



COMPUTERS LTD

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21st Annual Report

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COMPUTERS LTD

21st Annual Report 2000-2001

DIRECTORS

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

**SR. 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

**REGISTRAR &
TRANSFER AGENTS**

Intime Spectrum Registry Private Limited,,
260, Shanti Industrial Estate,
Sarojini Naidu Road, Mulund (West),
Mumbai - 400 080.

REGISTERED OFFICE

B-5, Electronic Sadan 1,
MIDC, TTC Area,
Mahape, Koparkhairne P.O.,
Navi Mumbai - 400 709.

PLANT

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



COMPUTERS LIMITED

NOTICE

NOTICE is hereby given that the TWENTY FIRST ANNUAL GENERAL MEETING OF ZENITH COMPUTERS LIMITED will be held at 12.00 Noon on Friday, the 28th September, 2001 at the Auditorium of ICSI - Centre For Corporate Research & Training, Plot No. 101, Sector 15, Institutional Area, CBD Belapur, Navi Mumbai - 400 614, to transact the following business:

A. ORDINARY BUSINESS:

1. To receive and adopt the Directors' Report and the audited Balance Sheet as at 31st March, 2001 and the audited Profit and Loss Account for the period ended on that date.
2. To declare a dividend.
3. To appoint a Director in place of Mr. S. V. Haribhakti who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. B. H. Antia 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 an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 252 of the Companies Act, 1956 read with the Companies (Appointment of Small Shareholders' Director) Rules 2001 Mr. K. Venkatachalam be and is hereby appointed as a Director representing the small Shareholders of the Company to hold office for a period of 3 years with immediate effect."

7. As a Special Resolution:

BUYBACK OF SHARES

"RESOLVED THAT pursuant to Section 77A, 77AA and 77B of the Companies Act, 1956 and Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 1998 (hereinafter referred to as "SEBI Regulations") and other applicable laws and regulations, if any, the Company do purchase/buy-back out of free reserves or securities premium account or partly out of free reserves and partly out of securities premium account, or out of the proceeds

of any shares or securities, around 38,50,000 equity shares of the company of face value of Rs. 10/- each, representing 24.87% of the total number of shares comprised in the paid-up share capital of the company, for an aggregate amount not exceeding Rs. 9.63 Crores (representing 22.81% of the paid-up Equity Share Capital and Free Reserves of the Company) from the holders of the equity shares (subject to such permission from Reserve Bank of India and/or other authorities, as may be necessary), or from the open market at a price not exceeding Rs. 25/- per share.

RESOLVED FURTHER THAT the Board of Directors of the company (hereinafter referred to as "the Board" which term shall include any committee which the Board of Directors of the company may have constituted or may hereafter constitute) be and is hereby authorised -

- (1) to determine and fix at the appropriate time, the price, not being a price higher than the maximum price specified herein above for the proposed buy-back of shares;
- (2) to adopt any one of the methods of buy-back referred to in sub-regulation (1) of regulation 4 of the SEBI Regulations or any combination thereof, namely:-
 - (i) from the existing shareholders on a proportionate basis through the tender offer; or
 - (ii) from the open market through book-building process, or stock exchange;
- (3) to complete the buy-back in one or more tranches, as permissible under the SEBI Regulations;
- (4) to take all appropriate steps under SEBI Regulations and all other applicable laws and regulations, including appointments of bankers and other intermediaries, opening of an escrow and special bank accounts and finalising public announcements and such other documents as may be relevant.

RESOLVED FURTHER THAT nothing contained herein shall confer any right on the part of any shareholder to offer, or any obligation on the part of the company or the Board to purchase/buy-back any shares except as provided under the SEBI Regulations and in the manner and during the period prescribed therein."

By order of the Board of Directors

Place : Mumbai

Dated : August 16, 2001.

