



Feel Safe

...because everyone has something to protect



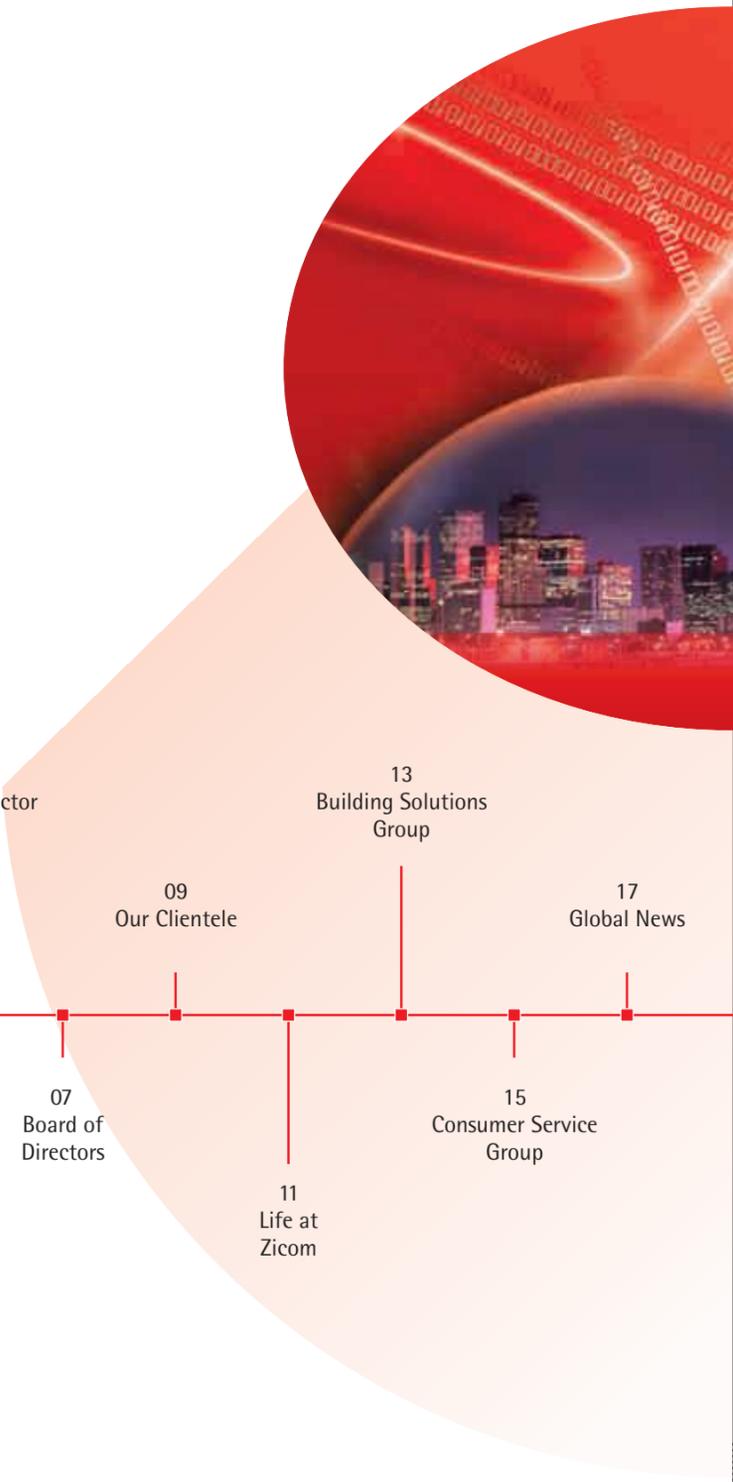
Feel Safe

Zicom Electronic Security Systems Ltd.
Landmark A Wing, 6th Floor, Andheri Kurla Road, Andheri (E), Mumbai 400 093
Tel: +91 22 4000 3535 • Fax: +91 22 4000 3434 • Toll Free: 1-800-22-4567
SMS Zicom to: 58888 • www.zicom.com

SYNOPSIS

Zicom Electronic Security Systems Ltd.
Annual Report 2006-2007

C O N T E N T S



01	03	05	07	09	11	13	15	17	19	21	29	37	40	53	54	57	58	59	60	65	74	76
Vision, Mission Et Core Values	From the Chairman's Desk	Managing Director Speaks	Board of Directors	Our Clientele	Life at Zicom	Building Solutions Group	Consumer Service Group	Global News	Financial Performance for Last Five Years	Notice	Directors' Report	Management Discussion & Analysis	Corporate Governance Report	Auditors' Certificate	Auditors' Report	Balance Sheet	Profit Et Loss Account	Cash Flow	Schedules forming part of Annual Accounts	Notes to Accounts	Balance Sheet Abstract	Our Reach

Vision, Mission & Core Values



Vision Statement

"To be the Company you **trust** the most
To **protect** what you **value** the most"

Mission Statement

Zicom is committed to provide safety to customer by continuously developing and delivering / offering new technologies, innovative products, solutions and delightful services, by abiding all its commitments to customers. We will nurture our channel partners by providing profitable avenues of growth and fulfill responsibilities towards shareholders by achieving consistent growth in shareholder's value and adhering to fair practices in all its dealings with employees and business partners.

Core Values

- Stay tuned to the Customer at all times
- Keep raising the bar on Performance
- Work with Transparency, Integrity and Accountability

From the Chairman's Desk



Today, I am proud to say that over the last twelve years, we have built a robust business model in the domain of electronic security with a huge business potential



Dear Shareholders,

I write to you with a sense of pride, as I present to you the annual accounts of your Company for the year ended March 31, 2007. The fiscal year 2006-2007 has been exciting and a challenging year for the Company. We have crossed Rs.150 crores milestone and achieved a turnover of Rs. 154.58 crores, with 106% growth over previous year, which is a break through performance in the history of the Company.

Today, I am proud to say that over the last twelve years, we have built a robust business model in the domain of electronic security with a huge business potential backed by the large distribution network of Zicom Security Partners (ZSP's) across the country.

Our vision "To be the Company you trust the most to protect what you value the most" is consistently driving us to build the trust of the customers by offering the most innovative and cost effective solutions backed by excellent service.

The Indian economy is moving at a good speed. The three engines of growth namely infrastructure, consumption and outsourcing are firing at a rapid speed of above 9% p.a. The requirement of investment in infrastructure alone is close to USD 50 billion per year for next five years. With these exponentially rising trajectories in most sectors, the Indian economy is expected to double itself in close to nine years. This huge investment in infrastructure is certainly going to accelerate the growth of the security industry in India, which is presently estimated to be around Rs. 800 crores. The Government, individuals and particularly commercial and institutional organizations are now increasingly focusing on their security arrangements in a more proactive rather than reactive manner.

During the year Consumer Service Group launched its products for the home and retail segment. This is just the beginning of a new era in the security industry where your company has taken an initiative in offering security solutions for millions of homes and retail shops across the country by creating a new business model in retailing of security products in India. More than 18 shops were opened on a company owned and dealer operated (CODO) basis. I am happy to share the fact, that the response of the consumers is encouraging enough to plan for more than 300 outlets in the current financial year. To increase its pace in this direction, the company has tied up with the Future Group and other big retailers to set up Zicom Shops in large retail formats on a Shop-in-Shop basis. Our flagship business of providing security solutions to the government, commercials and industrial establishments continues to perform well, as can be seen by the growth in the top line of your company.

I would also like to share with you the two most important accomplishments of Zicom. The first being the acquisition of 49% stake in Unisafe Fire Protection Specialists LLC, Dubai in UAE. With this acquisition we are aiming to participate in the infrastructure growth in the Middle East market. The second one being setting up a subsidiary in Hong Kong for taking up manufacturing activities in China and to promote international sale of Zicom branded products. This is the beginning of our vision to make Zicom a Global Company.

On the financial front, we are planning huge investments in direct marketing to take our security distribution network to over 100 cities in the country. We have obtained your consent for USD 35 million FCCB issue for funding our plans for both organic and inorganic growth. The best performer never stays still. For us, survival and growth depends upon efficiency, agility, ability to grasp new opportunities and implementing them effectively.

On behalf of the Board of Directors of Zicom Electronic Security Systems Limited, I specially take this opportunity to express our sincere gratitude to you, our shareholders, for the loyalty and the confidence you have reposed in us year after year.

Feel Safe,

Manohar Bidaye
Chairman

Managing Director Speaks



Since inception, we have driven the markets with innovation, technology and creating superior customers experiences. It's all thanks to our people, our stakeholders and our investors. We salute them.



Dear Stakeholders,

With the global security markets changing rapidly, it is a no-brainer that the rub-off will be on India too. It's now over 12 years in this business and the manner in which the security industry is shaping up simply amazes me, we feel like a Rip Van Winkle. The game is still the same, but the rules of the game are getting redefined every single day.

Today, it's no longer restricted to product superiority or price competitiveness; it is also about brand image. With all its personality and flair, brand consciousness is seen across all market verticals / segments. In 2006-07, we unleashed two campaigns, first one targeted towards brand building and the more recent one, to create product awareness and value proposition. Our simple approach was to educate customers and we are ecstatic with the commercial success of our campaign. It simply rocked.

We propose to start our manufacturing activity by setting up a subsidiary called "Zicom Manufacturing (HK) Ltd". We plan to manufacture Access Control Systems, CCTV Surveillance Systems, Intruder Alarm Systems, Video Door Phones and Fire Alarm Systems. We will become more competitive in our quality, product offering as well as to fulfill our long term dream that we set of to achieve in 1995 of bringing our own manufactured products in the market place. We will now have complete control on production, quality and of course, the pricing.

Today, business is no longer restricted to home boundaries. So we have expanded our vision and network and acquired 49 % stake in Unisafe, Dubai. This company specializes in the business of fire protection. Unisafe is a big name in the business of fire protection having a very impressive list of customers like the Dubai Airport, Emirates Towers, Wafi City, Palm Jumeira Residency, Oberoi Hotels, to name a few. We are targeting business exceeding 60 Million Dirhams, this year from fire protection and will soon launch our core business of Electronic Security Solutions to cover the Middle East markets which are passing through boom times.

Nothing better to explain our growth than the fact that we have employees from 7 different nationalities in the Zicom family today. We are spreading our wings to other parts of the world making ourselves truly global; and what makes this more special is the fact that our own Zi-champs are now moving to other countries and taking charge of operations.

Today the tech quotients of Indians are rising. The Internet Generation, Gen Y, Nexters and the Millennia's are all grasping technology like never before. Sensing this, most of our future products are designed to work on IP, 3G, Wi-Fi, WiMax networks since security is slowly percolating as part and parcel of our everyday life.

Business is all about people, people and people. Mahatma Gandhi once said, "Organized Mind Power is greater than Military Power". Since inception, we have driven the markets with innovation, technology and creating superior customers experiences. It's all thanks to our people, our stakeholders and our investors. We salute them...

Feel Safe,

Pramoud Rao
Managing Director

Board of Directors

Zicom's Board of Directors comprises of prominent personalities from diverse industries. They bring with them extensive knowledge imbibed over decades of experience as industry captains. They infuse great energy and knowledge which adds impetus to our superlative growth.



Manohar Bidaye, Chairman

He is the Promoter & Chairman of Zicom Electronic Security Systems Ltd. He is a Master of Commerce (M.Com) from the University of Mumbai, has a General Degree in Law and is also a senior member of The Institute of Company Secretaries of the India. He steers the organisation in its strategic vision to be one of the most admired organisations. He oversees Zicom's forays into allied fields and is also on the board of various other organisations.

Pramoud Rao, Managing Director

He is the Promoter and Managing Director of Zicom Electronic Security Systems Ltd. He oversees strategic planning, local and International partnerships, acquisitions, marketing, sales and branding of Zicom. Under his leadership Zicom has forged its success story and now is looking at spreading into overseas markets and pursuing growth in the Indian markets.

Harish Nayak, Director

He is an MS in Computer Engineering from Oregon State University, USA. He has taught at Manipal Institute of Technology, Karnataka. Over the last ten years he has worked with Intel Corp. on the Pentium project, Cirrus Logic and IReady. He resides in the USA and is responsible for all liaison activities with Zicom's collaborators.

Mukul Desai, Director

Mr. Mukul Desai is a Bachelor of Commerce from the University of Bombay and is a Fellow Member of the Institute of Chartered Accountants of India (FCA). He has been practicing as Chartered Accountant since, 1982 and has varied experience in the field of Audits & Taxation, and developed expertise in Corporate Law Matters, Direct and Indirect Taxation Laws, Corporate Finance Structuring, etc. At present he is involved in whole time practice as Chartered Accountant, specialize in Audit and Taxation matters. He is Chairman of Audit Committee of Zicom.

Vijay Kalantri, Director

He is G.C.D. and Diploma Holder in Textile and Industrialist by Profession. He has been actively involved with various Industries and Government Bodies in different capacities like President of All India Association of Industries, and Indian Council of Foreign Trade etc. He has successfully organised / attended National and International conferences, seminars and workshop.

Achyut Godbole, Director

He is qualified Engineer and possesses over 30 years of experience in Software Development in India and UK in world renowned Companies like IBM, Hindustan Lever, L & T Infotech etc. During this illustrative career, he has contributed in building of companies such as Patni, Syntel, Apar Technologies, Disha Technologies, to name a few.

Dr. B. Samal, Director

He is gold medalist in M.Sc. (Ag.) and holds a Doctorate degree in Economics. Besides he holds post graduate Diploma in Bank Management. He retired as Member of Securities Appellate Tribunal under Ministry of Finance Department of Company Affairs, prior to which he held the post of Chairman and Managing Director in Allahabad Bank and Industrial Investment Bank of India Limited.

Satya Pal Talwar, Additional Director

He has forty years of rich experience in Commercial and Central Banking in the field of Operational and Policy formulation. He has worked with Reserve Bank of India in the capacity of Deputy Governor and has also been Chairman to the RBI Service Board. He is also on the board of Reliance General Life Insurance Ltd., Reliance Communications Infrastructure Ltd., Videocon Industries, HDIL & Crompton Greaves, to name a few.

Our Clientele



Zicom's clientele is extremely diverse requiring customized security solutions to their security needs, but one thing that all of them do have in common, is their satisfaction with our wide range of products and service. Our ever growing list of satisfied clients is a testimony to that.

UB City,
Bangalore



Our Partial List of Clientele

International Clients

- Port Authority of Dubai, Je bel Ali
- Hilton Tower
- Aiwa Gulf
- The Palm Jumeira
- Deira City Center
- Wafi City
- Dubai International Airport
- Dubai World Trade Center

Academic Institutions

- Bombay Japanese School
- ICFAI
- Institute of Banking Personnel Selection
- Symbiosis Centre of Distance Learning (SCDL)
- The Kandivali Education Society

Automobiles

- Ashok Leyland
- Auto Hanger (I) Pvt. Ltd.
- Bajaj Auto Ltd.
- Raheja Automobiles
- Delphi Automotive Systems Ltd.

Aviation

- Bureau of Civil Aviation
- Airport Authorities of India
- Kingfisher Airlines
- Jet Airways
- British Airways

Banks

- HSBC
- HDFC Bank Ltd.
- Yes Bank
- Kotak Mahindra Bank Ltd.
- The Bank of New York

BPO

- TATA Consultancy Ltd.
- 3 Global Services
- Iflex Solutions Ltd.
- J.P. Morgan Services Pvt. Ltd.
- Deloitte Consulting India Pvt. Ltd.

Builders

- Godrej Properties Ltd.
- Hiranandani Builders
- Prestige Estates Projects (P) Ltd.
- Nagarjuna Construction Company Ltd.
- Dewan Housing Finance Ltd.

Call Centre

- Accenture India Pvt. Ltd.
- Efund International India Pvt. Ltd.
- JP Morgan Services India Pvt. Ltd.
- Merck Ltd.
- Syntel Sourcing Pvt. Ltd.

Entertainment

- Fame Adlabs
- Inox Leisure Limited
- MTV India Pvt. Ltd.
- Set India Pvt. Ltd.
- Star India Pvt. Ltd.

Finance

- Bajaj Allianz General Insurance Company Ltd.
- Citicorp Finance (India) Ltd.
- ICICI Venture Funds Management Company Limited
- LKP Shares and Securities Ltd.

Government

- Reserve Bank of India
- Bhabha Atomic Research Centre
- Central Public Works Department
- Centre for Artificial Intelligence & Robotics
- ONGC

IT

- Dell Computer India Pvt. Ltd.
- Information Technology Park Ltd.
- LG Software India Pvt. Ltd.
- Microsoft India (R&D) Pvt. Ltd.
- Samsung India Software Operations

Industries

- ACC Limited
- TATA Chemicals
- Otis Elevator Company (India) Ltd.
- Britannia Industries Ltd.
- Hindustan Unilever Ltd.

Jewellery

- Adora Jewellers
- C. Krishaih Chetty & Sons Ltd.
- Diamart Jewellery (India) Pvt. Ltd.
- JRD Jewels Pvt. Ltd.
- World Diamond Manufacturers Pvt. Ltd.

Media

- Bennett Coleman & Co Ltd.
- HT Media Ltd.
- Radio Mid-Day
- All India Radio
- The Associated Press

Pharma

- Glenmark Pharmaceuticals Limited
- Cipla Ltd.
- Nicholas Piramal India Ltd.
- Sandoz Pvt. Ltd.
- Ranbaxy Laboratories Ltd.

Religious Places

- Kashi Vishwanath Mandir (Varanasi)
- Krishna Janam Sthan (Mathura)
- The Siddhivinayak Temple Trust
- Mantralayam Temple
- Haji Ali Dargah

Retail

- Marks & Spencers
- Pantaloon Retail (I) Ltd.
- Piramyd Retail & Merchandizing Pvt. Ltd.
- The Arvind Mills Limited
- Westside (Trent Ltd.)

Telecom

- Bharati Airtel Limited
- VSNL
- BPL Mobile Cellular Ltd.
- Sky Net Telecom
- The Global Telecom

Life at Zicom



Over the last few years, HR as a strategic partner in the business has been in the process of leading change through organisational transformation initiatives. The focus has been to support our organisation's performance and productivity as it surges ahead on the path of global expansion. In line with this, here is a broad overview of the initiatives undertaken by the Team HR during the year 2006-07:



Maximize Earning Potential

Zi-champs are encouraged to achieve more than their committed target and they are rewarded commensurately too. Our Performance Linked Scalable Incentive (PLSI) Plan that is perched on the Balance Scorecard methodology – has been a great success story. While some employees in Sales have earned upto 400% of their incentive, there are others who have earned trips to foreign locales.

Our employee referral program CLAP (Championship League Affiliation Program) has seen good success with about 23% of the total recruitment coming through this channel. Many employees have fetched handsome rewards for referring their friends to us.

Accelerate Learning

During the year we started a full-fledged training centre in the outskirts of Mumbai, christened as Zicom Capability Enhancement Centre. The facility has the potential of imparting residential training equipped with two state-of-the-art training rooms and one for technical training, apart from library & dining facilities.

With employees spread across 42 locations it's important that we reach out to them for their training needs. Our unique e-Learning program has helped Zi-Champs access our virtual learning store 24 X 7 and upgrade their knowledge.

Our Training & Development team constantly runs programs to reduce the gap identified through Performance Management System. We also have gone beyond our boundaries to train employees of our business partners to ensure that customers have quality interaction with us at all touch-points. Our training programs are aimed at **Building Tomorrow...Today.**

Generate Growth Opportunity

Many of our employees move across divisions & regions to be part of overall growth. Some of them are posted abroad. We are strengthening our leadership development program to identify and groom Leaders for the future.

Induce Sense of Belongingness

HR & Line Managers regularly commend people on their performance. Many programs are built to encourage employees to be part of the overall success & growth of the organisation. One such program was to acknowledge the loyalty of employees who completed 5-years & 10-years with the organisation during the Annual Day function.

Create Fun Environment

Many fun programs are carried out to enhance the camaraderie at work place. Family day, Annual day, Picnics, Theme days, Women's day etc. have all contributed to ensure that our Zi-Champs have their share of fun. Recently a program was organized where all kids of our employees were invited to the office and many talent & fun competitions were organized.

