subject to such conditions and modifications as may be considered necessary by the Board of Directors (hereinafter referred to as the 'Board' which term shall include a committee of Directors constituted hereunder and for the time being exercising the powers conferred on the Board by this resolution) or as may be prescribed in or while granting such consent or approval and which conditions and modifications may be agreed to by the Board, the consent of the Company be and is hereby accorded to the Board to issue to the Indian financial institutions, to one or more of them and/or to the other Indian investment institutions, whether shareholders of the Company or not and/or to the shareholders of the Company including the shareholders who are non-resident (collectively hereinafter referred to as 'investors'), through a public/rights issue and/or on the basis of private placement and/or on the basis of preferential allotment, Equity Shares and/or Debentures/Securities convertible into Equity Shares and/or Securities with or without share warrants attached thereto or any other related instruments including convertible bonds or non-convertible debentures/bonds all of which are

herein collectively referred to as 'securities' as may be thought fit and desirable upto an amount not exceeding Rs. 100 crores inclusive of any premium as may be payable in cash or credited as paid on the Equity Shares, at such time or times and at such price or prices as the Board in its absolute discretion may deem fit.

"RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot such number of additional securities as may be required in pursuance of the above issue and that the Equity Shares so allotted shall rank in all respects pari passu with the existing Equity Shares of the Company save and except that in the event of any legislative enactment or modification of law coming into force enabling the Company to issue Shares without voting rights attached to them, the Board may at its discretion issue the whole or any part of the said Shares without voting rights on such terms and conditions with rights and privileges as may be laid down in the relevant legislative enactment or re-enactment or modifications of law and such shares with or without voting rights, shall carry the right to receive either the full dividend or a pro-rata dividend from the date of allotment as may be decided by the Board and declared for the financial year in which such allotment is made."

By order of the Board of Directors

RAJKUMAR SARAF

Chairman & Managing Director

Registered Office:

29, MIDC Central Road,
Andheri (East),
Mumbai 400 093.

Place : Mumbai

Dated : September 29, 1999.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. Explanatory Statement in respect of the Special Business pursuant to Section 173 of the Companies Act, 1956 is annexed hereto.
3. The Register of Members and Share Transfer Books will remain closed from Tuesday, the 2nd November, 1999 to Tuesday, the 16th November, 1999 (both days inclusive).
4. The dividend on Equity Shares as recommended by Directors, if declared, will be paid to those shareholders whose names are on the Company's Register of Members on the 16th November, 1999.
5. All matters in connection with the Shares of the Company may be addressed to the Company's Transfer Agents.
6. Members while corresponding with the Company/Transfer Agents are requested to quote their respective folio no. and also notify the change of address if any, to the Company's transfer agents.
7. Shareholders desiring any information as regards the accounts are requested to write to the Company atleast 10 days before the Annual General Meeting to enable the management to keep the information ready.



EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956.

Item No. 6

The shareholders have passed a resolution in the 18th Annual General Meeting held on 30.12.1998, for increasing the Authorised Capital of the Company from Rs. 16 crores to Rs. 50 crores. The Board of Directors is of the opinion that the indicated increase in the said Capital is currently not warranted and therefore recommend the resolution as aforesaid, be withdrawn and cancelled.

Item No. 7

The Board recommend the increase in the Authorised Capital from Rs. 16 crores to Rs. 25 crores. The proposed new capital would comprise of 2,00,00,000 Equity Shares of Rs. 10/- each and 50,00,000 Unclassified Shares of Rs. 10/- each. The increase and the re-classification of the Authorised Capital would enable the Board of Directors to issue Securities to Foreign Institutional Investors, Domestic Financial Institution and Employees at such time(s) and at such issue price, as the Board may decide.

Item No. 8

Section 77A of the Companies Act, 1956, enables a Company to buy back its own shares in accordance with the guidelines issued by the Securities and Exchange Board of India, subject to such limits and on terms and conditions as contained in the said guidelines. The buy back of the shares would be at a price recommended by the Merchant Bankers to be appointed for the purpose, taking into account the prevailing market conditions.

Item No. 9, 10, 11 & 12

Section 81 of the Companies Act, 1956 provides, inter alia, that whenever it is proposed to increase the

Subscribed Capital of a Company by the allotment of further shares, such further shares shall be offered to the existing shareholders of the Company in the first instance, in the manner laid down in the said Section unless the Shareholders in General Meeting decide otherwise.