RAJKUMAR SARAF

Chairman & Managing Director

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 of the company. The proxy form to be effective, must be duly executed and signed and must be lodged at the company's registered office at least 48 hours before the time of the meeting.
2. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company would remain closed from Tuesday, the 14th August, 2001 to Saturday, the 25th August, 2001 (both days inclusive).
4. The dividend on Equity Shares as recommended by the Directors, if declared, will be paid to those members whose names are on the Register of Members on the 25th August, 2001. In respect of shares held in the electronic form, the dividend will be payable to the beneficial owners of shares as on 25th August, 2001 as per details furnished by the Depositories for this purpose.
5. All matters in connection with the Shares of the Company may be addressed to the Company's Transfer Agents viz. M/s. Intime Spectrum Registry Private Limited, 260, Shanti Industrial Estate, Sarojini Naidu Road, Mulund (West), Mumbai - 400 080. Members are requested to quote their respective folio numbers and also notify the change of address, if any, to the Company's Transfer Agents.
6. 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.
7. The business at serial nos. 6 and 7 requires consent of the shareholders through postal ballot. Postal Ballot Paper enclosed along with a self-addressed envelope of the Company must be posted so as to reach the Company at its registered office not later than 26th September, 2001. Consent or otherwise received after this date will be strictly treated as if the reply from the members has not been received. The Ballot paper must be duly filled in, the preference for or against the resolutions clearly marked and signed by the sole shareholder or the joint shareholder in the order of seniority in which they appear in the Register of Members of the Company (or in respect of the beneficiaries of shares held in the electronic form, as per the list furnished by the Depositories). Only those members who hold 2,000 Equity Shares of Rs. 10/- or less in the Company as on 25th August, 2001 are entitled to vote on the resolution at serial no. 6. The resolution at serial numbers 6 and 7 will not be taken up for voting at the Annual General Meeting and will have to be voted by postal ballot.

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EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF SPECIAL BUSINESS.

Item No. 6

Pursuant to the newly inserted Proviso to sub-section (1) Section 252 of the Companies Act, 1956, a public company having a paid-up capital of five crore rupees or more or having one thousand or more small shareholders may have a Director elected by such small shareholders in the manner as may be prescribed. A small shareholder has been defined as a shareholder holding shares of nominal value of twenty thousand rupees or less in a public company. The Central Government in the Department of Company Affairs has notified on 9.3.2001 the Companies (Appointment of the Small Shareholders' Director) Rules, 2001. The Rules provide, *inter alia*, that a company may act *suo-moto* to elect a small shareholders' Director or upon notice of small shareholders, who are not less than 1/10th of the total number of small shareholders and have proposed the name of a person who shall also be a small shareholder of the Company. The Company has received two notices from two small shareholders along with the requisite deposit of Rs. 500/- each proposing the name of Mr. K. Venkatachalam, a small shareholder, as a Director for representing the small shareholders. The Company, in exercise of the power vested by the aforesaid Rules and in deference to the wishes of the small shareholders for having their nominee on the Board, hereby recommends *suo-moto* the name of Mr. Venkatachalam as the small shareholders' Director. Mr. Venkatachalam has given his consent in writing, to act as a Director of the Company, if appointed. The small shareholders' Director's tenure may be for a maximum period of three years and he shall not be liable to retire by rotation. The election of the small shareholders' Director shall be by postal ballot.

None of the Directors is concerned or interested, save and except to the extent of the shares held by them in the Company, in the said resolution.

Item No. 7

The Companies (Amendment) Act, 1999 and the Securities & Exchange Board of India (Buy-Back of Securities) Regulations, 1998 (hereinafter referred to as the 'SEBI Regulations') allow a company to buy-back its own shares subject to the conditions laid down therein. The proposed buy-back of shares by the company is authorised by the articles of association of the company, vide article 12A.

The explanatory features of the buy-back proposal are set out hereunder in pursuance of the said SEBI Regulations:

1. The proposal for buy-back was approved by the Board of Directors of the Company in its meeting held on 28th July, 2001.
2. The necessity for buy-back.
The main objective of buy-back is to utilise a portion of the surplus cash to buy-back equity shares at a price below its conservatively computed intrinsic value. This offers a reasonably attractive exit option to those shareholders wishing to do so while ensuring that the

buy-back price is value-enhancing to those shareholders who prefer to retain ownership of their stock.