Building Solutions Group



Rathin Banerjee
CEO, BSG

At Zicom,
We shall continuously strengthen our competencies and expertise in conceptualizing, designing, delivering and maintaining 'end to end' security solutions for high performance building.

We firmly believe in providing our customers with solutions which are innovative, efficient, robust and scalable. Our extensive range of electronic security systems cater to every conceivable customer need and application.

As a technology driven company our group aggressively develops and offers contemporary solutions which are the latest in the domain of electronic security and intelligent building management systems.



iPASS – Access Control Systems

The iPASS Access Control from Zicom provides a broad spectrum of technologies right from RFID Proximity, Smart Card Identification to Biometric Identification. The iPASS is a Web Based solution that can address the Access management requirements ranging from basic to enterprise solutions. Requiring a standard web browser for an easy management by the users it provides unlimited scalability, multi-site installations and a robust and modular solution. The platform integrates additional enhancement modules like Video Alarm Monitoring, Graphical Maps, Time and Attendance, Visitor Pass management, Smart Card Personalization, Car Parking Management and Elevator Control thus providing the customer a Complete Solution.

iSIGHT–CCTV Surveillance Systems

The iSIGHT CCTV Surveillance System from Zicom is a powerful solution which addresses surveillance needs in diverse scenarios across varied industries. From a Corporate office or a Hotel to a harsher Industrial installation or hazardous offshore environment, the iSIGHT solution would fit perfectly. The iSIGHT comes with a complete range of Box, Dome and High Speed Dome cameras with options to operate in normal to low light conditions and Day and Night capability to address very specific surveillance needs for the customer. The iSIGHT range provides the latest MPEG4 Pentaplex Digital Video Recorders with normal and Real Time options to capture, archive and search video evidence instantly, giving the customer the right mix of technology and value for investment.

iSENSE–Fire Alarm Systems

The iSENSE range of Fire Alarm Systems helps in improving the fire detection, alarm and response readiness for the customer. The range has products with international compliance and certifications of UL and EN54 thus providing world class technology and safety adherence.

The Optical, Thermal, Multi-Criteria Smoke Detectors and special Gas (CO) detectors detect the smoke/gas well before a fire breaks out providing proactive protection to life and property. The iSENSE Fire Panels are modular and scalable for addressing small to medium and large installations. These systems also provide integration capabilities with BMS, HVAC and Evacuation systems.

iMaster – Integrated Building Management System from Zicom

Powered by the revolutionary Niagara™ framework, the iMASTER is a single, truly open, web based, cohesive Building Management System for controlling Lighting, HVAC, Fire Alarm, Access Control and other Safety and Security Systems.

iMASTER enables control optimization which the conventional Building Management Systems are distant away from providing. Additionally, the iMASTER can integrate with existing building management systems enabling a better realization of existing investments already made.

Consumer Service Group



Santonu Choudhury
CEO, CSG

With changing Lifestyles, security of near & dear ones and precious possessions is an important concern. The main objective of Zicom's consumer service group is to enhance personal security and make India a safe and secured place to live in. We are already in talks with Civic authorities to support us in our mission to enable them create a safe environment.

In our endeavour to contribute to the society, we are constantly putting in effort towards getting innovative & internationally acclaimed quality products that will cater to various security needs. Our i-alert 24x7 service is the most revolutionary service launched. With this service we ensure that our home is in safe and secure hands.

We foresee electronic home security systems to move towards home automation, thus making our home a smart home. We will be able to keep a watch on our home, kids etc. from any remote location. Our home door, gadgets can be controlled from anywhere at the press of a button.

A smart and secure home is a complete home.



Burglar Alarm Systems: Zicom Burglar Alarm System is a state-of-the-art security system that not only detects any unauthorized entry but also informs the customer about it. Zicom Burglar Alarm System is a package of various sensors with main panel and hooter. The other major components of Burglar Alarm Systems are as follows:

- Main Panel - This 16 channel main panel is the brain of the system. It connects the sensors to the i-alert 24x7 service and the hooter
- Gas Leak Sensor - Detects any gas leakage from CNG or LPG
- Motion Sensor (PIR) - Senses unidentified movement in front of it
- Magnetic Sensor - It senses any break-in via doors / windows
- Hooter - Connected to the main panel, acts as a deterrent to whoever attempts to break in
- Remote Control - Enables consumers to arm and disarm the system using the remote control switch. A distress button also helps one to call for help in case of emergency

i-alert 24x7 Service: Zicom's i-alert 24x7 Service is an innovation which has revolutionized the field of electronic security in India today. The i-alert 24x7 Service connects the Central Monitoring Station which is the main hub and manned by trained i-alert service professionals, to the main control panel installed at customers' premises via a fixed telephone lines. In case of break in or an event, Zicom's i-alert 24x7 Service personnel receives an alert within seconds. He immediately connects to the customers or a pre-notified person. Further action is taken by him if instructed, thus providing protection 24x7, 365 days a year.

Video Door Phones: Hands-free instrument for convenience, the Door Phone enables the customer to see and talk to whoever rings the doorbell without opening the door.

Fingerprint Locks: When technology meets security, it creates an impeccable security system like Fingerprint locks from Zicom. These locks are available in 2 models - executive and premium. The best feature about these locks is that it opens by a designated fingerprint(s) only - the key cannot be duplicated. These locks are beautifully designed to add to the aesthetics of your home / office décor. A Finger print lock has 3 methods of unlocking - through fingerprint, PIN or emergency key override. Best suited for homes, offices, meeting rooms, server rooms and more... these locks help you restrict entry.

CCTV Surveillance Systems: Zicom CCTV surveillance is best fit for offices, banks, malls, corporates and more. Zicom's fixed iris dome cameras offer razor sharp images. The Digital Video Recorder records high resolution images for future reference from all cameras connected simultaneously. They are 3 types of DVR's available - 4 channel non network, 4 channel network and 9 channel network. The cost of these CCTV surveillance systems is customized based on the requirement. For those who do not want to invest in the product, can also opt for Rent-a-Zicom offer, wherein these products are available on a monthly rental.

Multi Apartment Video Door Phones: This is suitable for high-rise and multi storied buildings. This highly advance and multi-purpose product visually identifies visitors before letting them into the building. This provides double protection by means of interaction at 2 levels - at the building entrance and outside the flat.

Global News

Zicom envisions large global footprints in the near future and has already taken the first few steps to ensure that the vision transforms into reality, as it always has.



Zicom acquires 49% stake in Dubai based UNISAFE

Zicom Electronic Security Systems Limited has acquired 49% stake in UNISAFE Fire Protection Specialists LLC, Dubai.

UNISAFE is one of the most reputed Fire Protection Company in U.A.E. having its presence in Dubai and Abu Dhabi, operating for almost a decade. Unisafe has handled many prestigious projects in UAE such as Emirates Towers, Palm Jumeirah Beach Resort, Wafi City to Dubai Airport Hangars. Today Unisafe caters to large spectrum of clientele from government to corporate, refineries, shopping malls, multi storey building, resorts etc.

Zicom's manufacturing unit in China

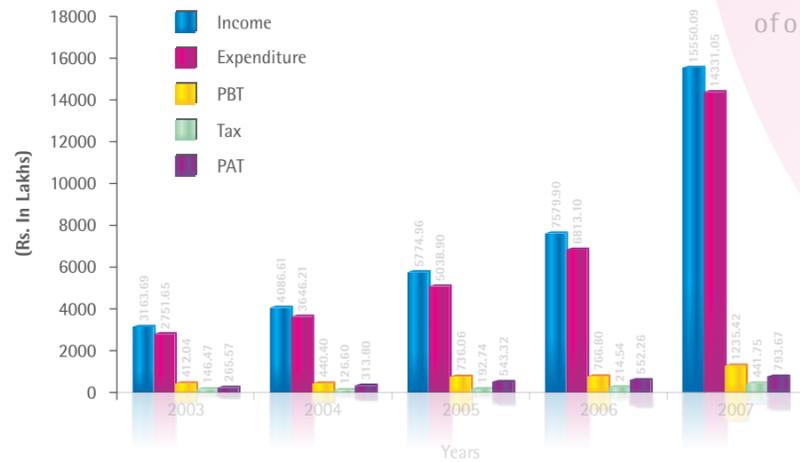
Zicom proposes to set up a manufacturing unit in Shenzhen, China. We have formed a new company "Zicom Manufacturing Company (HK) Ltd.", Hongkong for all its manufacturing activities, which would include the production of Closed Circuit Televisions(CCTVs), Fire Alarm Systems, Home Security Systems and Access Controls.

We will ensure superior quality and value proposition with innovation in technology to drive our solutions. Our products will meet international standards.

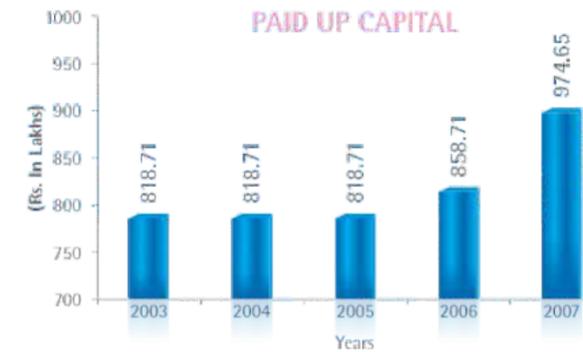
(Rs. in Lakhs)

Particulars	2007	2006	2005	2004	2003
Income	15,550.09	7,579.90	5,774.96	4,086.61	3,163.69
Expenditure	14,331.05	6,813.10	5,038.90	3,646.21	2,751.65
Profit Before Tax	1,235.42	766.80	736.06	440.40	412.04
Taxation	441.75	214.54	192.74	126.60	146.47
Profit After Tax	793.67	552.26	543.32	313.80	265.57
Paid-up Share Capital	974.65	858.71	818.71	818.71	818.71
Reserves & Surplus	5,389.38	3,263.83	2,558.59	2,382.04	2,155.98
EPS - Not Annualised (Rs.)	8.49	6.74	6.64	3.83	3.24

Financial Performance For Last Five Years



After achieving a significant milestone of 150 crores, Zicom aims at achieving its other milestones. At Zicom not only do we believe in growing exponentially as a company, but also to grow in knowledge and understanding the depth of our business.



Notice

Notice is hereby given that the Thirteenth Annual General Meeting of the Members of ZICOM ELECTRONIC SECURITY SYSTEMS LIMITED will be held on Friday, September 28, 2007, at 2.30 p.m., at Hotel Sea Princess, Juhu Beach, Mumbai - 400 049 to transact the following business:

ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Audited Balance Sheet as at March 31, 2007, 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 declare dividend on equity shares of the Company.
- 3) To appoint a Director in place of Mr. Mukul Desai, who retires by rotation, and being eligible, offers himself for re-appointment.
- 4) To consider and, if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution**:
“**RESOLVED THAT** Mr. Harish Nayak, a Director of the Company who is liable to retire by rotation at this meeting and who does not seek re-election, be not re-appointed a Director of the Company.
RESOLVED FURTHER THAT the vacancy, so created on the Board of Directors by not re-appointing Mr. Harish Nayak on the Board of the Company, be not filled.”
- 5) 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.

SPECIAL BUSINESS:

- 6) To consider and, if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution**:
“**RESOLVED THAT** Mr. Satya Pal Talwar who was appointed by the Board of Directors as an Additional Director of the Company with effect from June 18, 2007, and who holds office upto the date of the forthcoming Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 (“the Act”) and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Act, proposing his candidature for the office of a Director of the Company, be and is hereby appointed a Director of the Company.”
- 7) 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 81 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), subject to the provisions of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time, and other rules, regulations, guidelines, listing agreements with the Stock Exchanges where the shares of the Company are listed, and other applicable statutory provisions, provisions of the Memorandum and Articles of Association of the Company; and further subject to such approvals, permissions and sanctions as may be necessary from the Securities & Exchange Board of India (SEBI), the Stock Exchanges, the Reserve Bank of India (R.B.I.), Government of India and other appropriate authorities as may be required, and subject to such terms and conditions that may be prescribed or imposed by such authorities while granting the approvals, which may be agreed to or accepted by the Board of Directors (hereinafter referred to as “the Board”, which expression shall include the Compensation Committee or any other Committee of the Board duly authorised in this regard) at its sole discretion, consent of the members of the Company be and is hereby accorded to the Board to create, issue and grant maximum of 300,000 (Three Lakhs) equity stock options to the eligible present and future employees of the Company in one or more tranches, through Employee Stock Option Scheme (“ESOS 2007” or “the Scheme”) of the Company, which entitles the option holders to subscribe to one equity share of the Company of Rs.10/- (Rupees Ten Only) each, against each option granted to them, i.e. in total 300,000 (Three Lakhs) equity shares aggregating to face value of Rs.3,000,000/- (Rupees Thirty Lakhs only), on the terms and conditions and in the manner as set out in the Explanatory Statement to this item and in the draft Scheme placed before this meeting and initialled by the Chairman for the purpose of identification, and on such other terms and conditions and in such tranches as may be decided by the Board/Compensation Committee in its absolute discretion.

RESOLVED FURTHER THAT without prejudice to the generality of the above, but subject to terms as approved by the Members, the Board / Compensation Committee be and is hereby authorized to implement the Scheme (with or without modifications and variations) in one or more tranches in such manner, as the Board / Compensation Committee may determine.

RESOLVED FURTHER THAT the Board / Compensation Committee be and is hereby authorised to issue and allot such number of equity shares as may be required upon exercise of option from time to time in pursuance of the Scheme and get the shares listed on one or more Stock Exchanges; **AND THAT** the equity shares to be so issued and allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Company and shall rank pari passu in all respects with the existing fully paid up equity shares of the Company.

RESOLVED FURTHER THAT the draft Scheme placed before this meeting and initialled by the Chairman for the purpose of identification be and is hereby approved **AND THAT** the Board/Compensation Committee be and is hereby authorised to modify or amend from time to time, any of the terms and conditions of the Scheme as it may deem fit in its sole discretion while conforming to the provisions of the Companies Act, 1956, the SEBI's Guidelines on ESOS, Listing Agreements with the Stock Exchanges, the Memorandum and Articles of Association of the Company and other applicable statutory provisions, rules, regulations and guidelines.

RESOLVED FURTHER THAT, in case the Company's equity capital or its valuation is affected due to any corporate action like, issue of Bonus Shares, Rights Shares, any split or consolidation of face value of equity shares, or any event of merger, demerger, consolidation, capitalization or other reorganization of the Company, tender offer for equity shares or sale of undertaking, the Board / Compensation Committee may make such adjustments with respect to stock options and take such other action as it deems necessary or appropriate to reflect such corporate actions, including but without limitation, the substitution of new stock options, or the adjustment of outstanding stock options, the acceleration of exercise period or the removal of restrictions on outstanding stock options, which shall however be subject to necessary approvals.

RESOLVED FURTHER THAT, the Company may through the administrative control of Board / Compensation Committee, subject to the provisions of the Companies Act, 1956 and other statutory rules, regulations, guidelines, listing agreements with the Stock Exchanges where the shares of the Company are listed, provisions of the Memorandum and Articles of Association and further subject to such approvals, permissions and sanctions as may be necessary from the appropriate authorities as may be required, and subject to such terms and conditions that may be prescribed or imposed by such authorities while granting the approvals, provide necessary financial assistance to the stock option holders to subscribe to the equity shares offered under the Scheme.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board / Compensation Committee be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit or necessary or desirable for such purpose and with power on behalf of the Company to settle any issues, questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the Shareholders of the Company.”

- 8) 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 81 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), subject to the provisions of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time, and other rules, regulations, guidelines, listing agreements with the Stock Exchanges where the shares of the Company are listed, and other applicable statutory provisions, provisions of the Memorandum and Articles of Association of the Company; and further subject to such approvals, permissions and sanctions as may be necessary from the Securities & Exchange Board of India (SEBI), the Stock Exchanges, the Reserve Bank of India (R.B.I.), Government of India and other appropriate authorities as may be required, and subject to such terms and conditions that may be prescribed or imposed by such authorities while granting the approvals, which may be agreed to or accepted by the Board of Directors (hereinafter referred to as “the Board”, which expression shall include the Compensation Committee or any other Committee of the Board duly authorised in this regard) at its



sole discretion, consent of the Members of the Company be and is hereby accorded to the Board to create, offer, issue and allot at any time or to the extend the benefits of the Employee Stock Options Scheme 2007 (ESOS 2007), on the same terms and conditions as approved by the Members vide item no.7 of Notice of this meeting, to the eligible present and future employees of existing and future subsidiary(ies) (herein after referred to as the "Subsidiaries"), and/or such other persons, as may from time to time, be allowed under prevailing laws and regulations on such term and conditions as may be decided by the Board/ Compensation Committee.

RESOLVED FURTHER THAT without prejudice to the generality of the above, but subject to terms as approved by the Members, the Board / Compensation Committee be and is hereby authorized to implement the Scheme (with or without modifications and variations) in one or more tranches in such manner, as the Board / Compensation Committee may determine.

RESOLVED FURTHER THAT the Board / Compensation Committee be and is hereby authorised to issue and allot such number of equity shares as may be required upon exercise of option from time to time in pursuance of the Scheme and get the shares listed on one or more Stock Exchanges; **AND THAT** the equity shares to be so issued and allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Company and shall rank pari passu in all respects with the existing fully paid up equity shares of the Company.

RESOLVED FURTHER THAT the draft Scheme placed before this meeting and initialled by the Chairman for the purpose of identification be and is hereby approved **AND THAT** the Board/Compensation Committee be and is hereby authorised to modify or amend from time to time, any of the terms and conditions of the Scheme as it may deem fit in its sole discretion while conforming to the provisions of the Companies Act, 1956, the SEBI's Guidelines on ESOS, Listing Agreements with the Stock Exchanges, the Memorandum and Articles of Association of the Company and other applicable statutory provisions, rules, regulations and guidelines.

RESOLVED FURTHER THAT, in case the Company's equity capital or its valuation is affected due to any corporate action like, issue of Bonus Shares, Rights Shares, any split or consolidation of face value of equity shares, or any event of merger, demerger, consolidation, capitalization or other reorganization of the Company, tender offer for equity shares or sale of undertaking, the Board / Compensation Committee may make such adjustments with respect to stock options and take such other action as it deems necessary or appropriate to reflect such corporate actions, including but without limitation, the substitution of new stock options, or the adjustment of outstanding stock options, the acceleration of exercise period or the removal of restrictions on outstanding stock options, which shall however be subject to necessary approvals.

RESOLVED FURTHER THAT, the Company may through the administrative control of Board / Compensation Committee, subject to the provisions of the Companies Act, 1956 and other statutory rules, regulations, guidelines, listing agreements with the Stock Exchanges where the shares of the Company are listed, provisions of the Memorandum and Articles of Association and further subject to such approvals, permissions and sanctions as may be necessary from the appropriate authorities as may be required, and subject to such terms and conditions that may be prescribed or imposed by such authorities while granting the approvals, provide necessary financial assistance to the stock option holders to subscribe to the equity shares offered under the Scheme.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board / Compensation Committee be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit or necessary or desirable for such purpose and with power on behalf of the Company to settle any issues, questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the Shareholders of the Company."

By Order of the Board of Directors

Dimple Upadhyay
Company Secretary

Place: Mumbai
Date: June 18, 2007.

Registered Office:

Landmark, A-Wing,
6th Floor, Off. Western Express Highway,
Andheri Kurla Road, Andheri East,
Mumbai 400 093.

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing proxy, 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 with them the attendance slip duly filled in for attending the meeting and produce the same at the entrance of the meeting hall. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, September 21, 2007 to Friday, September 28, 2007 (both days inclusive), to decide the entitlement of the Shareholders for payment of dividend that may be declared at the Annual General Meeting. In respect of shares held in physical form as well as in demat form, dividend will be paid to those Shareholders / deemed Members, whose names shall appear on the Register of Members or on statement of beneficial ownership furnished by depositories, at the end of business hours on September 20, 2007.
5. All the documents referred to in this Notice and Explanatory Statement are open for inspection of the Members at the registered office of the Company on all working days between 11.00 a.m. to 1.00 p.m., up to the date of the Annual General Meeting and during the time of the meeting.
6. Those Members, who have not encashed their dividend warrant in respect of dividends for the years 2000-2001, 2001-2002, 2002-2003, 2003-2004, 2004-2005 and 2005-2006; are requested to contact the Shares Department at the Registered Office of the Company for re-validation of the Dividend Warrants or issue of fresh Demand Drafts. Pursuant to the amended provisions of the Companies Act, 1956; the unclaimed/unpaid dividend has to be transferred on the specified dates to the Investors' Education and Protection Fund set up by the Central Government. Once the dividend is transferred to the above fund, no claim shall lie against the Company or the said fund in respect of such unclaimed/unpaid dividends.