Shareholders have passed Special Resolutions under Section 81 of the Companies Act, 1956, in the 18th Annual General Meeting held on 30.12.1998, enabling the Board of Directors to issue securities, depending on the market conditions, (i) to Foreign Institutional Investors and bodies corporate upto US\$15 million, (ii) to employees under the Employees Stock Option Scheme, as per SEBI Guidelines, (iii) to domestic financial institutions upto Rs. 50 crores; and (iv) to the Promoters on preferential allotment basis upto Rs. 100 crores. The proposed resolutions are commended for extending the validity of/renewing the resolutions passed as aforesaid, for enabling the Board of Directors to issue securities depending on the Company's requirement of funds and the prevailing market conditions.

The Directors commend all the resolutions to the shareholders, for acceptance.

Save and except the resolution at no. 8 regarding buy back of shares/securities and item no. 12 regarding preferential allotment of shares/securities to promoters, in which all the Directors may be deemed to be concerned or interested, none of the Directors is concerned or interested in the other items of special business listed at Serial nos. 6, 7, 9, 10 & 11 of the notice.

By order of the Board of Directors

RAJKUMAR SARAF

Chairman & Managing Director

Registered Office:

29, MIDC Central Road,
Andheri (East),
Mumbai 400 093.

Place : Mumbai

Dated : September 29, 1999.



COMPUTERS LIMITED

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting their Nineteenth Annual Report and Audited Accounts for the year ended March 31, 1999.

FINANCIAL HIGHLIGHTS & APPROPRIATIONS

	1998-99 (Rs. in 000's)	1997-98 (Rs. in 000's)
Profit before depreciation & taxes	44895	40344
Less: Depreciation	9582	10014
Profit before taxes	35313	30330
Less: Provision for taxes	3700	3000
Profit after taxes	31613	27330
Add: Balance b/f from previous year	2282	2312
Balance which the Directors have appropriated as under:	33895	29642
Provision for taxation in respect of earlier years	(-) 618	(-) 199
Short Provision for Wealth Tax for earlier years	6	16
Proposed Dividend	11700	10494
Tax on Proposed Dividend	1170	1049
General Reserve	20000	16000
Balance carried forward	1637	2282

COMPANY'S ACTIVITIES

In line with industry trends, Fiscal year 1999 continued to be a year of consolidation. The demand for information Technology (I.T.) goods and services continues. Additionally, political uncertainty has led to deferment of significant business, particularly in the core sector.

During the year, the Profit before depreciation and taxes registered an increase of Rs. 45.51 lakhs (11.28%) and Profit after taxes is higher at Rs. 42.83 lakhs (15.67%) after provision for both depreciation and taxes.

DIVIDEND

The Directors recommend payment of dividend @12% -

- On 78,40,231 fully paid equity shares of Rs. 10/- each for the full year i.e. Rs. 1.20 per share; and
- Pro-rata on the rights shares allotted on 30.09.97, which are paid up @ Rs. 2.50 per share, dividend @ Re. 0.30 per share for the full year.

PROSPECTS

The Indian economy has witnessed a rising trend for demand and supply except for certain sectors. The demand for I.T. products and services has been increasing substantially and would continue to be so for the next fiscal year also.

The sluggish trends in the Indian economy witnessed in the previous year are still continuing. Expectations are that the demand for I.T. products and services will increase substantially in the next fiscal year.

The Company is well poised to take advantage of the upturn in the economy. The Company continues to roll out newer and better products and solutions sets. The Company continues to have an established network of sales and service offices spread across the country.

Zenith Internet PC, was launched in 1999 for exploiting the demand for internet services in the Home and Small Office segment. This product has been well received by the market and has made substantial inroads in the market share held by other PC manufacturers. Your company is now third in terms of volume of PCs sold during the year and continues to maintain its market share of 7%. The Company's PCs have been certified to be Year 2000 Compliant by National Software Testing Laboratory, USA. The company's advertisement program on the T.V. as well as the publicity program in the newspapers during the last one year for spreading information has had a positive impact on the sales turnover of the company.

DIRECTORS

In accordance with the Articles of Association of the Company and the provisions of the Companies Act, 1956, Mr. B.H. Antia and Mr. H.P. Ranina will retire by rotation and being eligible offer themselves for re-appointment.