3. The Shareholders are to authorise the Board of Directors of the company to adopt one of the methods referred in sub-regulation (1) of regulation 4 at the appropriate time. The special resolution set out in the notice seeks such an approval from the shareholders.
4. The maximum amount required under the buy-back and the sources of funds from which the buy-back would be financed.

Rs. 9.63 crores approximately. It is proposed to finance the buy-back from the surplus funds with the company, and disinvestment of some of its liquid financial assets.

5. The basis of arriving at the buy-back price.

While fixing the maximum of Rs. 25/- per share for buy-back, the Board of Directors have taken into account the various factors such as the market price ruling over the last six months, the current and future earning per share, return on equity, net worth and other relevant factors. The recommended maximum price of Rs. 25/- is at a premium of about 47.50% to the average of the highest and lowest price during the last three months and at a premium of about 13.8% to the average of the highest and lowest price during the last six months.

6. The number of shares that the company proposes to buy-back.

The number of shares proposed to be bought back is 38,50,000 fully paid equity shares of Rs. 10/- each, representing approximately 24.87% of the shares comprised in the paid-up share capital.

7. (a) The aggregate shareholding of the promotor and of the directors of the Company and of persons who are in control of the company as on the date of the notice convening the general meeting. 84,98,008 Shares.

(b) Aggregate number of equity shares purchased or sold persons mentioned in (a) above during a period of six months preceding the date of the board of meeting at which the buy-back was approved till date of notice convening the general meeting.

No. of shares purchased	No. of shares sold
Nil	Nil

(c) The maximum and minimum price at which purchases and sales referred to in (b) above were made along with the relevant dates is not applicable since no purchases and/or sales were made.

8. The intention of the promoters and persons in control of the company to tender shares for buy-back indicating



- the number of shares, details of acquisition with dates and price.
- The promoters and persons in control of the company do not intend to offer their shares for buy-back.
9. The Board of Directors confirm that there have been no defaults subsisting in repayment of deposits, redemption of debentures or preference shares or repayment of term loans to any financial institutions or banks.
 10. The Board of Directors has made a full inquiry into the affairs and prospects of the company and it has formed the opinion that
 - (i) immediately following the date on which the general meeting is convened, there will be no grounds on which the company could be found unable to pay its debts;
 - (ii) as regards its prospects for the year immediately following that date, that having regard to their intentions with respect to the management of the company's business during that year and to the amount and character of the financial resources which will in their view be available to the company during that year, the company will be able to meet its liabilities as and when they fall due and will not be rendered insolvent within a period of one year from that date; and
 - (iii) in forming their opinion for the above purposes, the directors have taken into account the liabilities as if the company were being wound up under the provisions of the Companies Act, 1956 (including prospective and contingent liabilities).
 11. A report dated 31.7.2001 addressed to the Board of Directors by the Company's Auditors on the permissible capital payment and the opinion formed by the Directors regarding insolvency:

The company has obtained a report addressed by M/s. C.L. Khanna & Co., the Auditors of the Company to the Board of Directors to the effect that:

 - (i) they have enquired into the Company's state of affairs;
 - (ii) the amount of the permissible capital payment for the securities in question is in their view properly determined; and
 - (iii) the Board of Directors have formed the opinion as specified above on reasonable grounds and that the company will not, having regard to its state of affairs, be rendered insolvent within a period of one year from that date.
 12. The time limit for completion of buy-back.

The buy-back shall be completed within 12 months from the date of passing the special resolution herein, and in accordance with the time limits prescribed in the SEBI Regulations for taking various steps under the method of buy-back to be adopted.
 13. The ratio of the debt to capital and free reserves of the company after buy-back.

The ratio of debt owed by the company to its capital and free reserve as at 31.3.2001 is 1.09:1. The ratio of debt to equity after the proposed buy-back may change to 1.20:1 which is well below the statutorily prescribed ratio of 2:1.
 14. The shares bought back by the company will be extinguished and destroyed. Further, the company will not be entitled to make further issue of equity shares within a period of twenty four months from the date of completion of the buy-back, except as provided in sub-section 8 of section 77A of the Companies Act, 1956.