As required under Clause 49 of the listing agreement, the details of the Directors seeking appointment / re-appointment at the ensuing Annual General Meeting are given under paragraph on Appointment / Re-appointment of the Corporate Governance Report.

REQUEST TO THE MEMBERS:

1. Members desiring any information at the Annual General Meeting are requested to write to the Company at least 10 (Ten) days in advance, so as to enable the Company to keep the information ready.
2. As an austerity measure, 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 either at its registered office, or to the Registrar & Share Transfer Agent. In case their shares are held in de-materialised form, the information should be passed on to their respective Depository Participants without any delay.
4. Members are requested to furnish their bank account details to the Company/Depository Participants to enable the Company to print the same on the dividend warrants/ to avail of ECS facility, wherever applicable.





5. To avoid loss of dividend warrants in transit and undue delay in respect of receipt of dividend warrants, the Company has provided a facility to the Members for remittance of dividend through the Electronic Clearing System (ECS). The ECS facility is available at locations identified by Reserve Bank of India from time to time and covers most of the cities and towns. Members holding shares in physical form and desirous of availing this facility are requested to contact the Company's Registrars and Transfer Agents.

By Order of the Board of Directors

Dimple Upadhyay

Company Secretary

Place: Mumbai
Date: June 18, 2007.

Registered Office:

Landmark, A-Wing,
6th Floor, Off. Western Express Highway,
Andheri Kurla Road, Andheri East,
Mumbai 400 093.

EXPLANATORY STATEMENT

The following Explanatory Statement, pursuant to Section 173 of the Companies Act, 1956 (the Act), sets out all material facts relating to the business mentioned at Item nos.4 and 6 to 8 of the accompanying Notice dated June 18, 2007.

Item No.4

In accordance with the provisions of Section 256 and other applicable provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Harish Nayak will be retiring by rotation as a Director of the Company at the ensuing Annual General Meeting, and he has not sought for his re-election. The Board of Directors is of the view that the vacancy so created on the Board of the Company should not be filled and it is recommended to the Members to expressly mention that the vacancy so created shall not be filled.

Mr. Harish Nayak was appointed on the Company's Board in December 1994 as a Director. The Board placed on record its appreciation of the contribution made by Mr. Harish Nayak to the Company. Members' attention is invited to the relevant para in the Directors' Report.

None of the Director is concerned or interested in the aforesaid resolution. However, it may be pointed out that Mr. Harish Nayak is related to Mr. Pramoud Rao, the Managing Director as Brother-in Law.

Item No.6

The Board of Directors of the Company at its meeting held on June 18, 2007 had appointed Mr. Satya Pal Talwar as an Additional Director of the Company with effect from the said date. Pursuant to Section 260 of the Companies Act, 1956, Mr. Satya Pal Talwar holds the office of Additional Director up to the date of this Annual General Meeting; but is eligible for appointment as a Director. A notice under Section 257 of the Act has been received from a Member signifying his intention to propose the appointment of Mr. Satya Pal Talwar as a Director of the Company liable to retire by rotation.

Mr. Talwar has over 40 years of operational and policy experience in commercial and central banking. He is a Bachelor of Arts (B.A.); Bachelor of Law (LL.B.); Certified Associate of the Indian Institute of Bankers and a Member of Indian Council of Arbitration. Mr. Talwar had been a Deputy Governor of Reserve Bank of India. He was 1) Chairman, Reserve Bank of India Service Board, 2) Chairman & Managing Director, Bank of Baroda, 3) Chairman & Managing Director, Union Bank of India and 4) Chairman & Managing Director, Oriental Bank of Commerce. He is presently Senior Advisor, YES Bank Limited. He has held following positions in various institutions: 1) Chairman, Indian Banks Association, 2) Director, Securities Exchange Board of India, 3) Director, Industrial Development Bank of India, 4) Director, Small Industries Development Bank of India, 5) Director, Oriental Insurance Company, 6) Director, Agricultural Finance Corporation Limited, 7) Director, IBU International Finance Limited, Hong Kong, etc. He is also a Member of the Advisory Committee, Ministry of Corporate Affairs, Government of India and the Court of Jawaharlal Nehru University, New Delhi.

None of the Director is concerned or interested in the aforesaid resolution.

Item Nos. 7 & 8

Employees in any Company are the back bone of its business activities, and particularly in the high-tech service based Company like yours, importance of employees can not be over looked. With the increased activities of the Company in India and abroad as result of planned organic and inorganic growth, the Company and its subsidiary(ies) will need more and more employees, who can help the Company in achieving its goal. Retaining the existing employees and attracting the needed number of employees to join the Company, it need to have in place attractive remuneration package including Stock Option Scheme. In this connection, the existing Employee Stock Option Scheme 2006 which comprises of 400,000 Stock Options entitling to issue equal number of equity shares of the Company to the option holders will get exhausted very soon with increasing number of eligible employees being covered under it. To enable the Company to attract sufficient number of employees with required skill, it is thought prudent by the Management to introduce a new Employee Stock Option Scheme ("ESOS 2007" or "the Scheme") for issuing 300,000 stock options. The new scheme is devised to reward, motivate, attract and retain the best talent in the Company and its Subsidiaries. Therefore, the Board of Directors at its meeting held on June 18, 2007, has framed the Scheme in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. Under the said Scheme, it is proposed to issue 300,000 stock options to the eligible employees, entitling them to acquire equal number of equity shares of Rs. 10/- each of the Company, as may be decided by the Board of Directors / Compensation Committee, which shall administer and monitor the said Scheme.

The salient features of the Scheme are as set out below:

1. Total number of Options to be granted under the Scheme

Upto 300,000 (Three Lakhs only) options in aggregate; each option exercisable for 1 (One) equity share of Rs.10/- each fully paid-up will be available under the Scheme, for granting to eligible present and future employees of the Company or its Subsidiaries.

2. Identification of classes of employees entitled to participate in the ESOS

All present and future employee(s) as defined in the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 (including any statutory modification(s) thereof, for the time being in force) of the Company or its Subsidiaries shall be eligible under the said Guidelines and are selected by the Board of Directors / Compensation Committee, shall be entitled to participate in the ESOS.

The following category(ies) of employee(s) shall not be eligible to participate in the ESOS:

- a) An employee who is a promoter or belongs to the promoter group,
- b) A Director who either by himself or through relative or through any body corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the Company.
- c) Any other employee or Director, who becomes disqualified to participate in the ESOS under the circumstances like violation of the Company's rules, etc.





3. Requirement of vesting and period of vesting

Vesting of the options granted to the employees may be either in one or more tranches or in graded manner within such period from the date of their respective grant and subject to such terms and conditions of vesting, as may be decided by the Board of Directors / Compensation Committee. The vesting period shall commence from the period of one year from the date of grant of the options.

4. Maximum Period within which the options shall be vested

Maximum Period within which the option shall be vested can extend upto four years from the date of grant of options, as may be decided by the Board of Directors / Compensation Committee.

5. Pricing Formula

The exercise price for the purpose of grant of options will be decided by the Compensation Committee subject to a maximum discount of 25% on latest available closing price, one day prior to the date of the meeting of the Board of Directors / Compensation Committee in which the options are granted, on that Stock Exchange where there is highest trading volume on the said date.

6. Exercise Period and the process of exercise

The eligible employees shall be entitled to exercise the options upto a period of two years from the date of respective vesting of the options. The options would be exercisable by the employees in whole or in part, by submitting the requisite application alongwith the exercise price, to the Company for allotment of shares against Options, within the permitted exercise period.

7. Appraisal process for determining the eligibility of employees to ESOS

The criteria involved in selection of the eligible employees and the number of options to be granted to each of them will be determined by the Board of Directors / Compensation Committee on the basis of various variables like:

- a) The performance and / or merit of the employee as indicated by his periodical performance appraisal; or
- b) The minimum period of service put in by him and his remaining future service; or
- c) His Cadre/Designation in the Company; or
- d) His present and potential contribution to the success of the Company; or
- e) The key functional areas in which the employee is involved; or
- f) Such other criteria and / or factors as may be deemed relevant and / or appropriate by the Compensation Committee.

The decision of the Board of Directors / Compensation Committee in this regard shall be final and binding on the employees. The Board / Committee may, in its sole discretion, vary the conditions on the basis of which the grant size shall be determined.

8. Maximum number of Options to be issued per employee and in aggregate

The maximum number of options to be granted per employee shall be decided by the Compensation Committee. However, the same shall not exceed options entitling him to acquire equal to or more than 1% of the paid-up equity Capital. In aggregate, maximum number of options to be issued under the scheme shall not exceed 3,00,000 options.

9. Confirmation to the Accounting Policies

The Company shall conform to the Accounting Policies specified in Clause 13.1 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

10. Valuation Method

The Company shall value its Options by using Intrinsic Value Method.

11. Disclosure in Directors' Report

The Company undertakes that in case the Company calculates the employee compensation using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of options, shall be disclosed in the Directors' Report and also the impact of this difference on profit and EPS of the Company shall be disclosed in the Directors' Report.

The Board of Directors recommends the above resolutions for the approval of the Shareholders.

It is proposed to extend the benefits of Employee Stock Option Scheme, 2007 (ESOS 2007) to all eligible present and future employees of Subsidiaries of the Company, and/or such other persons, as may from time to time, be allowed under prevailing laws and regulations on such terms and conditions as may be decided by the Board / Compensation Committee in accordance with the requirements of clause 6.3 of Securities Exchange Board of India (Employee Stock Option Scheme And Employee Stock Purchase Scheme) Guidelines, 1999. As per the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, eligible employees of the Company, as defined under the said guidelines, are covered for benefit under the aforesaid scheme, in respect of which approval of the Members is sought vide special resolution at item no. 7 of the Notice.

Further, an approval of the Members of the Company is also being sought by a special resolution proposed under item no. 8 of this Notice to extend the benefits of ESOS 2007 to the eligible present and future employees of the Subsidiaries of the Company.

None of the Director is concerned or interested in the aforesaid resolution.

By Order of the Board of Directors

Dimple Upadhyay
Company Secretary

Place: Mumbai
Date: June 18, 2007.

Registered Office:

Landmark, A-Wing,
6th Floor, Off. Western Express Highway,
Andheri Kurla Road, Andheri East,
Mumbai 400 093.



DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in placing before you their Thirteenth Annual Report, together with the Audited Accounts of the Company for the financial year ended March 31, 2007.

FINANCIAL RESULTS:

(Rupees in Lakhs)

Particulars	March 31, 2007	March 31, 2006
Net Sales / Income from Operations	15,458.18	7,508.56
Other Income	91.91	71.34
Total Income	15,550.09	7,579.90
Total Expenditure	13,863.13	6,496.05
Gross Profit Before Interest & Depreciation	1,686.96	1083.85
Interest & Finance Charges	111.23	135.31
Gross Profit Before Depreciation and Taxation	1,575.73	948.54
Depreciation	356.69	181.74
Profit Before Prior Period Items	1,219.04	766.80
Add: Prior Period Items	16.38	-
Profit Before Tax	1,235.42	766.80
Provision for Taxation:		
Current Year	265.00	120.00
Deferred	189.35	74.55
Fringe Benefit Tax	25.00	20.00
Taxation of earlier years	(37.61)	-
Net Profit after Taxation	793.68	552.25
Add: Balance Brought Forward from Previous Year	1,070.63	721.27
Profit Available for Appropriation	1,864.31	1,273.52
APPROPRIATIONS:		
Transfer to General Reserve	40.00	75.00
Provision for Dividend	149.79	112.16
Provision for Tax on Dividend	25.46	15.73
Balance of Profit Carried Forward to Balance Sheet	1,649.06	1,070.63

DIVIDEND:

In view of the Company's encouraging performance for the year 2006-2007, your Directors are pleased to recommend a dividend of Rs. 1.40 per Equity Share (previous year Rs. 1.20 per share) on 10,699,174 (previous year on 9,346,472) Equity Shares; and on any further shares, if any, that may be allotted by the Company on conversion of outstanding Foreign Currency Convertible Bonds.

The above dividend on 10,699,174 shares would involve an outflow of Rs.149.79 lakhs towards dividend and Rs.25.46 lakhs towards dividend tax, resulting in to a total outflow of Rs.175.25 lakhs on account of the dividend for the year.

OPERATIONS:

The year under review witnessed increase in turnover by 105.87%, i.e. from Rs. 7,508.56 lakhs in the previous year to Rs.15,458.18 lakhs. The profit before tax at Rs. 1,235.42 lakhs compared to Rs. 766.80 lakhs in the previous year has increased by 61.11% as against increase of 4.17% in the previous year. After providing for current year's taxation at Rs. 265 lakhs (Rs. 120 lakhs in previous year) and providing for deferred tax amount of Rs. 189.35 lakhs (previous year Rs. 74.55 lakhs) and fringe benefit tax of Rs. 25 lakhs (previous year Rs. 20 lakhs) and taxation for earlier years written back Rs. 37.61 lakhs (previous year Rs. NIL); the net profit after tax comes to Rs 793.68 lakhs as against Rs. 552.25 lakhs in the previous year, which indicates an increase of 43.72% compared to the previous year's increase in profit of 1.64%.

It can be seen from the above that the Company's performance during the year under review has significantly improved over that of previous year.

BUSINESS DEVELOPMENTS AND PROSPECTS:

Your Directors are pleased to inform you that the decision of the Company to launch new division i.e Consumer Service Group (CSG), to cater to security needs of home and retail segments including small and medium size shops and offices has been proved successful. This has also helped the flagship integration business of the Company which was consolidated under Building Solutions Group (BSG) to focus on large projects. This restructuring has helped to strengthen the top line of the Company from Rs. 7,579.90 lakhs in previous year to Rs. 15,550.09 lakhs.

During the year, BSG has bagged certain large prestigious orders from corporate and Government sectors, which has not only helped the Company to grow but also to establish its name with customers as successful implementation partner.

CSG has made successful foray into homes and shops by launching innovative products under Zicomhome category, i.e. Burglar Alarm Systems and Video Door Phones and Zicomoffice category, i.e. Network based CCTVs products in more than 60 (sixty) cities. The Company has launched national advertisement campaign to build this new business category, which was hitherto dominated by unorganized sector. By the end of year, the Company has opened 15 exclusive retail outlets across the cities, besides more than 300 non-exclusive distributors to create distribution network across the country. During the current year, this group would focus on building shops through Shop-in-Shop concept in large retail formats operating in the country so that it can build its exclusive distribution network at a rapid pace. To start with, the Company has already tied up with Future Group to open Shops in their retail formats such as Big Bazar, Pantaloons, etc. Also through direct marketing team, the Company will network with large builders and real estate developers.

In March 2007, Company divested its stake of 49% in Bin Jabr - Zicom Security & Safety Systems LLC, a company with Limited Liability incorporated at Abu Dhabi, United Arab Emirates. However, considering the large business prospect in Gulf region, subsequent to the year end, the Company has acquired 49% equity stake in Unisafe Fire Protection Specialists LLC, Dubai ("Unisafe"). Unisafe is engaged in the business of providing Fire Detection and Fire Fighting systems, equipments and services in Dubai and Abu Dhabi since last ten years.

In accordance with the approval of Shareholders through Postal Ballot on April 30, 2007, the Company is planning to mobilise the resources from international market by way of issue of securities not exceeding US\$35 million.

The performance of the Company covering various aspects of its business operations in the year ended March 31, 2007 and prospects for the Company's business in the future has been dealt with at length in a separate section titled "Management Discussion and Analysis", forming part of the Corporate Governance Report, as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges.

CHANGES IN PAID UP SHARE CAPITAL:

During the year, the Company had issued 400,000 equity shares of the Company to the Promoters' Group Companies against exercise of options attached to 400,000 warrants issued to them on preferential basis at a price of Rs.121/- per share.



The Company had also issued 759,372 equity shares against exercise of conversion option by the bondholders holding 260 bonds aggregating to US\$2.6 million. Subsequent to the year end, 155 bonds aggregating to US\$1.55 million were converted for 452,702 equity shares of the Company.

With the above conversion of 415 bonds, 685 bonds are outstanding as on date.

Subsequent to the year end, the Company had also issued 500,000 equity shares on Preferential basis to Bennett, Coleman & Company Ltd. at a price of Rs.200/- per share. With all the above allotments, the Paid up Share Capital of the Company as on date is Rs. 1,069.92 lakhs.

SUBSIDIARY COMPANY & JOINT VENTURE

Zicom Manufacturing Co. (HK) Ltd

On April 12, 2007, the Company has set up a subsidiary in Honkong in the name of Zicom Manufacturing Co. (HK) Ltd with 76% shareholding. Zicom Manufacturing Co. (HK) Ltd will promote international marketing and sale of Zicom branded products. This subsidiary will also help the Company to source equipments at the competitive price. In future, Zicom Manufacturing Co. (HK) Ltd will also engage in setting up of manufacturing facilities for the Company's in-house developed products in China and other neighboring countries.

Joint Venture

The Company has acquired 49% equity stake in Unisafe Fire Protection Specialists LLC, Dubai ("Unisafe"). The business of providing Fire Detection and Fire Fighting systems, equipments and services in Dubai and Abu Dhabi has been carried on in the name of UNISAFE for almost a decade and has handled many prestigious projects in UAE such as Emirates Towers to Dubai Airport Hangars.

Today Unisafe is one of the reputed Fire Protection Company in U.A.E. with its presence in Dubai and Abu Dhabi, and caters to large spectrum of clientele from government to corporate, refineries, shopping malls, multi storey building, resorts etc.

Unisafe offers a comprehensive range of solutions for all Fire Protection needs starting from the basic Hydrant and Sprinkler Systems to Advance Analogue Addressable Fire Alarm Systems and Specialized Gaseous Fire Suppression Systems. Unisafe Projects and Service Department employs well trained & experienced Engineers and Technicians holding Civil Defense licenses for carrying out installation and maintenance of fire fighting equipments of the international standards. Unisafe is a combination of result-oriented management and dedicated professionals all committed to high quality services with proven performance records. Unisafe has been associated with many major projects implemented within UAE. With its vast experience in the Fire Protection field, Unisafe is capable of handling any project from design, supply, installation, testing and commissioning of any Fire Protection System and provide service and maintenance to its clients.

Unisafe provides local technical support to existing installations, undertake scheduled maintenance contracts of various types of Fire Protection Systems and has a well equipped Workshop, with testing facility, refilling plant, Halon recycling etc.

DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and Article 110 of the Articles of Association, Mr. Mukul Desai and Mr. Harish Nayak are the directors liable to retire by rotation at the ensuing Annual General Meeting.

Mr. Mukul Desai being eligible, has offered himself for re-appointment. Mr. Harish Nayak, a Director of the Company since inception, has conveyed his decision not to offer himself for re-appointment. The Directors place on record its appreciation of the contributions made by Mr. Harish Nayak during his tenure as Director of the Company.

During the year, Dr. Atul Wad, Mr. R. S. Hugar and Mr. Nilkanth Tapare resigned from the Directorship of the Company. Your Board put on record its sincere appreciation for valuable contribution made by them during their tenure.

Mr. Achyut Godbole and Dr. B. Samal were appointed as directors liable to retire by rotation at the Annual General Meeting held on August 24, 2006.

Mr. Satya Pal Talwar was appointed as an Additional Director w.e.f June 18, 2007, will cease to hold the office up to the forthcoming Annual General Meeting.

The Company has received a notice from a member pursuant to Section 257 of the Companies Act, 1956 proposing appointment of Mr. Satya Pal Talwar as a Director of the Company liable to retire by rotation at the ensuing Annual General Meeting.

Your Directors recommend the appointments / re-appointments for your approval.

