



Annual Report

1998-99

Report



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ZICOM

ELECTRONIC SECURITY SYSTEMS LIMITED



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ELECTRONIC SECURITY SYSTEMS LIMITED

BOARD OF DIRECTORS

Manohar Bidaye - Chairman

Pramod V. Rao - Managing Director

M. V. Rao - Executive Director

Sateesh Sunke - Director

Harish Nayak - Director

Mukul Desai - Alternate to Shri Harish Nayak

AUDITORS

P. Raj & Co.

Chartered Accountants

BANKERS

Union Bank of India

REGISTERED OFFICE

45, Chimbai Road,
Behind St. Andrews Church,
Off Hill Road,
Bandra (West),
Mumbai - 400 050.

**REGISTRARS AND
SHARE TRANSFER AGENTS**

PCS Industries Limited,
Hyfa Building No.2,
Behind Johnson & Johnson,
Safed Pool,
Andheri (East),
Mumbai - 400 072.

**ZICOM****ELECTRONIC SECURITY SYSTEMS LIMITED**

NOTICE

NOTICE is hereby given that the Fifth Annual General Meeting of the Members of **ZICOM ELECTRONIC SECURITY SYSTEMS LIMITED** will be held on Thursday, the September 30, 1999 at 3.00 p.m., at Hotel Atithi, 77 A&B, Nehru Road, Vile Parle (East), Mumbai-400 099, to transact the following business :

AS ORDINARY BUSINESS

- 1) To receive, consider and adopt the Audited Balance Sheet as at March 31, 1999 and the Profit and Loss Account for the year ended on that date, together with the Reports of the Board of Directors and the Auditors thereon.
- 2) To appoint a Director in place of Shri M. V. Rao, who retires by rotation, and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in place of Shri Harish Nayak, who retires by rotation, and being eligible, offers himself for re-appointment.
- 4) To appoint Auditors to hold office from the conclusion of this meeting, until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

AS SPECIAL BUSINESS

- 5) To consider and if thought fit, to pass with or without modifications, the following resolution as a **Special Resolution** :

"RESOLVED THAT pursuant to the provisions of Section 149(2) (A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and also subject to necessary approvals, required if any, from appropriate authorities in this regard, consent of the Company be and is hereby accorded to the Board of Directors of the Company to commence business in and carry on all or any of the activities / business contained in Sub-Clauses 52, 54 and 90 of the Memorandum of Association of the Company, i.e., the following :

- (52) To carry on the business of software development for Commercial, Scientific, Technical, Industrial, Household purposes and for other purposes.
- (54) To carry on the trade or business of manufacturers or traders, commission agents, buying agents, importers, exporters and dealers in computers and tabulators of every kind, description including Accounting Machines, Calculating Machines, Counting Machines, Cash Registers, Tabulators, Sorting Machines, Copying and Reproducing Machines, Distributing Machines and machinery systems, apparatus appliances and devices including manufacture of peripheral controls for Disc Units, Tape Units, Central Processing units, and printers for communication network, terminals, add-on memories, Computer Systems and related electronic assemblies and sub-assemblies or any other electronic components or otherwise including electronic gadgets and electronic appliances for office use as aforesaid, and Electronic Test Equipments, Electronic Typewriters, Word Processors and such other devices and electronic appliance for all purposes.
- (90) To carry on business as advisers and/or consultants on matters and problems relating to the Industries, Administration, Management, Organisation, Accountancy, Costing, Financial, Marketing, Computer Software & Hardware, Import, Export, Commercial or Economic activities, Labour, Statistical, organizational methods, quality control and data processing, technical "know-how", operation, manufacture, production, storage, distribution, sale and purchase of goods, property of and in relation to any business, Trade, Commerce, Industry, Mine, Agriculture, Housing or Real Estate and upon the means, methods and procedure for the establishment, construction, business, Trade, Commerce, Industry Agriculture, Buildings, Real Estates, Plant or Machineries and all systems, methods, techniques, processes, principles in relation to the foregoing and to carry on business of rendering services on any one or more of aforesaid matters.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors be and is hereby authorised to finalise, settle and execute such documents / agreements / deeds / writings / papers as may be required and to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard and to delegate any of its power in the matter either to any committee of Directors, or any single Director of the Company".