The Directors of the Company may be deemed to be interested in the resolution to the extent of their respective shareholdings in the company.

The Auditors' Report to the Board of Directors of the company referred to above is available for inspection of shareholders on any working day of the company till the date of the annual general meeting, between 10.00 a.m. and 2.00 p.m.

By order of the Board of Directors

Place : Mumbai
Dated : August 16, 2001.

RAJKUMAR SARAF
Chairman & Managing Director

ANNUAL REPORT 2000-2001**DIRECTORS' REPORT****TO THE MEMBERS**

Your Directors have pleasure in presenting their Annual Report and the audited Accounts for the financial year ended March 31, 2001.

FINANCIAL HIGHLIGHTS

	2000-2001 (Rs. in 000's)	1999-2000 (Rs. in 000's)
Profit before taxes	23475	53015
Less: Provision for taxes	1761	2400
Profit after taxation available for appropriation	21714	50615
Add: Balance brought forward from previous year	980	1637
Balance which the Directors have appropriated as under:	22694	52252
Provision for taxation in respect of earlier years	(-) 1222	(-) 534
Short Provision for Wealth Tax for earlier years	12	2
Proposed Dividend	18577	15139
Tax on Proposed Dividend	1895	1665
General Reserve	3000	35000
Balance carried forward	432	980

COMPANY'S ACTIVITIES

In line with industry trends, Fiscal year 2001 stood out as the year of slow down with the demand for the products and services in the Information and Technology sector abating substantially due to world wide recession afflicting this category of businesses. This trend is likely to continue in the current financial year also.

DIVIDEND

Your Directors recommend payment of Dividend of 12% (Re. 1.20 per Share - the same as in the previous year) on the 1,54,80,840 Equity Shares of Rs. 10/- each for the full year.

DOMESTIC OPERATIONS

The demand for products and services in the Information and Technology sector has been in the throes of high volatility and recession and this situation is likely to continue for some time. The Company could not buck this world wide trend; however it has been able to continue to maintain the product sales and profitability despite the recessionary market conditions.

Your Company continues to maintain its third position in terms of volume of PC's sold during the year as well as its market share of about 9%.

OVERSEAS OFFICES AND OPERATIONS

During the year, the Company discontinued its business at its branch office at Singapore due to unduly high costs of administration vis-a-vis demand for the Company's products and the process of closure of the branch office is under way.

COMPULSORY DEMATERIALIZATION OF COMPANY'S SHARES

The Company's Equity Shares were compulsorily dematerialized with effect from 28th August, 2000 and as such the Company's Shares continue to be traded only in the electronic form.

REGISTRAR & TRANSFER AGENTS OF THE COMPANY (RTA)

M/s. MCS Limited of Mumbai ceased to be Registrar & Transfer Agents of the Company effective 31st March, 2001 and M/s. Intime Spectrum Registry Private Limited of Mumbai have been appointed as the RTA in place of M/s. MCS Ltd., with effect from 1st April, 2001. All the shareholders and the public as well as the Stock Exchange, Mumbai, the National Stock Exchange of India Limited, the National Securities Depository Limited and the Central Depository Services Limited have been informed of the change in the RTA.

DIRECTORS

In accordance with the Company's Articles of Association and provisions of the Companies Act, 1956 Mr. S.V. Haribhakti and Mr. B.H. Antia retire by rotation at the ensuing Annual General Meeting (AGM) and being eligible, offer themselves for re-appointment.

The Company has received two notices from two members, who are also small shareholders of the Company pursuant to Sections 257 read with 252 of the Companies Act, 1956 along with the deposit of Rs. 500/- from each of them, of their intention to move resolutions at the ensuing AGM for the appointment of Mr. K. Venkatachalam as a Director representing the small shareholders of the Company. Mr. Venkatachalam has given his consent to act as Director of the Company, if appointed.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm:

1. that in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed;
2. that the Directors have selected such accounting policies and applied them consistently and made judgements 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 ended 31st March, 2001 and of the profit of the Company for that year;
3. that the Directors have taken proper and sufficient care for the maintenance of adequate records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. that the Directors have prepared the annual accounts on a going concern basis.