Mr. Pramoud Rao, Managing Director of the Company, was re-appointed for a period of five years w.e.f. March 1, 2007 and the terms of his remuneration were approved for a period of three years w.e.f March 1, 2007. Members had also approved payment of remuneration to Mr. Manohar Bidaye for the services rendered by him, subject to necessary approval from the Central Government.

AUDITORS:

M/s. P. Raj & Co., Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. A written certificate from them have been obtained by the Company to the effect that their re-appointment, if made, would be in accordance with the limits specified under Section 224(1B) of the Companies Act, 1956. The Board recommends their re-appointment.

STATUTORY INFORMATION:

(a) Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:

Conservation of Energy: The Company is not required to furnish the prescribed information under Section 217(1)(e) of the Companies Act, 1956, relating to the Conservation of Energy and Technology Absorption, as the Company does not fall under the Industries included in Schedule to the relevant rules. However, your Directors report that the operations of the Company do not involve much use of energy. The Company makes every possible effort to conserve energy at all levels of its operations.

Technology Absorption: The Company has not imported any technology; and therefore no information is provided in this regard.

Foreign Exchange Earnings and Outgo & Export Market Developments: The Company has earned Rs 17,785,340 (previous year Rs. 26,589,246/-) in foreign currency, and has spent Rs. 239,836,836 (previous year Rs. 118,793,585/-) in foreign exchange during the year under review. The details of these foreign exchange expenditures are available at item nos. 16, 17 & 18 of Schedule 15, being Notes forming part of the Accounts.

Considering the infrastructure developments in the gulf region, the export business is expected to show promising results.

(b) Particulars of Employees:

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this report. However, in pursuance of Section 219(1)(b)(iv) of the Companies Act, 1956, this report is being sent to all the Shareholders of the Company excluding the aforesaid information, and the said particulars will be made available on request, and also made available for inspection at the Registered Office of the Company. Members interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

(c) Corporate Governance:

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on corporate governance, together with a certificate from the Company's Auditors confirming compliance, is set out separately forming part of this Report.

Fixed Deposits: The Company has not accepted any deposits falling within the purview of Section 58A of the Company's Act, 1956 and as such, no principal or interest amount was outstanding on the date of the Balance Sheet.



Human Resources: Zicom being a service oriented organization, gives prime importance to the people working with it. Therefore, Human Resource is a strategic function at Zicom. Apart from being the torch-bearer of benchmark HR practices, it also acts as a key constituent to ensure that performance parameters are raised to make certain, an increase in productivity norms. The Company recognizes the importance of maintaining high morale & motivation among its employees which leads to performance excellence. Multi-skilling of employees has helped the Company to utilize their talents in different verticals of the organisation. The Company enjoys unstinted cordial relationship with its employees.

Employees Stock Option Scheme: As already mentioned above, realizing importance of human resource possessed by the Company, and with a view to rewarding and motivating them, to attract and retain the best talent and thereby to ensure sustained performance and growth of the Company; the Board of Directors at its meeting held on June 29, 2006, has framed an Employee Stock Option Scheme in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. Under the said scheme, 400,000 Stock Options were proposed to be issued to the eligible employees (including Directors), entitling them to acquire equal number of equity shares of Rs. 10/- each of the Company at a price as may be decided by the Board / Compensation Committee. Out of the said 400,000 Stock Options, maximum of 50,000 Stock Options in aggregate and maximum of 30,000 Stock Options in any one financial year can be granted to Non-executive Directors, including Independent Directors of the Company. Necessary disclosures required to be given in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, are as under:

Sr. No	Description	Details
1.	Total number of Options under the Scheme	400,000 Options (each Option represents one share)
2.	Options granted during the year	317,000 Options
3.	The pricing formula	The exercise price, i.e. the price to acquire one equity share of the Company upon exercise of option shall be upto a maximum discount of 25% on latest available closing price of the equity share of the Company, one day prior to the date of the meeting of the Board of Directors / Compensation Committee in which the options are granted, on that Stock Exchange where there is highest trading volume on the said date. The extent of discount will be decided by the Compensation Committee.
4.	Options vested	Nil
5.	Options exercised during the year	Nil
6.	Total No. of Shares arising as a result of exercise of Options	Nil
7.	Options lapsed	41,000 Options
8.	Variation of terms of Option	No variations made
9.	Money realized by exercise of Options	N.A.
10.	Total number of Options in force at the end of the year	276,000 Options
11.	Employee-wise details of Options granted during the year	
	(i) Senior managerial personnel	(i) Mr. Santonu Choudhury CEO - Consumer Service Group 50,000

Sr. No	Description	Details
		(ii) Mr. Rathin Banerjee CEO - Building Solutions Group 20,000
		(iii) Mr. Hemendra Paliwal Chief Financial Officer 15,000
		(iv) Mr. Santosh Pillai Chief Technical Officer 15,000
		(v) Mr. Reji Thomas Head - Human Resource 15,000
		(vi) Ms. Dimple Upadhyay Company Secretary 3,000
		(vii) Mr. Shirish Deshpande Vice President Sales (CSG) 15,000
	(ii) Any other employee who receives a grant in any one year of Options amounting to 5% or more of options granted during that year	(i) Mr. Santonu Choudhury CEO - Consumer Service Group 50,000 (ii) Mr. Rathin Banerjee CEO - Building Solutions Group 20,000
	(iii) Identified employees who were granted Options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	Nil
12.	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of Options calculated in accordance with Accounting Standard (AS) 20.	Rs. 7.39
13.	The Company has calculated the employee compensation cost using the intrinsic value of the Stock Options, the difference between the employee compensation cost so computed and the employee compensation cost that have been recognized if it had used the fair value of the Options, the impact of this difference on profits the impact of this difference on EPS	Rs. (23.01) lakhs Re. (0.25)



Sr. No	Description	Details
14.	Options whose exercise price either equals or exceeds or is less than the market price of the stock, weighted average exercise price weighted average fair value of Options	Rs. 159.51 Rs. 61.10
15.	A description of the method and significant assumptions used to estimate the fair values of Options, including the following weighted average information: i. Risk Free Interest Rate ii. Expected Life iii. Expected Volatility iv. Expected Dividends v. The weighted average price of the underlying share in market at the time of Options granted.	9% 3 years 35% 14% Rs. 182.67

Vesting of the Options granted to the employees may be either in one or more tranches or in graded manner within such period from the date of their respective grant and subject to such terms and conditions of vesting, as may be decided by the Board of Directors / Compensation Committee. The vesting period shall commence from the period of one year from the date of grant of the Options. In case of graded Options, the Compensation Committee has discretion to decide on such grading, which may be either uniform, or different for different employees/class of employees.

Further considering that the existing ESOS Scheme will not be sufficient to offer the Stock Options to the increasing number of employees. Hence, the Board of Directors at its meeting held on June 18, 2007 has framed another Employee Stock Option Scheme in accordance with the guidelines of SEBI in this regard. Under the said Scheme, it is proposed to issue 300,000 Stock Options to the eligible employees of the Company and its Subsidiaries, entitling them to acquire equal number of equity shares of Rs. 10/- each of the Company at the price that may be decided by the Board/Compensation Committee.

Approval of the Shareholders is being sought by way of Special Resolution in respect of the aforesaid Stock Option Scheme at the ensuing Annual General Meeting of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors hereby confirm that in preparation of the annual accounts for the year ended March 31, 2007:

- (i) the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- (ii) reasonable and prudent judgment and estimates were made, 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 year ended on 31st March, 2007;
- (iii) proper and sufficient care was taken for the maintenance of adequate accounting 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;
- (iv) the annual accounts have been prepared on a going concern basis.

INSURANCE:

All the assets of the Company are adequately insured.

ACKNOWLEDGMENTS:

Since incorporation till date, the growth of Zicom is attributed to its various stake holders like shareholders, customers, employees, lenders, suppliers, Government agencies, business partners, etc. When your Directors look back to the path which chartered the growth of the Company to its leading position today, they are thankful to all these stakeholders, but for whose continued support and co-operation, Zicom would not have achieved this success and hope that the same would continue in the time to come to help the Company in achieving new milestones.

On behalf of the Board of Directors

Manohar Bidaye
Chairman

Place: Mumbai
Date: June 18, 2007



MANAGEMENT DISCUSSION & ANALYSIS

ANNEXURE TO THE DIRECTORS' REPORT

A. INDUSTRY STRUCTURE & DEVELOPMENT: The global security industry is roughly estimated to be around \$150 billion in 2006 combining both products and services. This number is expected to grow further in the next 3 to 5 yrs. After the tragic event of 9/11 and the recent attacks in Madrid and London, the ongoing war on terrorism has given the security industry a big push. Today, commercial institutions, as well as, government bodies are focusing more on the security of their establishments. Given the increased public attention to the potential threat of terrorism, the investment on the security products and solutions is expected to increase every year.

The security industry is relatively new here as compared to the global industry and the total business of electronic security is estimated at around Rs. 800crore, which is divided between organized and unorganized players. As the industry is growing, organized sector players are playing a dominant role with their brand, technology and services, which is slowly diminishing the importance of unorganized sector players.

In India, the competition in the electronic security industry is mainly concentrated in the government and public sectors, where threat perceptions are high; and in commercial and institutional segments where awareness is more. With the falling hardware prices, reductions in tariff, the cost of security solutions is decreasing every year, encouraging more customers to invest in security solutions. The competition amongst the system integrators in the above segment enables the customers to get a good deal.

In the global security market, consolidation continues to remain a key trend. The global security market, as well as, each individual sub-sector, remains relatively fragmented and inevitably, every time a security company rises in a given niche, it becomes an attractive acquisition target. In India too, international players are increasingly looking for local companies for their entry in the market, as well as, to consolidate their existing operations. We hope to see a couple of acquisitions taking place in the security industry in India in current financial year.

The biometrics based access control systems and the network based digital surveillance is getting accepted as reliable solutions by the customers. The Digital Video System increasingly relies on software and networking systems to add functionality and storage capability. New Smart Video Systems allow object tracking, low light vision and massive storage capabilities that were never achieved previously. The RFID is in queue to become commercially profitable technology.

B. Opportunities and Threats: The age old issue of a lack of awareness in the electronic security industry is slowly getting over in India. With the growing uncertainties, government institutions and individuals are looking for cost effective solutions to address their security needs. The technology advancement and cheaper hardware cost is creating huge opportunities for system integrators to excel and drive the market with innovative solutions.

Large scale enterprise end users are concerned with converging their existing IT system and security with additional physical security system in order to create economies of scale. For the corporate end users, the important consideration is the effective and seamless integration of security solutions on existing network. The players are struggling to find new technologies that either integrates well with the existing technology of the end users or to replace their systems with more advanced customized solutions.

Many security providers are adopting open systems that allow open protocols, international standards, brand inter-operability and innovative software. Although some large security integrators are slowly accepting convergence, the challenge is to acquire necessary skill set in IT and software. The strategic consideration before security system integrator today includes:

1. The development of security concepts and integrated solutions on IT platform (rather than individual security products) and the ability to build them into business processes of the customers.
2. A strong Distribution and Servicing channel to meet the requirement of widespread infrastructure of the customer.
3. To build a skill set, to integrate, install and service specialty security solutions.

The division wise analysis of opportunities and threats are as under:

1. **Building Solutions Group:** This group in Zicom mainly undertakes large security projects in the corporate sector. There is another specialized team which is a part of this group, which undertakes large government and public sector projects. In view of the huge investments in infrastructure and business expansion plans of various organizations in banking, IT, outsourcing sectors etc., there are huge opportunities to bid for large projects. Zicom has built up infrastructure in 12 cities which can handle projects for customers having national presence. During the year under review, the Company has executed many projects of national importance through this group. However, the skilled manpower is the biggest issue before this business. The talent pool is limited and shared by few competitors. This puts restriction on growth and one needs to be selective while choosing the projects for bidding. Also, steep increase in employee cost and operational expenses are the biggest blocks in the profitability of this business. The company, which successfully controls the costs, will emerge as a winner.
2. **Consumer Service Group:** This group focuses on security need of homes, and shops by offering various innovative products. In India, product awareness in this segment is limited. This places before us, both, large opportunities and threats. The opportunities are immense. About 1.5 millions new premium residential apartments are coming up in India, which is one of the targets for this division. Considering the construction thrust in the residential sector, this business has a good future. During the year, the Company has launched wireless burglar alarm products, video door phones and digital CCTV systems under umbrella of 'Zicomhome' and 'Zicombusiness' through various channel partners such as distributors, franchisees and Zicom Security Partners. Zicom plans to add many more products to address diverse security needs of this category. However, your Company, being a leader and the first entrant from an organized sector, it needs to bear the brunt of creating awareness by spending on advertisements and sales promotions. Zicom has taken initiatives to develop this new category with sizeable investments in business promotion. This will impact profitability of the organization in the short run of one or two years till this category gets fully matured. Also meeting the customers' expectation in more than 100 cities and towns across the country is another challenge.
3. **Outlook:** The business outlook for electronic security is bright as never before. The need for safety exists in all. The perceived security threats to the individuals, corporates and the government, as well as, the conversions of technologies and reduced hardware prices are creating a demand for security equipments and solutions. As a result, customers are looking for solutions based on technology and convenience.

Under the Building Solutions Group, the Company has added new products and technologies in Intelligent Building Management Solutions, so that the Company can handle all the requirements of our corporate customers under one roof. With this, your Company is fully loaded with all products and technologies at par with multinational competitors.

Under the Consumer Service Group, the launch of new biometric products has brought a lot of excitement amongst consumers. To expand its distribution network, the Company plans to establish franchisee stores under shop-in-shop concept in large retail outlets in the country. With the strong distribution network, the Company is looking for introducing many new products for growth of this group. Considering the huge pace surrounding this group, in future, the company may have to run this group as a separate business entity for better focus and optimum resources utilization.

At the beginning of the current year, the Company has stepped into the international Fire, Safety and Security business with the acquisition of a large fire safety company in UAE. The Company has also set up a subsidiary in Hong Kong to promote internal business and to initiate efforts in setting up manufacturing infrastructure in overseas and thus reduce the cost of equipments.

Zicom has gained enough experience of providing specialized security solutions to different verticals and customer segments. Zicom has always been in the forefront of introducing innovative technology in India. With brand 'Zicom', and all India infrastructure to support customers in all corners of India and more than 500 dedicated employees gives lot of strength to the company to remain leader. This confidence will take the Company outside the boundary of India in coming years.

Corporate Governance Report

ANNEXURE TO THE DIRECTORS' REPORT

COMPANY'S PHILOSOPHY:

Zicom is committed to the highest level of corporate ethics and adherence to Code of Governance at each layer. Zicom believes in higher level of transparency, accountability, justice and equity in all areas of Zicom's operations and in all the dealings with its associates, whether they are shareholders, employees, customers, suppliers, lenders, government agencies, business partners, or any other entity.

Zicom has always endeavoured to follow laws and rules of the land governing or affecting every aspect of its business. With a view to become more transparent and give maximum disclosure to investors and others concerned, or to enable them to get in touch with the Company, Zicom has made efforts to communicate and inform them about the Company's corporate information, financial data, product information, share price, periodical results etc. on its website at www.zicom.com. Zicom shall endeavour to improve upon and be more transparent, informative and communicating; and shall always be happy to receive valuable suggestions to improve it.

BOARD OF DIRECTORS AND BOARD PROCEDURES:

A) Composition & Category of Board:

The total strength of the Board of Directors of the Company at the year end has been 7 (seven) Directors, comprising of six Non-executive Directors (including four independent Directors) and one Executive Director designated as Managing Director. The Chairman of the Company has been a Non-executive Director.

During the year, two new Independent Directors, viz., Mr. Achyut Godbole and Dr. B. Samal were inducted on the Board of the Company, w.e.f. June 29, 2006. Dr. Atul Wad, Mr. R. S. Hugar and Mr. Nilkanth Tapare, Independent Directors, resigned from the Board w.e.f. April 29, 2006, January 20, 2007 and March 9, 2007 respectively. Subsequent to the year end, Mr. Satya Pal Talwar was appointed as an Additional Director w.e.f. June 18, 2007. There has been no Institutional/Nominee Directors on the Board of the Company.

B) Non Executive Directors' Compensation and Disclosures:

During the year under review, the Non-executive Directors were paid sitting fees for attending the Board Meetings and Committee Meetings of the Company and were paid commission for the year ended March 31, 2006. With respect to the financial year ended March 31, 2007 and succeeding years, no commission is proposed to be paid to the Non-executive Directors. The sitting fees to be paid to the Non-executive Directors for attending the following meetings of the Company had been revised w.e.f. April 1, 2007, as under:

Type of Meetings	Revised Sitting Fees (Amount in Rs.)
Board Meeting	Rs. 15,000/-
Audit Committee Meeting	Rs. 5,000/-
Shares Transfer Committee / Investor Grievance Committee	Rs. 1,500/-
Other Committees	Rs. 2,500/-

Mr. Manohar Bidaye, a Non-executive Director and Chairman of the Board is proposed to be paid remuneration of a sum not exceeding Rs. 800,000/- per month for a period of 5 years, w.e.f. April 1, 2007; for his various services to the Company. However, initially, it is proposed to pay him a monthly remuneration of Rs. 400,000/- alongwith other perquisites. The same has been approved by the Board of Directors and Shareholders of the Company. The above remuneration will be paid to Mr. Manohar Bidaye only after receipt of approval from the Central Government.

The details of fees/compensation paid /payable to Non-executive / Independent Directors during the financial year are given in the Para on Remuneration Committee in this Report. All such fees/compensation paid / payable to Non-executive Directors of the Company are fixed by the Board of Directors and have been previously approved by the Shareholders in General Meeting.

D. Internal Control System and their Adequacy: The internal control is supplemented by an extensive internal audits, review by management and audit committee, documented policies, guidelines and procedures. The scope of the Internal Auditors covers all activities of the Company, in particular scrutiny of work orders, purchase, sales, expenses, inventory and taxation. The Internal Auditors submits their reports on quarterly/ periodical basis for review by Director and Audit committee. The internal audit function is designed to ensure that the financial and other records are reliable for preparing financial statements and other data, and for maintaining accountability of assets.

E. Discussion on Financial Performance with respect to Operational Performance: The sales for the current year review at Rs. 15,550 lakhs, shows an increase of 106% as compared to the previous year Rs. 7,509 Lakhs. The operating profit for the current year Rs. 1,687 Lakhs is higher by 56% as compared to the previous year Rs. 1,084 Lakhs. The operating profit has reduced from 14% in previous year to 11% in current year. The profit margins were reduced during the year under review due to expenses incurred on advertisement for newly launched consumer division and brand awareness.

The Profit Before Tax at Rs. 1,235 Lakhs has increased by 61%; and Net Profit After Tax at Rs. 793 Lakhs increased by 44 % over the previous year.

F. Material Developments in Human Resources: In Zicom, Human Resource function is a strategic one, involved in all long term decisions of the organization. Zicom offers challenging work environment and growth oriented career to all its employees. Zicom offers attractive remuneration, a conducive working atmosphere and profit sharing plans to its key employees. Zicom has implemented a profit centre concept in functional units. Also, major thrust is placed on the training and motivation of employees.

During the year, we have initiated numerous developmental activities. We introduced Balance Score Card for measuring performance for all employees. Depending on the performance of the person, we have structured the performance linked incentive scheme to motivate employees for better performance.

During the year, we had no Industrial relation challenges.

G. Cautionary Statement: Certain statements as discussed and mentioned in the Management Discussion & Analysis and elsewhere constitute forward-looking statements articulated as the management's expectations for the future business prospects of the Company. However, there are risks and uncertainties associated due to the general economic conditions in which the Company operates. Also, the factors like the nature of the Company's business, foreign currency fluctuations, regulatory initiatives, tender processes in the Government, Public Sector and other large undertakings, competition etc. are not in the control of the Company. Such uncontrollable factors are crucial for success of the Company's business plans or predictions, which may cause the actual results to materially differ from the performance or achievements, discussed or implied by such forward looking statements.