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- 6) To consider and if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution** :

"RESOLVED THAT pursuant to the provisions of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), and subject to necessary approvals required, if any, from appropriate authorities in this regard, consent of the Company be and is hereby accorded to the Board of Directors of the Company to sell, lease or otherwise dispose off the whole or substantially the whole of the undertaking, or any part of such undertaking, or any property like any land, building, machinery, equipment or other moveable or immovable properties of the Company; in such manner and on such terms and conditions, as the Board may in its absolute discretion think fit and in the interest of and beneficial to the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors be and is hereby authorised to finalise, settle and execute such documents / deeds / writings / papers / agreements as may be required and to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard and to delegate any of its power in the matter either to any committee of Directors or any single Director of the Company".

By Order of the Board
For ZICOM ELECTRONIC SECURITY SYSTEMS LIMITED

(MANOHAR BIDAYE)
CHAIRMAN

Place : Mumbai
Date : June 3, 1999.

Regd. Office :

45, Chimbai Road,
Behind St. Andrews Church,
Off Hill Road, Bandra (West),
Mumbai - 400 050.

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing proxies in order to be effective, must be lodged at the Company's registered office not less than 48 hours before the time of the Meeting.
3. Members / Proxies should bring the Attendance Slip duly filled in for attending the meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, September 21, 1999 to Thursday, September 30, 1999 (both days inclusive).
5. The explanatory statement pursuant to the provisions of Section 173(2) of the Companies Act, 1956 giving material facts in respect of special business set out under Item Nos.5 & 6 forming part of this notice is annexed herewith.

REQUEST TO THE MEMBERS

1. Members desiring any information on the Accounts at the Annual General Meeting are requested to write to the Company at least 7 (Seven) days in advance, so as to enable the Company to keep the information ready.
2. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies of the Annual Report to the Meeting.
3. Members are requested to inform immediately any change in their address to the Company's Registrar and Share Transfer Agents, at their Office at PCS Industries Limited, Hyfa Building No.2, behind Johnson & Johnson, Andheri Kurla Road, Safed Pool, Andheri (East), Mumbai - 400 072.
4. Shareholders holding shares in identical order of name in more than one folio are requested to write to the Company's Registrar and Share Transfer Agents at address as above, enclosing their Share Certificates to enable the Company to consolidate their holdings in one folio.

**ZICOM****ELECTRONIC SECURITY SYSTEMS LIMITED**

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956, ANNEXED TO AND FORMING PART OF THE NOTICE.

ITEM NO. 5 :

With furtherance of the economic liberalisation, new business opportunities are emerging, which your company is trying to utilise for its benefits. In this regard, it is proposed to diversify the activities of the company in such areas which can economically and conveniently be taken up with the existing activities of the company.

In future, communication equipments and apparatus, office automation equipments and electronic security systems will be integrated for effective control over the business and will form an integral part of any modern office outfit. In this regard, various kinds of softwares will play important role for meaningful integration. For this, your Company has already developed suitable softwares for integration of electronic security systems with computer and office automation products. The Company has experimented these softwares with few of its clients which includes leading Banks and Software companies, and initial response is quite encouraging. Your Company foresees good market for these softwares and therefore it is proposed to venture into software business. Further, with the integration of computer systems, office automation equipments and electronic security systems as stated above, demand for various kind of electronic gadgets, like smart cards will increase substantially. This will provide good business potential and hence it is proposed to take-up the business of smart cards and other electronic gadgets. Also, the Company has proposed to take up rendering of consultancy in the field of electronic security systems and related area, in which your Company has already gained sufficient expertise and reputation to render such services.

The above activities, i.e. software development, marketing of electronic gadgets including smart cards and rendering of consultancy services are permitted under Sub-Clauses 52, 54 and 90 respectively of the Other Object Clause of the Memorandum of Association of the Company. As per the provisions of Section 149(2)(A) of the Companies Act, 1956, before taking up any activity permitted under Other Object Clause of the Memorandum of Association, the Board of Directors of a Public Limited Company should obtain approval of the Shareholders by special resolution.

In view of the above, the resolution under this item is proposed for your approval by way of special resolution. None of the Directors of the Company is in any way concerned or interested in the above resolution.

ITEM NO.6:

Your Company has ventured in the field of electronic security systems in India in the year 1995. It has set up Central Monitoring Stations to give new dimension to the concept of electronic security system and surveillance. Although, your Company could not achieve desired turnover and profitability due to low level of awareness for its products in the society, it has earned good reputation in this field.