C) Other provisions related to Board and Committees:

- Number of Board Meetings:** During the year, the Board met six times i.e. on May 22, 2006; June 29, 2006; July 24, 2006; October 17, 2006; January 20, 2007 and March 9, 2007. The maximum time gap between two meetings did not exceed more than 4 months.
- Chairmanship / Membership:** Directors have confirmed to the Company that none of them is a member of more than 10 committees, or is Chairman of more than five committees across all companies in which they are acting as Directors. For the purpose of reckoning the said limit, Chairmanships/Memberships of the Audit Committee and the Shareholders Grievances Committee alone are considered.
- Periodical review of Compliance Reports:** Reports of compliance of all laws applicable to the Company have been periodically placed before the Board for review.

The details of the composition of the Board of Directors, their attendance at the Board meetings during the year ended March 31, 2007, and at the last Annual General Meeting, other Directorships held and membership/chairmanship held in committees of other public companies are stated below:

Name of Director	Designation	Category	Particulars of other Directorships, Committee Memberships/Chairmanships***			Attendance		
			Directorships	Committee Memberships @	Committee Chairmanships	Board Meeting	Audit Committee Meeting	Last AGM
Mr. Manohar Bidaye	Chairman	Non-executive & Promoter	1	2	1	6	5	Yes
Mr. Pramoud Rao	Managing Director	Executive & Promoter	-	-	-	6	N. A.	Yes
Mr. Harish Nayak	Director	Non-executive & Non-independent	-	-	-	0	N. A.	No
Mr. Mukul Desai	Director	Non-executive & Independent	2	-	-	6	5	Yes
Mr. R. S. Hugar# (resigned w.e.f. January 20, 2007)	Director	Non-executive & Independent	4	3	2	2	2	Yes
Mr. Vijay Kalantri	Director	Non-executive & Independent	14	6	-	5	5	No
Mr. Nilkanth Tapare# (resigned w.e.f. March 9, 2007)	**Director	Non-executive & Independent	-	-	-	5	N. A.	Yes
Dr. B. Samal (appointed w.e.f. August 24, 2006)	*Director	Non-executive & Independent	5	3	2	3	N. A.	Yes
Mr. Achyut Godbole (appointed w.e.f. August 24, 2006)	*Director	Non-executive & Independent	1	-	-	4	N. A.	No
Mr. Satya Pal Talwar (appointed w.e.f. June 18, 2007)	Director	Non-executive & Independent	13	9	3	N.A.	N. A.	N. A.

@ also includes the committees in which he holds the position of a chairman. *Dr. B. Samal and Mr. Achyut Godbole, were appointed as Additional Directors on June 29, 2006 and the Shareholders at their meeting held on August 24, 2006 appointed them as Directors liable to retire by rotation. **In Annual General Meeting held on August 24, 2006, Mr. Nilkanth Tapare ceased to be an Additional Director and was appointed as a Director of the Company liable to retire by rotation. ***Alternate directorships, directorship / committee membership in private companies, foreign companies and companies under section 25 of the Companies Act, 1956; and membership in governing councils, chambers and other bodies are not included while calculating directorships in above table. # Information for other directorships and committee membership of Mr. R. S. Hugar and Mr. N. V. Tapare are based on previous years declarations received from them.

D) Code of Conduct

Separate Code of Conduct for Board Members and Senior Management Personnel of the Company have been laid down, which have also been posted on the web site. Affirmation of compliance with their respective Code of Conduct for the financial year ended March 31, 2007 has been received by the Company from its Directors and Senior Management Personnel. Declaration to this effect signed by the Chief Executive Officer (CEO) is annexed to this report.

COMMITTEES OF THE BOARD:

The Board of Directors has constituted the following Committees with adequate delegation of powers as required under revised clause 49, to discharge their functions as described in their terms of reference.

a. Audit Committee:

Audit Committee is a qualified and independent committee consisting of three Non-executive Directors, all of them being financially literate, and two third of them are independent. During the Financial year 2006-2007, Audit Committee met five times on May 22, 2006; June 29, 2006; July 24, 2006; October 17, 2006 and January 20, 2007. The maximum time gap between two meetings have not exceeded the period of four months. Requisite quorum was present at all the Committee meetings held during the year. The attendance of Members at the Audit Committee Meetings held during the year is given in the table under Para C above.

The Members of the Committee are as follows:

- Mr. Mukul Desai (Chairman)
- Mr. Manohar Bidaye
- Mr. Vijay Kalantri
- Mr. R. S. Hugar (upto January 20, 2007)

The Chairman of the Audit Committee, Mr. Mukul Desai is an Independent Director. He is in practise as a Chartered Accountant and has accounting / financial expertise for more than 25 years. The Company Secretary is acting as a Secretary to the Committee.

Terms of Reference:

Terms of reference of the Committee includes inter alia, the following:

- ❖ overseeing the Company's financial reporting process and the disclosure of its financial information to ensure correctness, sufficiency and credibility of the Company's Financial Statements;
- ❖ recommending the appointment and removal of external and internal auditors, fixation of their remuneration and approving the payments to statutory auditors for other services rendered by them;
- ❖ reviewing with the management and external auditors, financial statements and results before submission to the Board;
- ❖ reviewing the adequacy of internal control systems with the management, discussion with Internal auditors on significant findings and follow up on them;
- ❖ reviewing findings of internal investigations into matters like suspected frauds/irregularities/failures and reporting to the Board thereon;
- ❖ considering pre audit discussion about nature and scope of statutory audit and post audit discussion on areas of concern, to look into the reasons of default in specified areas, reviewing progress made in implementation of auditors' recommendations;
- ❖ making recommendations for improvement in the internal control systems and reviewing issues related to risk management and compliances.

b. Remuneration Committee:
Terms of Reference:

To act as Remuneration Committee as required under the Schedule XIII to the Companies Act, 1956 and Clause 49 of the Listing Agreement with

Stock Exchanges, to fix the remuneration payable to Managerial Personnel from time to time and decide on remuneration policy etc., as stipulated by Clause 49 of the Listing Agreement.

Composition:

The Remuneration Committee consists of the following Members:

- Mr. Mukul Desai - Chairman
- Mr. R.S. Hugar (resigned as a member w.e.f January 20, 2007)
- Mr. Vijay G. Kalantri
- Mr. Achyut Godbole (appointed as a Member w.e.f. January 20, 2007)

The Committee met twice during the financial year 2006 – 2007, i.e. on May 22, 2006 and March 9, 2007. Mr. Mukul Desai and Mr. Vijay Kalantri attended both the meetings and Mr. Achyut Godbole attended one meeting.

Remuneration Policy:

Remuneration of employees largely consists of basic remuneration, perquisites, bonus & performance incentives. The components of the total remuneration vary for different grades and are governed by industry pattern, qualifications and experience of the employee, responsibilities handled, individual performance etc. The main objective of the remuneration policy is to motivate employees and to promote excellence in their performance, recognize merits and achievements, retain talent in the Company and finally, to promote the feelings of belongingness.

Details of remuneration to all Directors:

Name	Salary	Sitting Fees	Commission	Medical	LTA	Employer Contribution	
						Pension	P F
Mr. Pramoud Rao	38,20,500	-	2,50,000	40,000	1,02,500	6,497	2,863
Mr. Manohar Bidaye	-	1,70,500	1,00,000	-	-	-	-
Mr. Harish Nayak	-	-	-	-	-	-	-
Mr. Mukul Desai	-	1,60,500	1,00,000	-	-	-	-
Mr. R S Hugar	-	40,000	50,000	-	-	-	-
Mr. Vijay G Kalantri	-	1,05,000	50,000	-	-	-	-
Mr. Nilkanth Tapare	-	70,000	50,000	-	-	-	-
Mr. Achyut Godbole	-	62,500	-	-	-	-	-
Dr. B. Samal	-	50,000	-	-	-	-	-
Total	38,20,500	6,58,500	600,000	40,000	1,02,500	6,497	2,863

Notes:

- Besides above and the related party transactions disclosed in Note No. 8 under Notes Forming part of the Accounts under Schedule 15 as per the Accounting Standard 18; there were no material pecuniary relationships or transactions of the Non-executive Directors vis-a-vis the Company.
- Mr. Pramoud Rao was reappointed as the Managing Director of the Company for 5 years with effect from March 1, 2002, which term had expired on February 28, 2007. The Board of Directors at its meeting held on March 9, 2007, re-appointed him for a further period of five years w.e.f. March 1, 2007 and approved his terms of remuneration for a period of three years from the said date. His re-appointment was also

approved by requisite majority of the Shareholders through Postal Ballot, results of which were declared on April 30, 2007. His appointment is on contractual basis. As per the terms of his reappointment, Mr. Pramoud Rao is entitled to a remuneration of Rs. 600,000 per month in the grade of Rs. 500,000/- to Rs. 800,000/- remuneration and he is also entitled to Commission up to 2% of net profit for each financial year.. The Commission in the remuneration package of the Managing Director is performance linked, and all other payments are fixed components. For the financial year ended March 31, 2007, payment of commission to the Managing Director has been restricted to Rs. 250,000/-. The notice period for severance of his services is six months. Compensation for severance of services is to be paid in accordance with the applicable provisions of the Companies Act, 1956.

❖ Other Perquisites / Benefits to Managing Director are as under:

- Contribution to Provident Fund, Superannuation Fund and other Retirement benefits in accordance with the rules of the Company. The Company's contribution to such funds is not to be included in the computation of the ceiling on perquisites stated above to the extent these either singly or put together are not taxable under the Income-tax Act.
- Encashment of Leave at the end of the term as per rules of the Company not to be considered for the valuation of perquisites.
- Gratuity as per the Scheme of the Company, provided the Gratuity payable not to exceed half a month's salary for each completed year of service.
- Provision of the Company's owned Car with driver for use of the Company's business and telephone at residence and/or mobile not considered as perquisites. Personal long distance calls and use of car for private purpose, if any, to be billed by the Company.
- Reimbursement of entertainment, traveling and all other actual expenses properly incurred for the purpose of the Company's business not considered as remuneration.
- No sitting fees to be paid for attending Meetings of the Board of Directors or any of its Committee.
- In the event of absence or inadequacy of profit in any financial year during the tenure of Mr. Pramoud Rao as Managing Director, the aforesaid remuneration, perquisites / benefits to be paid to him as the minimum remuneration, subject to the ceiling limits prescribed under Schedule XIII and other applicable provisions of the Companies Act, 1956; and if the said remuneration is in excess of the ceiling, then necessary approval from the Central Government should be obtained for making-up of the shortfalls, without any further reference to the shareholders.
- As per the Special resolution passed by the shareholders of the Company at their Annual General Meeting held on August 24, 2006; maximum of 50,000 stock options in aggregate can be granted to the Non-executive Directors including Independent Directors. Out of these, maximum upto 30,000 stock options can be granted in any one financial year. However, no stock options have been granted to any of the Non-executive Directors during the financial year ended March 31, 2007.
- Except Mr. Pramoud Rao and Mr. Harish Nayak, who are related to each other, no other Directors are related to each other.
- The Non-executive Directors of the Company were paid sitting fees for attending the Board and Committee meetings during the year ended March 31, 2007 at a fixed rate. Non-executive Directors were paid commission @ 1% of the net profit for the financial year ended March 31, 2006 which was restricted to Rs. 3,50,000/- and was distributed amongst them in following manner: Mr. N. V. Tapare, Mr. Vijay Kalantri and Mr. R. S. Hugar - Rs. 50,000/-each; and Mr. Manohar Bidaye and Mr. Mukul Desai - Rs. 1,00,000/- each. Payment of Commission to the non-executive Directors has been discontinued w.e.f. April 1, 2007.
- The holding of equity shares of the Company as on March 31, 2007 by Non-executive Directors is as under:

Name of Director	No. of Shares
Mr. Manohar Bidaye	4,30,100
Mr. Harish Nayak	75,100
Mr. Mukul Desai	Nil
Mr. Vijay Kalantri	Nil
Dr. B. Samal	Nil
Mr. Achyut Godbole	Nil

None of the above holds any convertible instruments in the Company.

c. Shareholders' / Investors' Grievances Committee:
Terms of Reference:

- i) To approve or otherwise deal with applications for transfer, transmission, transposition and mutation of shares and certificates including duplicate, split, sub-division or consolidation of certificates and to deal with all related matters; and also to deal with all the matters related to de-materialisation or re-materialisation of shares, change in the beneficial holders of demat shares and granting of necessary approvals wherever required.
- ii) To look into and redress shareholders / investors grievances relating to:
 - a. Transfer of shares
 - b. Non-receipt of declared dividends
 - c. Non-receipt of Annual Reports
 - d. All such complaints directly concerning the shareholders / investors as stakeholders of the Company, and
 - e. Any such matters that may be considered necessary in relation to shareholders and investors of the Company.

Members:

- a. Mr. Manohar Bidaye - Chairman
- b. Mr. Pramoud Rao
- c. Mr. Mukul Desai

Compliance Officer: Ms. Dimple Upadhyay, Company Secretary & Compliance Officer.

During the year ended March 31, 2007, the Committee held 17 Meetings, which were attended by all the above committee members.

The Company had received 5 Complaints from the Shareholders during the year ended March 31, 2007, all of which were resolved during the year. As a result no complaints were pending as on March 31, 2007.

SUBSIDIARY COMPANY:

On April 12, 2007, the Company has set up a subsidiary in Hongkong in the name of Zicom Manufacturing Co. (HK) Ltd with 76% shareholding. Zicom Manufacturing Co. (HK) Ltd will promote international marketing and sale of Zicom branded products. This subsidiary will also help the Company to source equipments at the competitive price. In future, Zicom Manufacturing Co. (HK) Ltd will also engage in setting up of manufacturing facilities for the Company's in-house developed products in China and other neighboring countries.

JOINT VENTURES:

- ❖ In May 2007, the Company has acquired 49% equity stake in Unisafe Fire Protection Specialists LLC, a company with Limited Liability incorporated at Dubai. The said LLC is engaged in the business of providing Fire Detection and Fire Fighting systems, equipments and services.
- ❖ In March 2007, the Company divested its stake of 49% in Bin Jabr – Zicom Security & Safety Systems LLC, a company with Limited Liability incorporated at Abu Dhabi, United Arab Emirates in Joint Venture with Bin JABR Group.

INVESTORS INFORMATION

GENERAL BODY MEETINGS: In the last three years, three Annual General Meetings were held and one Postal Ballot was conducted, the details of which are as under:

Sr. no.	Financial Year	AGM/EGM	Date	Time	Place	No. of Special Resolutions Passed
I.	2006-2007	Postal Ballot	30.04.2007	4.00 p.m.	Results of the Postal Ballot were declared at Landmark, A-Wing, 6th Floor, Andheri Kurla Road, Andheri East, Mumbai-400093	<ul style="list-style-type: none"> ● Increase in the Authorised Share Capital of the Company and Alteration of Memorandum and Articles of Association of the Company. ● Issue of securities in India/Abroad as FCCBs/GDR or in any other form.

Sr. no.	Financial Year	AGM/EGM	Date	Time	Place	No. of Special Resolutions Passed
						<ul style="list-style-type: none"> ● Issue of Equity Shares on preferential basis. ● Increase in the Borrowing powers of the Board. ● Payment of monthly remuneration to Mr. Manohar Bidaye. ● Re-appointment of Mr. Pramoud Rao as Managing Director and approve his remuneration. ● Granting of certain powers to promoters by Altering Articles of Association of the Company.
2.	2005 - 2006	AGM	24.08.2006	4.00 p.m.	C.K.Nayudu Hall, The Cricket Club of India Ltd. (CCI), Brabourne Stadium, Dinshaw Vachha Road, Mumbai 400020.	<ul style="list-style-type: none"> ● Revision in remuneration of Mr. Pramoud Rao, Managing Director. ● Amendment of Articles of Association- Insertion of proviso after the existing Article 12. ● Increase in the limit of investments by FIs up to 74% of the paid-up Equity Share Capital and/ or 74% of the total paid-up value of the other permissible securities of the Company. ● Issue of 4,00,000 stock options to the eligible employees, under the "Zicom Employee Stock Option Scheme-2006", entitling them to acquire equal number of equity shares of Rs.10/- each of the Company.
3.	2004- 2005	AGM	08.08.2005	4.00 p.m.	Hotel Atithi, 77 A&B, Nehru Road, Vile Parle (East), Mumbai 400099.	<ul style="list-style-type: none"> ● Amendment of Articles of Association- Insertion of clause 4A. ● Increasing the limit of investment by Foreign Institutional Investors (FIIs) upto 40%. ● Issue of 0.75% Unsecured Foreign Currency Convertible Bonds (FCCBs) upto US\$12 million. ● Payment of sitting fees upto maximum of Rs.20,000/- to Non-executive Directors. ● Issue of 400,000 warrants in Part A and Part B on Preferential Basis to Promoters' Group Companies.
4.	2003 - 2004	AGM	15.09.2004	4.00 p.m.	Hotel Atithi, 77 A&B, Nehru Road, Vile Parle (East), Mumbai 400099.	<ul style="list-style-type: none"> ● Closure of ESOS Scheme.

The Company had conducted Postal Ballot for seeking the approval of shareholders on the matters specified in item no. 1 in the above table. Based on the report of Scrutinizer Mr. Ganesh Narayan, the Chairman of the Company announced the results of the Postal Ballot on April 30, 2007 at 4.00 p.m. at the Registered Office of the Company. The extract of results of Postal Ballot, which were duly assented by requisite majority of the Shareholders, is as under:

Particulars	Votes in favour of the Resolution	Votes against the Resolution
Special Resolution No. 1: Approving increase in Authorised Share Capital from Rs. 15 crores to Rs.25 crores and consequential amendments to Memorandum and Articles of Association.	2795036	4900
Special Resolution No. 2: Approving issue of securities not exceeding US\$ 35 million or equivalent thereof in Indian Rupees by way of Foreign Currency Convertible Bonds and/ or Global Depository Receipts and/or other Foreign Securities / Instruments convertible into or linked to equity.	2794136	5800
Special Resolution No. 3: Approving issue of 500,000 Equity Shares of Rs.10/- each at a price of Rs. 200/- per share, on Preferential basis to Bennett, Coleman and Co. Ltd	2792816	7120
Ordinary Resolution No. 4: Approving increase in the borrowing power of the Board up to Rs. 500 crores.	2794178	5758
Special Resolution No. 5: Approving payment of remuneration to Mr. Manohar Bidaye, Director	2788377	10959
Special Resolution No. 6: Approving Re-appointment of Mr. Pramoud Rao as Managing Director for five years and his remuneration for three years.	2789894	9435
Special Resolution No. 7: Approving Alteration of Articles of Association by inserting new Article 153A.	2787651	11680

Procedure for Postal Ballot:

The Board of Directors decide the item to be passed by the Shareholders through Postal Ballot and at its meeting approves the Notice of the Resolution along with the explanatory statement thereof, and the Postal Ballot form. Calendar events required to be submitted to Registrar of Companies is considered and approved by the Board. The Board also appoints Scrutinizer for conducting the Postal Ballot process in fair and transparent manner and fixes the duration of his appointment, his remuneration/fees. The Postal Ballot forms alongwith notice and explanatory statement thereof is sent to all the shareholders of the Company alongwith pre-paid self addressed envelope. All the shareholders are requested to send their assent / dissent to the resolution by the specified time limit. The Scrutinizer, on the basis of all the Postal Ballot forms received from the Shareholders, scrutinizes the same and prepares his report and submits the report to the Chairman for announcing results of the Postal Ballot. The results are declared by the Chairman after which the same are forwarded to all the concerned authorities for their record.

No postal ballot is proposed at the ensuing AGM.

DISCLOSURES:

- ❖ During the year, there were no transactions of materially significant nature with the Promoters or Directors or the Management or their subsidiaries or relatives etc. that had potential conflict with the interests of the Company at large. However, the transactions entered into with the related parties as per Accounting Standard 18 at Note No. 8, Notes Forming part of the Accounts under Schedule 15 are annexed to the Accounts for the year under review.
- ❖ No notice has been received by the Company for any non-compliance and no penalties or strictures have been imposed on the Company by Stock Exchange or SEBI or any authority on any matter related to capital markets during last 3 years.
- ❖ The Company does not have any Whistle Blower Policy in existence.
- ❖ The Company has complied with all the mandatory requirements as stipulated under Clause 49 of the Listing Agreement. The Company has adopted the non-mandatory requirement relating to Remuneration Committee comprising of the Directors as stated above in this Report.
- ❖ As a policy, risks associated with the business of the company generally and risks specific to the Company and procedure to minimize the same adopted by the executive management are periodically placed before the Board and deliberated. The same are reviewed and suitable minimization procedures as suggested by the Board are implemented.
- ❖ Proceeds from Preferential Issues made during the year were utilised for designated purpose i.e. for augmenting long term working capital requirements of the Company.

AUDITORS' CERTIFICATE:

The Company has obtained a Certificate from its Statutory Auditors' regarding compliance with the provisions relating to corporate governance laid down in Revised Clause 49 of the Listing Agreement. This Certificate is annexed to this Report.

MEANS OF COMMUNICATION:

The quarterly / half-yearly / annual unaudited / audited financial results of the Company are sent to the Stock Exchanges immediately after they are

approved by the Board of Directors. The results are normally published in Economic Times and Maharashtra Times and are also posted on the Company's website at www.zicom.com from time to time. They are also uploaded on SEBI EDIFAR website www.sebidifar.nic.in The Annual Reports/Accounts are also posted to all the Shareholders. All official media/news releases are sent to the Stock Exchanges and are also simultaneously displayed on the Company's website. As the periodic results are published in the newspapers within 48 hours and sent to the Stock Exchanges where the shares of the Company are listed, and also the relevant press releases are issued, the copy of periodic results are not circulated to the Members individually. No presentations were made to institutional investors and analysts during the year ended March 31, 2007.

MANAGEMENT DISCUSSION & ANALYSIS:

A detailed chapter on Management Discussion and Analysis, forming part of this Annual Report is enclosed.

APPOINTMENT / RE-APPOINTMENT OF DIRECTORS:

As per the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Mukul Desai and Mr. Harish Nayak, Directors of the Company, will be retiring by rotation at the 13th Annual General Meeting to be held on 28th September, 2007. Both are eligible for re-appointment. Mr. Mukul Desai has offered himself for re-appointment as Director liable to retire by rotation, but Mr. Harish Nayak has not opted for his re-appointment.

Mr. Satya Pal Talwar was appointed as an Additional Director by the Board of Directors at its meeting held on June 18, 2007. A notice under Section 257 of the Act has been received from a Member signifying his intention to propose the appointment of Mr. Satya Pal Talwar. He is not holding any Shares of the company.

As required under Clause 49 (VI) (A) of the Listing Agreement, brief resume of Mr. Mukul Desai & Mr. Satya Pal Talwar are given below:

Name of Directors	Number of Directorships in other Companies	Name of other Companies in which they are Directors / partners / members	Name of other Committees in which Director is Member / Chairman	Brief Profile
Mr. Mukul Desai <i>Director</i>	3	<ul style="list-style-type: none"> ● Remi Process Plant & Machinery Ltd. - Director ● Shrinkhala Securities Ltd. - Director ● A.P. Marketing Pvt. Ltd. - Director ● Sundarlal, Desai & Kanodia, Chartered Accountants - Partner 	Nil	Mr. Mukul Desai is a Bachelor of Commerce from the University of Bombay and is a Fellow Member of the Institute of Chartered Accountants of India (FCA). He has been practicing as Chartered Accountant since, 1982 and has varied experience in the field of Audits & Taxation, and developed expertise in Corporate Law Matters, Direct and Indirect Taxation Laws, Corporate Finance Structuring, etc. As a professional, he has been actively involved in advising setting up and running of many projects and rendered services in Corporate Restructuring, Fund Tie-ups, Public Issues, Corporate Strategy and Planning. At present he is involved in whole time practice as Chartered Accountant, specialize in Audit and Taxation matters.
Mr. Satya Pal Talwar <i>Additional Director</i>	13	<ul style="list-style-type: none"> ● Mayar (Honkong) Ltd. ● Zee Telefilms Ltd. ● Vemagiri Power Generation Ltd. ● Reliance Life Insurance Company Ltd. ● Reliance General Insurance Co. Ltd. ● Reliance Capital Trustee Co. Ltd. ● Crompton Greaves Ltd. ● Videocon Industries Ltd. ● Reliance Capital Venture Ltd. ● Reliance Communications Ltd. ● Reliance Asset Reconstruction Co. Ltd. ● Housing Development Infrastructure Ltd. ● Reliance Communication Infrastructure Ltd. 	<ul style="list-style-type: none"> ● Reliance Life Insurance Co. Ltd.- Member of Audit Comm. ● Reliance General Insurance Co. Ltd.- Member of Audit Comm. ● Reliance Capital Trustee Co. Ltd.- Member of Audit Comm. ● Crompton Greaves Ltd.- Chairman of Audit Comm. ● Videocon Industries Ltd.- Chairman of Audit Comm. ● Reliance Communications Ltd.- Member of Audit Comm. Member of Remuneration Comm. Member of Shareholder Grievance Comm. ● Housing Development Infrastructure Ltd.-Chairman of Audit Comm. ● Reliance Communication Infrastructure Ltd.-Member of Audit Comm. ● Reliance Telecom Infrastructure Ltd.- Member of Audit Comm. 	Mr. Talwar has over 40 years of operational and policy experience in commercial and central banking. He is a Bachelor of Arts (B.A.); Bachelor of Law (LL.B.); Certified Associate of the Indian Institute of Bankers and a Member of Indian Council of Arbitration. Mr. Talwar had been a Deputy Governor of Reserve Bank of India. He was 1) Chairman, Reserve Bank of India Service Board, 2) Chairman & Managing Director, Bank of Baroda, 3) Chairman & Managing Director, Union Bank of India and 4) Chairman & Managing Director, Oriental Bank of Commerce. He is presently Senior Advisor, YES Bank Limited. He has held following positions in various institutions: 1) Chairman, Indian Banks Association, 2) Director, Securities Exchange Board of India, 3) Director, Industrial Development Bank of India, 4) Director, Small Industries Development Bank of India, 5) Director, Oriental Insurance Company, 6) Director, Agricultural Finance Corporation Limited, 7) Director, IBU International Finance Limited, Hong Kong, etc. He is also a Member of the Advisory Committee, Ministry of Corporate Affairs, Government of India and the Court of Jawaharlal Nehru University, New Delhi.

GENERAL SHAREHOLDERS' INFORMATION:

a. 13th Annual General Meeting:									
Venue:	Hotel Sea Princess, Juhu Beach, Mumbai - 400 049.								
Time:	2.30 p.m.								
Day:	Friday								
Date:	28th September, 2007								
b. Financial Calendar (tentative):									
Audited Annual Results of previous year ended March 31, 2007	By End of June, 2007								
1 st quarter results for quarter ending June, 2007	By End of July, 2007								
2 nd quarter results for quarter ending September, 2007	By End of October, 2007								
3 rd quarter results for quarter ending December, 2007	By End of January, 2008								
Last quarter results for quarter ending March 2008	By End of April, 2008 (if Unaudited) OR By End of June 2008 (if Audited)								
c. Financial Year	April 1, 2007 to March 31, 2008								
d. Book Closure Dates	September 21, 2007 to September 28, 2007 (Both days inclusive)								
e. Dividend Payment Date	On or after October 1, 2007								
f. Listing on Stock Exchanges and Stock Codes :	The Company's 10,699,174 equity shares are listed on the following Stock Exchanges, where they are subject to compulsorily trading in De-mat form.								
1. Equity Shares :									
	<table border="1"> <thead> <tr> <th>Name and Address of Stock Exchange</th> <th>Stock Code</th> </tr> </thead> <tbody> <tr> <td>Bombay Stock Exchange Limited P.J. Towers, Dalal Street, Fort, Mumbai.</td> <td>531404</td> </tr> <tr> <td>National Stock Exchange of India Limited 'Exchange Plaza', C - 1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai 400051.</td> <td>ZICOM</td> </tr> <tr> <td>ISIN</td> <td>INE871B01014</td> </tr> </tbody> </table>	Name and Address of Stock Exchange	Stock Code	Bombay Stock Exchange Limited P.J. Towers, Dalal Street, Fort, Mumbai.	531404	National Stock Exchange of India Limited 'Exchange Plaza', C - 1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai 400051.	ZICOM	ISIN	INE871B01014
Name and Address of Stock Exchange	Stock Code								
Bombay Stock Exchange Limited P.J. Towers, Dalal Street, Fort, Mumbai.	531404								
National Stock Exchange of India Limited 'Exchange Plaza', C - 1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai 400051.	ZICOM								
ISIN	INE871B01014								
2. Foreign Currency Convertible Bonds (FCCBs)	As on March 31, 2007, 840 bonds aggregating to US\$8.4 million were outstanding out of the originally issued US\$11 million FCCBs. The bonds are Listed on Luxembourg Stock Exchange and traded on Euro MTF market.								
	<table border="1"> <thead> <tr> <th>ISIN</th> <th>XS0229158786</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> </tr> </tbody> </table>	ISIN	XS0229158786						
ISIN	XS0229158786								

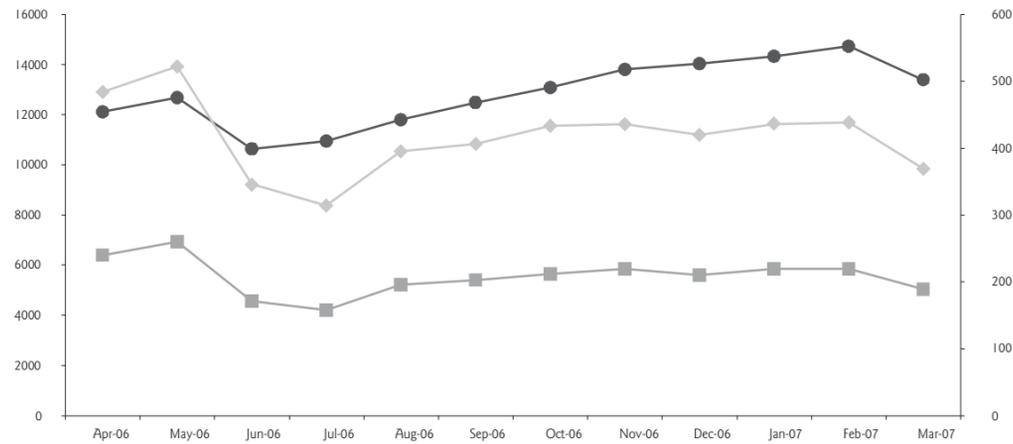
The listing fees for the financial year 2007-2008, has been paid to Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

g. MARKET PRICE DATA:
i) Reference based on data available on website of Bombay Stock Exchange Limited:

Month	Month's High Price (In Rupees)	Month's Low Price (In Rupees)	No. of Shares
April 2006	244.00	180.50	1,434,909
May 2006	262.00	167.95	593,742
June 2006	174.80	114.65	1,074,851
July 2006	156.35	133.55	235,568
August 2006	199.45	145.10	611,764
September 2006	203.45	176.30	906,959
October 2006	221.25	187.00	319,664
November 2006	216.70	197.05	316,301
December 2006	210.00	187.00	322,167
January 2007	217.00	184.00	438,468
February 2007	219.00	172.25	1,148,055
March 2007	180.00	144.00	321,899

ii) Reference based on data available on website of National Stock Exchange of India Limited:

Month	Month's High Price (In Rupees)	Month's Low Price (In Rupees)	No. of Shares
April 2006	240.00	213.1	51,421
May 2006	260.00	173.5	42,892
June 2006	171.05	116.00	118,445
July 2006	157.55	125.60	64,187
August 2006	195.80	142.00	157,787
September 2006	202.40	176.10	404,460
October 2006	211.70	186.00	175,929
November 2006	218.90	195.00	134,016
December 2006	209.85	178.00	200,617
January 2007	219.00	180.10	176,604
February 2007	219.00	171.00	650,498
March 2007	189.00	143.50	148,123

(iii) Performance in comparison to Broad Based Indices:


	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07
● BSE-Sensex	12102	12671.11	10626.84	10940.45	11794.43	12485.17	13075.85	13799.08	14035.3	14325.92	14723.88	13386.95
■ Share Price on NSE	240	260	171.05	157.55	195.8	202.4	211.7	218.9	209.85	219	219	189
◆ Share Price on BSE	244	262	174.8	156.35	199.45	203.45	221.25	216.7	210	217	219	180

h. Registrar and Share Transfer Agent:

Bigshare Services Private Limited
 E-2, Ansa Industrial Estate,
 Sakivihar Road,
 Saki Naka,
 Andheri (East),
 Mumbai 400 072.

Person to be Contacted: Mr. N. V. K. Mohan - Managing Director

Tel: (022) 2847 0652, 2847 0653, 28473474, 28473747
 Fax: (022) 2847 5207
 Email: bigshare@bom7.vsnl.net.in, bigshare@sify.com

Shareholders holding shares in the electronic (demat) mode should address all correspondence to their respective Depository Participants (DP's).

i. Share Transfer System:

Shares in physical form lodged for transfer with the Company's Registrar & Share Transfer Agent are normally processed within 15 days from the date of lodgement, if the documents are clear in all respects; and put up for approval before the Share Transfer Committee/Board meeting generally once in every fortnight. All requests for de-materialisation of shares are processed and the confirmation is given to the depositories by the Registrar & Share Transfer Agent generally within the prescribed time. Share Transfer / Investors' Grievances Committee of the Directors is empowered to approve transfer of shares and to attend to the investors' grievances, which are not normally resolved by the Company's Registrar & Share Transfer Agent / Compliance Officer. Matters concerning investors' grievances, and other miscellaneous matters relating to change of address, mandates, etc. are processed by the Company's Registrar & Share Transfer Agent. The correspondence for the matter relating to revalidation of dividend warrant is being looked after by Ms. Dimple Upadhyay - Company Secretary from the Company's Registered Office.

j. Distribution of Shareholding as on March 31, 2007:

No. of Shares	Total Holders	% of Total Holders	Total Holding in Shares	% of Total Capital
1 - 5000	4,633	85.26	695,271	7.13
5001 - 10000	389	7.16	328,400	3.37
10001 - 20000	171	3.15	265,099	2.72
20001 - 30000	74	1.36	197,115	2.02
30001 - 40000	30	0.55	107,847	1.11
40001 - 50000	27	0.50	128,366	1.32
50001 - 100000	42	0.77	313,081	3.21
100001 - 99999999	68	1.25	7,711,293	79.12
Total	5,434	100	9,746,472	100.00

k. Shareholding Pattern as on March 31, 2007:

Category	No. of Shares	%
Promoters	3,038,996	31.18
Institutional Investors: Mutual Funds, UTI, Banks, Financial Institutions & Insurance Companies	939,619	9.64
FII's	1,493,740	15.33
Private Corporate Bodies	567,656	5.82
Indian Public	2,889,420	29.65
NRIs / OCBs	805,513	8.26
Any Other (Trust + Clearing Member)	11,528	0.12
TOTAL:	9,746,472	100%

l. Dematerialisation of Shares and Liquidity as on March 31, 2007:

Physical Shares	:	265,706 (2.73%)
De-materialised Shares	:	9,480,766 (97.27%)
Total Shares	:	9,746,472 (100%)

Out of the above de-mat shares, 7,439,335 (76.33%) are held through National Securities Depository Limited and 2,041,431 (20.94%) are held through Central Depository Securities (India) Limited.

m. The Company has not issued any GDRs / ADRs. However the Company had issued 1100, 0.75% Foreign Currency Convertible Bonds of US\$ 10,000 each aggregating to US\$11 million, out of which 260 FCCBs were converted into equity shares of the Company and 840 FCCBs were outstanding. The Company had also issued 400,000 Warrants (Part A & B) to the Promoters' Group Companies, each part carrying equal number of options entitling the warrant holders to subscribe to one equity share, in aggregate to acquire 800,000 Equity Shares, on Preferential Basis. The Company had allotted 400,000 Equity Shares to the warrant holders against exercise of options attached to Part A and Part B on March 29, 2006 and February 7, 2007 respectively. As a result, as on March 31, 2007, there were no warrants which were left outstanding.

Auditors' Report

To the Members of Zicom Electronic Security Systems Limited

The Company had issued 317,000 Stock Options to 51 employees, out of which 41,000 Stock Options were lapsed. These Stock Options will be exercised after completion of one year of vesting period. The Stock Options were issued to employees on discount, as per the approval of the Shareholders obtained on August 24, 2006. As on March 31, 2007, no equity shares were issued against exercise of Stock Options.

Subsequent to the year end, FCCB holders of 155 Bonds of US\$ 1.55 million exercised their conversion option and were allotted 452,702 equity shares. Further, 500,000 equity shares were allotted to Bennett, Coleman & Co. Ltd on Preferential Basis, due to which paid up share capital increased to Rs. 106,991,740/-.

Factory at Daman:

Survey No. 143/I, Gala No. F-3, First Floor, Veera Industrial Estate, Amalia, Dabhel, Nani Daman-396 210.

Registered Office Address: Landmark, A-Wing, 6th Floor, Off Western Express Highway, Andheri Kurla Road, Andheri East, Mumbai 400 093.

n. Address for Correspondence:

i) All correspondence by Shareholders should be made to the Registrar & Share Transfer Agent or Registered Office of the Company. Others can send their correspondence to the Registered Office of the Company or log on to www.zicom.com for sending any communication to the Company.

(ii) Email ID: investors@zicom.com (iii) Telephone No.: (022) 4000 3535 (iv) Fax No.: (022) 4000 3434 (v) Website: www.zicom.com

For and on behalf of the Board of Directors

Manohar Bidaye Chairman

Place: Mumbai
Date: June 18, 2007

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE To the Members of Zicom Electronic Security Systems Limited

We have examined the compliance of conditions of Corporate Governance procedure implemented by Zicom Electronic Security Systems Limited for the year ended on March 31st, 2007 as stipulated in Clause 49 of the Listing Agreements of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to review of the procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations provided to us and the representations made by the Directors and the management, we certify that the Company has by March 31, 2007 complied with:

(A) all the mandatory requirements of the said Clause 49 of the Listing Agreement.

(B) the following non-mandatory requirement of the said Clause 49 – Constitution of Remuneration Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For P. RAJ & CO.
Chartered Accountants

P. S. Shah
Proprietor
Membership No. 44611
Mumbai, June 18, 2007.

- 1) We have audited the attached Balance Sheet of Zicom Electronic Security Systems Limited as at March 31, 2007, related Profit and Loss Account and the Cash Flow statement for the year ended on that date annexed thereto. These financial statements are responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the Companies (Auditors' Report) Order, 2003 ("the Order") (as amended) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 4) Further to our comments in the Annexure referred to above, we report that:
 - a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) The Balance Sheet, Profit and Loss Account and the Cash Flow statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e) On the basis of written representations received from the directors, as on March 31, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - f) In our opinion, and to the best of our information and according to the explanations provided to us, the said financial statements read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of Balance Sheet, of the state of affairs of the Company as at March 31, 2007;
 - ii) in the case of Profit and Loss account, of the profit for the year ended on that date; and
 - iii) in the case of Cash Flow statement, of the cash flows for the year ended on that date.

For P. RAJ & CO.
Chartered Accountants

P. S. Shah
Proprietor
Membership No. 44611
Mumbai, June 18, 2007.

□ Annexure referred to the Auditors' Report

(Referred to in paragraph 3 of our report of even date)

- 1) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management as per a phased programme of verification, except fixed assets having net block value of Rupees 40,937,270 installed at various customers' place under various Schemes, which are not physically verified, as explained to us the same has been verified through systems. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its fixed assets. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of accounts.
Fixed assets disposed off during the year were not substantial and therefore do not affect the going concern assumption.
- 2) The management has conducted physical verification of inventory at reasonable intervals. In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. The Company is maintaining proper records of inventory. The discrepancies noticed on such verification between physical inventories and the book records were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
- 3) According to the information and explanations provided to us and as per the records examined by us, the Company has neither granted nor taken any loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- 4) In our opinion and according to the information and explanations provided to us, having regards to the explanations that some of the items of Plant and Equipments purchased are of special nature and suitable alternative sources do not exist for obtaining comparable quotations, the internal control procedures are commensurate with the size of the Company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.
- 5) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that all the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered. In our opinion and according to the information and explanations provided to us, the transactions made in pursuance of such contracts or arrangements have been made at reasonable prices having regard to the prevailing market prices at the relevant time.
- 6) In our opinion and according to the information and explanations provided to us, the Company has not accepted any deposits from the public within the meaning of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder.
- 7) In our opinion the Company has an internal audit system commensurate with the size and nature of its business.
- 8) According to the information and explanations given to us, the Central Government has not prescribed for the maintenance of the cost records under Section 209(1) (d) of the Companies Act, 1956, for any of the products of the Company.
- 9) According to the information and explanations provided to us and on the basis of our examination of the books of account, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty, Cess and other statutory dues during the year with the appropriate authorities. As on March 31, 2007, there are no undisputed dues payable for a period of more than six months from the date they became payable.