Initially, your Company had to invest heavily to popularise the concept of electronic security systems, which has resulted in substantial interest burden on the Company. Further, with increased competition and higher operational costs, the lower end segment of the security systems market may be less remunerative. Therefore, your Company has decided to restructure its business in a planned manner, under which it is proposed to give on lease / licence or dispose off a part of the Company's business / undertaking and to concentrate on higher end segment of the security systems market, which will continue to be more remunerative. This will enable your company to reduce its interest burden and operational costs. The Company is at present considering various alternatives in this regard and negotiating with some interested parties. Strictly speaking, the proposed transaction may not fall under the provision of Section 293 (1) (a) of the Companies Act, 1956. However, by way of abundant caution, your Directors thought it fit to take the approval of Shareholders as specified in the resolution under this head of item.

None of the Directors of the Company is in any way concerned or interested in the above resolution.

By Order of the Board
For ZICOM ELECTRONIC SECURITY SYSTEMS LIMITED
(MANOHAR BIDAYE)
CHAIRMAN

Place : Mumbai
Date : June 3, 1999.

Regd. Office :
45, Chimbai Road,
Behind St. Andrews Church,
Off Hill Road, Bandra (West),
Mumbai - 400 050.

Annual Report 1998-99**DIRECTORS' REPORT****To****The Members,**

Your Directors have pleasure in placing before you their 5th Annual Report together with the Audited Accounts of the Company for the financial year ended March 31, 1999.

1) FINANCIAL RESULTS :

(Rupees in lakhs)

Particulars	For the year ended March 31, 1999	For the year ended March 31, 1998
Net Sales/Income from operation	801.67	620.25
Other Income	3.19	3.80
Total Income	804.86	624.05
Total Expenditure	675.58	559.92
Loss of stock due to flood	14.83	--
Gross Profit	114.45	64.13
Interest and Finance Charges	68.79	49.80
Gross Profit / (Loss) after Interest but Before Depreciation and Taxation	45.66	14.33
Depreciation	14.43	10.15
Provision for Taxation	4.00	0.54
Net Profit / (Loss) after Taxation	27.23	3.64

2) OPERATIONS :

During the year under review, the Company has achieved a total income of Rs.804.86 lakhs (Previous Year Rs.624.05 lakhs). The Profit before interest, depreciation and tax was at Rs.114.45 lakhs (Previous Year Rs.64.13 lakhs) and the Net Profit after Tax was at Rs.27.23 lakhs (Previous Year Rs.3.64 lakhs). The total sale of Rs.756.53 lakhs achieved by the Company shows an increase of 61.89% compared to previous year sale of Rs.472.88 lakhs. More important, the service income on account of Annual Maintenance Contracts of the Company has increased to Rs.36.13 lakhs as against Rs.20.19 lakhs of the previous year.

The Gross Profit for the year at Rs.114.45 lakhs has increased by 78.47% over the previous year's figure of Rs.64.13 lakhs. This was possible due to good margin earned in certain higher end projects undertaken during the year and cost control measures taken by the management. This figure would have been higher by Rs.14.83 lakhs, had there not been loss due to flood at the Company's Factory at Vasai in August 1998. The net profit after tax for the year could not cope-up with gross profit due to higher interest cost, depreciation and loss of stock.

The year under review witnessed general recessionary trend in the economy, as a result of which the demand for your Company's systems could not pick-up as expected. Although, the order booked position of the Company remained satisfactory through-out the year, actual execution / completion of the orders took longer time than envisaged on account of liquidity crunch faced by many customers of the Company.

3) PROSPECTS & DEVELOPMENT :

Your Company has started its business of Electronic Security Systems in 1995. It was the first company to set up Central Monitoring Station to give new dimension to the concept of security to protect people and property in the society. Although, your Company could not achieve desired level of turnover and profitability, it has earned good brand image in this line. When your Company entered into this business of Electronic Security Systems, it was at its nascent stage. To introduce this concept, your Company has invested substantial amount on business development which has caused higher interest burden on your Company, which in turn has increased operational cost of the Company. In view of the changed economic scenario and developments taking place in this industry due to entry of multinationals and giant players, your Company has decided to restructure its business to suit the changing environment and to utilise its expertise in execution of high end projects of surveillance and building automation.