As at March 31, 2007, according to the records of the Company and the information and explanation given to us, the following are the particulars of disputed dues on account of Sales Tax that have not been deposited:

Nature of the Dues	Amount in Rupees	Period to which the amount relates	Forum where the dispute is pending
Sales Tax	21,561	2002 - 2003	Appellate Assistant Commissioner (C. T.)
Sales Tax	68,967	2002 - 2003	Assistant Commissioner Sales Tax
Sales Tax	137,778	2002 - 2003	Joint Commissioner of Commercial Taxes (Appeals)
Works Contract Tax	164,296	2002 - 2003	Deputy Commissioner (Appeals)
Works Contract Tax	213,496	2003 - 2004	Assistant Commissioner Sales Tax

- 10) The Company does not have accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- 11) Based on our audit procedures and as per the information and explanations provided by the management, we are of the opinion that, during the year the Company has not defaulted in repayment of dues to any financial institution or bank. No debentures were issued or were outstanding during the year.
- 12) Based on our audit procedures and according to the information and explanations provided to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) In our opinion and according to the information and explanations provided to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi / mutual benefit fund / societies.
- 14) In our opinion and according to the information and explanations provided to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- 15) According to the information and explanations provided to us and the records examined by us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- 16) According to the information and explanations provided to us and the records examined by us, in our opinion, the term loans were applied by the Company for the purpose for which they were obtained.
- 17) According to the information and explanations provided to us and on an overall examination of the records and cash flow statement of the Company, in our opinion, the funds raised on short-term basis have not been used for long-term investment.
- 18) According to information and explanation provided to us and on the basis of records examined by us, the Company has made preferential allotment of shares to companies covered in the register maintained under section 301 of the Companies Act, 1956. In our opinion, the price at which shares have been issued is not prejudicial to the interests of the Company.
- 19) According to the information and explanations provided to us and the records examined by us, no debentures were issued or were outstanding during the year.
- 20) During the year, the Company has not raised any money through public issue.
- 21) Based upon the audit procedures performed and the information and explanations provided by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For P. RAJ & CO.

Chartered Accountants

P. S. Shah

Proprietor

Membership No. 44611

Mumbai, June 18, 2007.

Balance Sheet as at March 31, 2007

(Amount in Rupees)

Particulars	Schedule	March 31, 2007	March 31, 2006
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	97,464,720	85,871,000
Warrant Subscription Money	1A	-	4,840,000
Reserves and Surplus	2	<u>538,937,794</u>	<u>326,383,293</u>
		636,402,514	417,094,293
Loan Funds			
Secured Loans	3	210,128,357	112,846,707
Unsecured Loan	4	<u>364,896,000</u>	<u>489,830,000</u>
		575,024,357	602,676,707
Deferred Tax Liability	5	<u>41,638,565</u>	<u>22,703,091</u>
TOTAL		<u>1,253,065,436</u>	<u>1,042,474,091</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	6	436,224,264	287,045,914
Depreciation and Impairment		<u>91,261,998</u>	<u>72,885,085</u>
Net Block		344,962,266	214,160,829
Capital Work-in-Progress		1,316,246	540,000
		346,278,512	214,700,829
Investments	7	-	5,762,986
Current Assets, Loans and Advances			
Inventories		287,207,521	117,840,758
Sundry Debtors		432,565,696	254,038,440
Cash and Bank Balances		172,640,665	427,245,588
Loans and Advances		<u>227,953,805</u>	<u>119,022,671</u>
		1,120,367,687	918,147,457
Current Liabilities and Provisions			
Liabilities	9	196,056,264	83,348,404
Provisions		<u>17,524,499</u>	<u>12,788,777</u>
		213,580,763	96,137,181
Net Current Assets		<u>906,786,924</u>	<u>822,010,276</u>
TOTAL		<u>1,253,065,436</u>	<u>1,042,474,091</u>
Notes forming part of the Accounts	15		

Profit & Loss Account for the year ended, March 31, 2007

(Amount in Rupees)

Particulars	Schedule	March 31, 2007	March 31, 2006
INCOME			
Sales & Services		1,545,817,963	750,856,042
Other Income	10	9,191,057	7,133,541
TOTAL		<u>1,555,009,020</u>	<u>757,989,583</u>
EXPENDITURE			
Materials	11	1,031,252,298	519,844,466
Employees	12	124,034,182	54,398,436
Expenses	13	231,026,417	75,362,114
Finance Cost	14	11,123,041	13,531,238
Depreciation		<u>35,669,195</u>	<u>18,173,896</u>
TOTAL		<u>1,433,105,133</u>	<u>681,310,150</u>
Profit Before Prior Period Items		121,903,887	76,679,433
Add : Prior Period Items		1,637,815	-
Profit Before Tax		<u>123,541,702</u>	<u>76,679,433</u>
Taxation:			
- Corporate Tax		26,500,000	12,000,000
- Deferred Tax		18,935,474	7,454,077
- Fringe Benefit Tax		2,500,000	2,000,000
Taxation Earlier Years		<u>(3,760,692)</u>	<u>-</u>
Net Profit after Tax		<u>79,366,920</u>	<u>55,225,356</u>
Balance brought forward from previous year		107,063,358	72,126,779
Profit Available for Appropriations		<u>186,430,278</u>	<u>127,352,135</u>
APPROPRIATIONS			
Transfer to General Reserve		4,000,000	7,500,000
Provision for Dividend		14,978,844	11,215,766
Provision for Tax on Dividend		2,545,655	1,573,011
Balance carried to Balance Sheet		<u>164,905,779</u>	<u>107,063,358</u>
Basic Earnings Per Share of Rupees 10/- each		8.49	6.74
Diluted Earnings Per Share of Rupees 10/- each		7.39	6.22
Notes forming part of the Accounts	15		

As per our report of even date

For P. RAJ & CO.

Chartered Accountants

Manohar Bidaye
 Chairman

Achyut Godbole
 Director

P. S. Shah
 Proprietor
 Membership No. 44611

 Mumbai
 Date : June 18, 2007

Hemendra Paliwal
 Chief Financial Officer

For and on behalf of the Board of Directors

Pramoud Rao
 Managing Director

Dr. B. Samal
 Director

Mukul Desai
 Director

Vijay Kalantri
 Director

Dimple Upadhyay
 Company Secretary

As per our report of even date

For P. RAJ & CO.

Chartered Accountants

Manohar Bidaye
 Chairman

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P. S. Shah
 Proprietor
 Membership No. 44611

 Mumbai
 Date : June 18, 2007

Hemendra Paliwal
 Chief Financial Officer

For and on behalf of the Board of Directors

Pramoud Rao
 Managing Director

Dr. B. Samal
 Director

Mukul Desai
 Director

Vijay Kalantri
 Director

Dimple Upadhyay
 Company Secretary

Cash Flow Statement for the year ended March 31, 2007

(Amount in Rupees)

Particulars	March 31, 2007	March 31, 2006
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT/(LOSS) BEFORE TAX	123,541,702	76,679,433
Depreciation	35,669,195	18,173,896
Finance Cost	11,123,041	12,980,619
Sundry Balance Written Off	2,649,390	2,130,914
Loss on Sale of Investment	1,443,022	-
Loss on Sale of Fixed Assets	3,477,327	1,828,423
Miscellaneous Income	-	(2,720,148)
Operating Profit Before Working Capital Changes	<u>177,903,677</u>	<u>109,073,137</u>
(Increase)/Decrease in Trade and Other Receivable	(289,886,393)	(113,142,105)
(Increase)/Decrease in Inventories	(169,366,763)	(17,950,597)
Increase/(Decrease) in Trade Payable	111,225,470	18,661,590
Cash Generated from Operations	<u>(170,124,009)</u>	<u>(3,357,975)</u>
Direct Taxes	<u>(25,460,695)</u>	<u>(19,313,340)</u>
Net Cash Flow from Operating Activities	<u>(195,584,704)</u>	<u>(22,671,315)</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of Fixed Assets	(170,724,205)	(109,701,190)
Interest Reinvested	-	(847)
Acquisition of Investments	(24,690,436)	(7,556,608)
Sale of Fixed Assets	-	3,602,034
Interest Received	20,397,514	10,685,185
Dividend Received	-	51,000
Sale of Investments	29,010,400	8,074,468
Net Cash Flow from Investment Activities	<u>(146,006,727)</u>	<u>(94,845,958)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Foreign Currency Convertible Bonds	-	489,830,000
Increase in Share Capital including Share Premium	157,465,800	48,400,000
Increase in Warrant money	-	4,840,000
Increase in Secured Loans	97,281,650	12,491,895
Fluctuation Gain	5,976,525	-
Interest Paid	(36,014,690)	(21,680,299)
Reduction in Unsecured Loan and Fluctuation	(124,934,000)	-
Foreign Currency Convertible Bonds Issue Expenses	-	(24,588,733)
Dividend & Dividend Tax Paid	<u>(12,788,777)</u>	<u>(9,335,341)</u>
Net Cash used in Financing Activities	<u>86,986,508</u>	<u>499,957,522</u>
Net Increase in Cash and Cash Equivalents	(254,604,923)	382,440,249
Cash and Cash Equivalents (Opening Balance)	427,245,588	44,805,339
Cash and Cash Equivalents (Closing Balance)	<u>172,640,665</u>	<u>427,245,588</u>

As per our report of even date

For P. RAJ & CO.

Chartered Accountants

Manohar Bidaye
 Chairman

Pramoud Rao
 Managing Director

Mukul Desai
 Director

P. S. Shah
 Proprietor
 Membership No. 44611

Achyut Godbole
 Director

Dr. B. Samal
 Director

Vijay Kalantri
 Director

 Mumbai
 Date : June 18, 2007

Hemendra Paliwal
 Chief Financial Officer

Dimple Upadhyay
 Company Secretary

Schedules forming part of the Balance Sheet

(Amount in Rupees)

Particulars	March 31, 2007	March 31, 2006
SCHEDULE - I SHARE CAPITAL		
Authorised 15,000,000 (15,000,000) Equity Shares of Rs. 10/- each	<u>150,000,000</u>	<u>150,000,000</u>
Issued, Subscribed & Paid-up 9,746,472 (8,587,100) Equity Shares of Rs. 10/- each	<u>97,464,720</u>	<u>85,871,000</u>
Total	<u>97,464,720</u>	<u>85,871,000</u>
SCHEDULE - IA WARRANT SUBSCRIPTION MONEY		
Nil (400,000) Warrants (Each Warrant carry option / entitlement to subscribe to 1 number of equity share of Rs. 10/- each i.e. on or before February 20, 2007 at a price of Rs. 121/- per share.)	-	4,840,000
Total	<u>-</u>	<u>4,840,000</u>
SCHEDULE - 2 RESERVES AND SURPLUS		
General Reserve		
As per Last Balance Sheet	12,000,000	4,500,000
Add: Transfer from Profit & Loss Account	<u>4,000,000</u>	<u>7,500,000</u>
	<u>16,000,000</u>	<u>12,000,000</u>
Securities Premium Account		
As per last Balance Sheet	207,319,935	179,232,100
Add: Received During the year	150,712,080	44,400,000
Less: Foreign Currency Convertible Bonds issue Expenses (Net of Tax Benefit)	-	(16,312,165)
	<u>358,032,015</u>	<u>207,319,935</u>
Surplus		
Balance in Profit & Loss Account	<u>164,905,779</u>	<u>107,063,358</u>
Total	<u>538,937,794</u>	<u>326,383,293</u>
SCHEDULE - 3 SECURED LOANS		
1) Working Capital Loan from Bank	210,050,611	37,637,654
2) Short Term Corporate Loan from Bank	-	75,000,000
3) Other Secured Loans	<u>77,746</u>	<u>209,053</u>
Total	<u>210,128,357</u>	<u>112,846,707</u>

Notes

- A. Working capital loan referred in (1) above and banking facilities mentioned in clauses 2(a) and 2(b) of schedule 15 are secured by the Hypothecation of entire Stock, Book Debts, Plant & Machinery, Office Equipment and Equitable Mortgage of Land & Building at Bandra (West) and Office at Bangalore.
- B. The short term corporate loan is secured by residual charge on all the assets of the Company. It is further secured by personal guarantee of two directors and pledge of one lac equity shares of the company held by Directors and negative lien on two lacs equity shares held by them. The Company has established escrow facility of a specific customer under this loan.
- C. Other secured loan referred in (3) above is secured against vehicle financed.

Schedules forming part of the Balance Sheet

(Amount in Rupees)

Particulars	March 31, 2007	March 31, 2006
SCHEDULE - 4 UNSECURED LOAN		
Foreign Currency Convertible Bonds 840 (1,100) Bonds having Face Value of US\$10,000 each	364,896,000	489,830,000
	<u>364,896,000</u>	<u>489,830,000</u>
SCHEDULE - 5 DEFERRED TAX LIABILITY		
Arising on account of Timing Difference in		
- Depreciation	41,842,706	22,703,091
- Losses	(204,141)	-
Total	<u>41,638,565</u>	<u>22,703,091</u>
SCHEDULE - 6 FIXED ASSETS		

Particulars	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As on April 1, 2006	Addition	Deduction/ Adjustment	As on March 31, 2007	Upto March 31, 2006	For the Year	Deduction / Adjustment	Upto March 31, 2007	As at March 31, 2007	As at March 31, 2006
Land-Freehold	16,982,508	-	-	16,982,508	-	-	-	-	16,982,508	16,982,508
Buildings	16,075,576	10,484,268	-	26,559,844	3,152,321	542,755	-	3,695,076	22,864,768	12,923,255
Plant & Machinery	130,203,779	121,161,064	181,748	251,183,095	27,474,204	16,181,283	181,748	43,473,739	207,709,356	102,729,575
Office Equipments	100,307,659	27,152,499	20,587,861	106,872,297	35,771,515	13,895,054	17,110,534	32,556,035	74,316,262	64,536,144
Vehicles	3,417,230	-	-	3,417,230	765,496	324,637	-	1,090,133	2,327,097	2,651,734
Furniture & Fixtures	20,059,162	11,150,128	-	31,209,290	5,721,549	4,725,466	-	10,447,015	20,762,275	14,337,613
TOTAL	287,045,914	169,947,959	20,769,609	436,224,264	72,885,085	35,669,195	17,292,282	91,261,998	344,962,266	214,160,829
Previous Year	186,005,947	109,161,190	8,121,223	287,045,914	57,401,955	18,173,896	2,690,766	72,885,085	214,160,829	128,603,992

(Amount in Rupees)

Particulars	March 31, 2007	March 31, 2006
SCHEDULE - 7 INVESTMENTS (AT COST)		
Non Trade, Un Quoted		
Government Securities		
National Saving Certificates (Held in the name of a employee and deposited with Government Department)	-	11,698
Nil (100,000) Equity Shares of Cybersol Technologies Pvt Ltd.	-	3,600,000
Trade & Non Quoted		
Investment in Joint Venture		
Nil (49) Equity Share having face Value UAE Dirhams 3680 Per Share in Bin Jabr Zicom Security & Safety Systems LLC	-	2,151,288
Total	<u>-</u>	<u>5,762,986</u>

Schedules forming part of the Balance Sheet

(Amount in Rupees)

Particulars	March 31, 2007	March 31, 2006
SCHEDULE - 8 CURRENT ASSETS, LOANS & ADVANCES		
A: CURRENT ASSETS		
Inventories (As taken, valued and certified by Management)		
Materials	177,279,789	85,352,603
Work-in-progress	31,947,383	32,112,801
Material in Transit	<u>77,980,349</u>	<u>375,354</u>
	<u>287,207,521</u>	<u>117,840,758</u>
Sundry Debtors Unsecured and considered good :		
Debts outstanding over six months	121,800,361	52,340,687
Other Debts	<u>310,765,335</u>	<u>201,697,753</u>
	<u>432,565,696</u>	<u>254,038,440</u>
Cash and Bank Balances		
Cash in hand	805,710	754,590
Balance with Scheduled Banks:		
In Current Accounts (Book Overdraft)	(11,081,344)	16,631,163
In Fixed Deposit Accounts	40,934,511	40,755,242
In Margin Money	6,316,416	4,959,871
Balance with Other Banks:		
Current Account	2,267,605	78,050,738
In Fixed Deposit Accounts	<u>133,397,767</u>	<u>286,093,984</u>
Maximum Balance Outstanding During Year US\$8,073,597 (US\$ 11,000,000)		
Total	<u>172,640,665</u>	<u>427,245,588</u>

B : LOANS AND ADVANCES

Secured and Considered Good:		
Advances recoverable in cash or in kind or for value to be received	2,061,697	2,479,041
Unsecured and Considered Good:		
Advances recoverable in cash or in kind or for value to be received (Includes Rs. Nil (Rs. 77,126) due from Joint Venture Company in which company is interested)	27,618,979	6,432,144
Taxation net of Provisions	6,106,345	5,884,958
Investment Advance with Escrow Agent	97,740,000	-
Advance to suppliers	21,174,438	16,461,025
Advance for Capital Goods	41,526,838	66,439,164
Other Deposits	<u>31,725,508</u>	<u>21,326,339</u>
	<u>227,953,805</u>	<u>119,022,671</u>
Total	<u>1,120,367,687</u>	<u>918,147,457</u>

Schedules forming part of the Balance Sheet

(Amount in Rupees)

Particulars	March 31, 2007	March 31, 2006
SCHEDULE - 9 CURRENT LIABILITIES & PROVISIONS		
A: CURRENT LIABILITIES		
Sundry Creditors :		
- Small Scale Industries	2,079,624	1,635,820
- Others	96,357,809	44,910,782
Other Liabilities	37,932,422	6,004,389
Interest Accrued but not due	1,482,390	1,985,505
Advances from customers	42,579,588	25,920,336
Dealer Deposit and others	14,049,855	1,310,000
Investor Education & Protection fund shall be credited by following amount when due:		
Unclaimed Dividend	1,574,576	1,581,572
	<u>196,056,264</u>	<u>83,348,404</u>
B: PROVISIONS		
Dividend and Tax thereon	17,524,499	12,788,777
	<u>17,524,499</u>	<u>12,788,777</u>
Total	<u>213,580,763</u>	<u>96,137,181</u>

Schedules forming part of the Profit and Loss Account

SCHEDULE - 10 OTHER INCOME		
Miscellaneous Income	4,676,057	3,888,393
Lease Rent	4,515,000	525,000
Profit on Sale of Investment	-	2,669,148
Dividend Income	-	51,000
Total	<u>9,191,057</u>	<u>7,133,541</u>
SCHEDULE - 11 MATERIALS		
Opening Stock		
Materials	85,352,603	41,905,508
Work-in-Progress	32,112,801	33,384,822
Finished Goods	-	23,449,260
Material in Transit	375,354	1,150,571
Total	<u>117,840,758</u>	<u>99,890,161</u>
Purchases		
Materials and Related Expenses	1,200,619,061	537,795,063
Total	<u>1,200,619,061</u>	<u>537,795,063</u>
Closing Stock		
Materials	177,279,789	85,352,603
Work-in-Progress	31,947,383	32,112,801
Material in Transit	77,980,349	375,354
Total	<u>287,207,521</u>	<u>117,840,758</u>
	<u>1,031,252,298</u>	<u>519,844,466</u>

Schedules forming part of the Profit and Loss Account

(Amount in Rupees)

Particulars	March 31, 2007	March 31, 2006
SCHEDULE - 12 EMPLOYEES		
Employes Remuneration and Benefits :		
Salaries, Wages and Bonus	113,542,413	48,290,428
Contribution to Provident and Other Funds	3,544,753	1,685,482
Workmen & Staff Welfare Expenses	6,947,016	4,422,526
Total	<u>124,034,182</u>	<u>54,398,436</u>
SCHEDULE - 13 EXPENSES		
Power and Fuel	4,359,789	2,500,089
Repairs and Maintenance - Building	943,994	357,502
Repairs and Maintenance - Others	2,942,443	1,465,323
Rent and Compensation	29,134,278	8,066,897
Rates and Taxes	4,058,374	2,095,132
Insurance Charges	1,497,895	755,632
Traveling and Conveyance	35,461,466	16,010,810
Legal and Professional Fees	15,831,260	8,989,124
Auditor's Remuneration	476,665	313,167
Postage, Telephone and Telex	12,284,490	8,438,424
Printing & Stationery	4,695,954	2,324,266
Non Executive Directors' Commission	-	350,000
Directors' Sitting Fees	658,500	97,000
Membership & Subscription	201,500	158,959
Bank Charges, Guarantee Commission etc.	5,875,138	2,625,689
Commission & Brokerage	4,079,986	1,931,913
Miscellaneous Expenses	4,830,398	4,062,671
Staff Training & Recruitment	5,254,698	4,930,921
Sales Promotion Expenses	4,643,465	2,377,563
Advertisement Expenses	86,164,135	3,426,194
Donation	62,250	125,501
Sundry Balances Written off / (Written Back) (Net)	2,649,390	2,130,914
Short Term Loss on Investment	1,443,022	-
Loss on Sale/Discard of Fixed Assets	3,477,327	1,828,423
Total	<u>231,026,417</u>	<u>75,362,114</u>
SCHEDULE - 14 FINANCE COST		
INTEREST		
Working Capital and Short Term Corporate Loan	34,206,077	21,406,431
Others	3,291,003	2,259,373
	<u>37,497,080</u>	<u>23,665,804</u>
Less :		
Exchange Fluctuation	5,976,525	(550,619)
Interest Income (Tax Deducted at Source Rupees 660,530/- (Rupees 495,526/-))	20,397,514	10,685,185
Total	<u>11,123,041</u>	<u>13,531,238</u>

Notes forming part of the accounts for the year ended March 31, 2007

SCHEDULE - 15

I. Significant Accounting Policies:

The financial statements are prepared to comply in all material aspects with the applicable accounting principles in India, the accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The significant accounting policies are as follows:

a) Basis of Accounting:

The Financial statements are prepared in accordance with the historical cost convention.

b) Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

c) Fixed Assets / Capital Work-in-Progress:

Expenditure, which is of capital nature, is capitalised. Such expenditure includes purchase price, import duties, levies and any direct attributable cost of bringing the asset to its working condition.

Capital Work-in-Progress is carried at costs, comprising direct cost related incidental expenses and interest on borrowings there against.

d) Depreciation / Amortisation:

Tangibles:

Depreciation on fixed assets is provided on straight-line method in accordance with the rates specified in Schedule XIV of the Companies Act, 1956.

Capital Expenditure incurred on Rented Premises is written off over a period of three years.

Intangibles:

These are amortised over their useful life, not exceeding five years.

Deferred Revenue Expenditure incurred before April 1, 2003 are written off over a period of 3 years and such expenses incurred after April 1, 2003 is written off in the year of expenditure.

Equity Share Issue Expenses incurred before April 1, 2003 are written off over a period of 10 years and such expenses incurred after April 1, 2003 is written off in the year of expenditure.

Pre-operative and Preliminary Expenses incurred before April 1, 2003 are written off over a period of 10 years and such expenses incurred after April 1, 2003 is written off in the year of expenditure.

e) Investments:

Investments are stated at 'cost'. A Provision for diminution is made to recognise a decline, other than temporary, in the value of long term investments.

An investment in the shares of Joint Venture Company outside India is stated at cost by converting at the rate of exchange at the time of their acquisition.

Notes forming part of the accounts for the year ended March 31, 2007

f) Valuation of Inventories:

Materials, Stores and Spares valued at cost on First In First Out Basis. Work-in-Progress, Finished goods and trading goods are valued at cost or realisable value whichever is lower.

Goods-in-transit are valued at cost. In respect of goods undergoing customs clearance, no provision has been made for the customs duty liability. However, this practice does not have any impact on the profit for the period.

g) Foreign Exchange Fluctuations :

Transactions in Foreign currency are recorded at the Exchange rate prevailing on the date of transaction. Monetary assets and liabilities relating to foreign currency transactions remaining unsettled at the end of the year are translated at the year-end rates. The differences in translation of monetary assets and liabilities and realised gains and losses on foreign exchange transactions other than those relating to fixed assets are recognised in the Profit and Loss account. Exchange differences in respect of liabilities incurred to acquire fixed assets are adjusted to the carrying amount of such fixed assets.

h) Revenue Recognition:

Sales and Services are recognised when goods are supplied in accordance with the terms of sale and are recorded net of trade discounts, rebates and sales tax collected. Income from services is accrued as per terms of relevant agreement.

Income and Expenditure are accounted on an accrual basis. Dividend income is recognised when the right to receive dividend is established

Fees received from the customers for admitting them as member of Company's various schemes are credited to revenue account in the year in which membership is allotted.

i) Retirement Benefits:

- i. Contribution to defined contribution schemes such as Provident Fund, Employer's Pension scheme and super annuation scheme is charged to the Profit and Loss Account.
- ii. Provision for payments to the employees' Gratuity Trust Fund, after taking into account the funds available with the trustees of the Gratuity Fund, is based on actuarial valuation carried out at the end of the year.
- iii. Provision for leave encashment has been accrued and provided for at the end of the financial year, on the basis of actuarial valuation.

j) Taxation :

- i. Provision for Income Tax is made under the liability method after availing exemptions and deductions at the rates applicable under the Income Tax Act, 1961.
- ii. Deferred tax resulting from timing difference between book and tax profits is accounted for using the tax rates and laws that has been enacted as of the balance sheet date.
- iii. Deferred tax assets arising on the temporary timing differences are recognized only if, there is reasonable certainty of realization.

k) Impairment of Assets:

The carrying amount of assets is reviewed periodically for any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. Post impairment, depreciation is provided on the revised carrying value of the asset over its remaining useful life.

Notes forming part of the accounts for the year ended March 31, 2007

l) Borrowing Costs:

Interest and other costs in connection with the borrowing of the funds to the extent related / attributed to the acquisition / construction of qualifying fixed assets are capitalised upto the date when such assets are ready for its intended use and other borrowing costs are charged to the Profit & Loss Account.

m) Provisions for contingencies:

A provision is recognised when:

- The Company has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits which will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

The Company provides for warranty cost based on a technical estimate of the costs required to be incurred for repairs, replacement, material cost, servicing and past experience in respect of warranty costs. It is expected that this expenditure will be incurred over the contractual warranty period.

n) Accounting of Lease:

Lease rentals, as per agreements are charged as expenditure on accrual basis.

2 Contingent liabilities not provided for in respect of:

(Amount in Rupees)

	Particulars	March 31, 2007	March 31, 2006
a.	Letters of Credit by Bank	6,442,488	46,423,731
b.	Guarantees issued by Bank (Gross)	35,739,670	22,035,040
c.	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	30,016,565	54,765,825
d.	Income Tax Matters	Nil	670,649
e.	Sales Tax Matters	606,098	297,693
f.	Premium of Redemption of FCCB Bonds	27,009,906	12,557,765
g.	In respect of Borrowing by Employees, where Company is co-applicant	2,608,691	Nil

Notes forming part of the accounts for the year ended March 31, 2007

3 Managerial remuneration:

(Amount in Rupees)

	Particulars	March 31, 2007	March 31, 2006
a.	Salaries	3,348,000	1,494,000
	Commission on profit	250,000	600,000
	Perquisites	222,500	133,004
	Retirement Benefit	9,360	9,360
	Total	3,829,860	2,236,364
b.	Directors Sitting Fees	658,500	97,000
c.	Computation of Net Profit in accordance with section 349 of the Companies Act, 1956		
	Profit Before Tax	123,541,702	76,679,433
	Add:		
	Managerial Remuneration	3,829,860	2,236,364
	Directors Sitting Fees	658,500	97,000
	Loss on Sale/Discard of Fixed Assets	3,477,327	1,828,423
	Less:		
	Profit (Loss) on sale of Investment	(1,443,022)	2,669,148
	Net Profit as per Section 349 of the Companies Act, 1956	132,950,411	78,172,072
	Commission to Managing Director @ 1% of the Net Profit as calculated above	1,329,504	781,721
	Restricted to	250,000	250,000
	Commission to Non-Executive Directors @ 1% of the Net Profit as calculated above	1,329,504	781,721
	Restricted to	Nil	350,000

4 Payments to Auditors: (Net of Service Tax)

(Amount in Rupees)

	Particulars	March 31, 2007	March 31, 2006
	Audit fees	400,000	250,000
	Other Certification Matters	75,500	312,000
	Out of pocket expenses	1,165	1,167

Notes forming part of the accounts for the year ended March 31, 2007
5. Future Obligation by way of lease rentals in respect of operating lease arrangement amount to:

- Due within one year – Rs 12,960,000 (12,960,000)
- Due within following four years – Rs 7,020,000 (19,980,000)
- Due after five years – NIL (NIL)

6. The Small Scale Industrial Undertaking to whom any amount is outstanding of more than 30 days are as follows:

MB Electronics, Control Soft Systems

This disclosure is based on the information available with the company regarding status of the suppliers as defined under the Interest on Delayed payment on Small Scale and Ancillary Industrial Undertaking Act, 1993.

7. Earnings Per Share(EPS) : Equity Shares of Rupees 10/- each fully paid up

(Amount in Rupees)

Particulars	March 31, 2007	March 31, 2006
A Net Profit for Basic Earning Per share as per Profit & Loss Account	79,366,920	55,225,356
Adjustment for the purpose of Diluted Earning Per Share		
Add: Interest and Foreign Exchange Fluctuation	(8,388,088)	10,153,402
Less: Tax Adjustment	(2,823,430)	3,417,635
Net Profit for Diluted EPS	73,802,262	61,961,123
B. Weighted Average Number of Equity Shares		
Basic	9,350,462	8,190,388
Diluted	9,985,027	9,965,926
C. Earning Per share		
Basic	8.49	6.74
Diluted	7.39	6.22

8. Related Party Disclosure:

Information in accordance with the requirements of Accounting Standard 18 on Related Party Disclosures issued by the Institute of Chartered Accountants of India:

A. Related Parties with whom transactions have taken place:
i. Key Management Personnel:

- Mr. Manohar Bidaye
- Mr. Pramoud Rao

Notes forming part of the accounts for the year ended March 31, 2007
ii. Companies in which company or its directors / relatives of director have substantial interest:

- Baronet Properties and Investments Private Limited
- Coronet Properties and Investments Private Limited
- Bin Jabr Zicom Security & Safety Systems LLC (upto March 12, 2007)

B. Transactions during the year with Related Parties mentioned above: Key Management Personnel:

Remuneration Paid – As disclosed in Note No. 3. a of Schedule 15

Director's Sitting Fees – As disclosed in Note No. 3. b of Schedule 15

Companies in which company or its directors / relatives of director have substantial interest:

Investment in Equity Shares Rupees Nil (Rupees 2,151,288/-)
 Allotment of Shares against Warrant Rupees 48,400,000/- (Rupees 48,400,000/-)
 Advance recoverable in Cash or Kind Rupees Nil (Rupees 77,126/-)
 Balance Written off Rupees 77,126/- (Rupees Nil)

C. Balance with Related Parties:

Particulars	March 31, 2007	March 31, 2006
Key Management Personnel	Nil	Nil
Companies in which Company or its directors / relatives of Director have substantial Interest	Nil	2,228,414

9. Interest in Joint Venture :

Name	Country of Incorporation	Principal Activity	Percentage of Voting Power as on March 31, 2007
Bin Jabr Zicom Security and Safety Systems LLC	United Arab Emirates	Security System	Nil (49%)

The company has divested its 49% holding in joint venture company Bin Jabr Zicom Security and Safety Systems LLC on March 12, 2007.

Notes forming part of the accounts for the year ended March 31, 2007
Notes forming part of the accounts for the year ended March 31, 2007
10. Segment Reporting:

The Company has only one reportable segment namely “**Electronic Security Systems**”.

11. a. On September 16, 2005, the Company had issued 1,100 Foreign Currency Convertible Bonds (FCCBs) of a face value of US\$10,000 aggregating to US\$11 million. As per the terms of the issue, the holders have an option to convert the FCCBs into equity shares at conversion rate of Rupees 150/- per equity share at a fixed exchange rate conversion of Rupees 43.81 = US\$1 from October 17, 2005 to September 10, 2008. The conversion price is subject to certain adjustments and corporate action. Further, under certain conditions the Company has an option of early redemption in part or whole. Unless previously converted, redeemed or purchased and cancelled, the Company will redeem these bonds at US\$11,505 each on September 17, 2008.

During the year the Company has received the conversion notice for 260 Bonds having face value aggregating to US\$2.6 million and issued 759,372 Equity Share of the Company and utilised Rupees 130,137,409/- (Rupees 130,909,622/-) for the acquisition of Assets and issue expenses. As at March 31, 2007, 840 Bonds are outstanding.

- b. The Company has made preferential issue of 400,000 Warrants, each warrant having two options to subscribe to 1 Equity Share of Rs. 10/- each at a price of Rupees 121/- per Equity Share. Warrant holders have exercised part B of the options and have subscribed to 400,000 Equity Shares of Rupees 10 each. Company has received aggregate Rupees 43,560,000/- (Rupees 53,240,000) towards Equity Shares including Warrants Application Money. The said fund have been utilised for the Working Capital requirements.

12. Details of uncovered foreign currency exposures:

Particular	Currency	Amount
Trade Receivable	USD	5,659,346
Trade Payable	USD	144,932
Unsecured Loans*	USD	8,400,000

*Out of above, US\$5 million have been SWAP to CHF.

13. Employee Stock Option Scheme (ESOS)

In accordance with ESOS of the Company, the employees have been offered Options for 169,000 Equity Shares (Option I), 111,000 equity share (Option II) and 37,000 equity share (Option III) as per eligible criteria fixed under the scheme. Against each of the above eligible employee is entitled to acquire one equity share of Rupees 10/- of the company at a price of Rupees 153.80, Rupees 162.90 and Rupees 175.50 for Option I, Option II and Option III respectively. Against each of the above option 20% can be exercised by the end of first year from the date of vesting of option, 30% can be exercised at the end of second year from the date of vesting of the options and balance 50% can be exercised at the end of third year from the date of vesting of the options.

Number of options granted, exercised, surrender and forfeited	Option I	Option II	Option III
Options outstanding at the beginning of the year	Nil	Nil	Nil
Granted during the year	169,000	111,000	37,000
Exercised during the year	Nil	Nil	Nil
Forfeited/ Surrendered/Lapsed during the year	19,000	19,000	3,000
Outstanding at the end of the year	150,000	92,000	34,000

14. In respect of amount of Rupees 5,174,681/- due from the customer, the Company had initiated arbitration proceedings for recovery. The matter was adjudicated and the Company has received award in its favour together with interest on outstanding with effect from March 31, 2005 till date of payment. The customer has filed an appeal in court against the award. The management is confident of recovering this amount and hence no provision has been made for this outstanding amount.

15. Additional information pursuant to the provisions of the Companies Act, 1956.

(i) Licensed and Installed Capacities and Actual Production:

Description	Units	Licensed Capacity	Installed Capacity	Actual Production
Electronic Component	Nos.	Not Applicable	Nil (12,000)	Nil (Nil)

(ii) Turnover:

(Amt. in Rupees)

Description	Qty	March 31, 2007	March 31, 2006
A. Electronic Security Systems /Equipment (includes Access Control Systems and Software, C. C. T. V., Fire Alarm, Intrusion, Smart Cards, Electronic Article Surveillance etc)	*	832,541,171	421,818,532
B. Electronic Equipments, Components, Software and Accessories	*	646,195,923	265,770,960
C. Software Services	#	15,181,867	13,620,000
D. Service Income	#	51,899,002	49,646,550

* Due to various equipments, components /accessories involved therein, quantities are not practically determinable.

In respect of development and maintenance of software, the production and sale cannot be expressed in any generic unit, and hence it is not practicable to give quantitative information.

(iii) Purchases of Trading Goods:

Description	Unit	Qty	Value (Rupees)
Electronic Equipments, Component and Accessories	Nos.	14,648	550,269,283
		(5,388)	(242,599,707)

(iv) Materials consumed:

Description	Qty	Value (Rupees)
Electronic Security Systems /Equipment (includes Access Control Systems and Software, C. C. T. V., Fire Alarm, Intrusion, Smart Cards, Electronic Article Surveillance etc)	*	480,817,597 # (252,523,478)

* Due to various components / accessories involved therein, quantities are not practically determinable.

Material consumption includes Foreign Exchange Fluctuation gain of Rupees 2,037,429/- (Previous Year expense of Rupees 391,381/-)

Notes forming part of the accounts for the year ended March 31, 2007
(v) Consumption of materials, components and spare parts and its percentage to total:

Year Ended	March 31, 2007		March 31, 2006	
	Value (Rupees)	Percentage	Value (Rupees)	Percentage
Material				
Imported	214,106,468	45%	82,200,554	33%
Indigenous	266,711,129	55%	170,322,924	67%
Spare Parts				
Imported	Nil	N. A.	Nil	N. A.
Indigenous	Nil	N. A.	Nil	N. A.

Sr. No.		March 31, 2007 (Rupees)	March 31, 2006 (Rupees)
16.	Value of Imports on C.I.F. basis:		
	Materials and Finished goods	233,059,202	88,578,029
	Capital Goods	Nil	9,401,977
17.	Earnings in Foreign Currency:		
	Export / Merchandise Trade Sales	517,276	18,162,769
	Interest	17,268,064	8,426,477
18.	Expenditure in Foreign Currency:		
	(On payment basis)		
	Travelling	1,913,879	724,489
	Bank Charges	391,659	883,853
	FCCB Expenses	4,472,096	19,205,237

19. The Previous Year's figures have been regrouped and re-arranged, wherever necessary.

20. Balances of Sundry Debtors, Sundry Creditors, Loans and Advances and Others are as per books and subject to confirmations and reconciliation, if any.

As per our report of even date

For P. RAJ & CO.

Chartered Accountants

Manohar Bidaye
Chairman

For and on behalf of the Board of Directors

Pramoud Rao
Managing Director

Mukul Desai
Director

P. S. Shah
Proprietor
Membership No. 44611

Achyut Godbole
Director

Dr. B. Samal
Director

Vijay Kalantri
Director

Mumbai
Date : June 18, 2007

Hemendra Paliwal
Chief Financial Officer

Dimple Upadhyay
Company Secretary

Balance Sheet abstract and Company's General Business Profile
I. REGISTRATION DETAILS

Registration No	:	8339
State Code	:	11
Balance Sheet Date	:	March 31, 2007

II. CAPITAL RAISED DURING THE YEAR (Rs. in thousand)

Public Issue	:	NIL
Rights Issue	:	NIL
Bonus Issue	:	NIL
Private Placement	:	4000

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

(Rs. in thousand)

Total Liabilities	1,466,646	Total Assets	1,466,646
Source of funds		Application of funds	
Paid up Capital	97,465	Net Fixed Assets	346,279
Reserve & Surplus	538,938	Investments	-
Secured Loans	210,128	Net Current Assets	906,787
Unsecured Loans	364,896	Misc Expenditure	-
Deferred Tax Liability	41,639		

IV. PERFORMANCE OF THE COMPANY

(Rs. in thousand)

a) Turnover	1,555,009
b) Total Expenditure	1,433,105
c) Profit before tax	121,904
d) Profit after tax	79,367
e) Earnings per share (Rs.)	8.49
F) Dividend rate %	14%

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCT/SERVICES OF COMPANY

(as per Monetary terms)

Product Description	Item Code
Control Panel & Switcher	8537.10
Cameras	8525.30
Access Readers	9031.90

As per our report of even date

For P. RAJ & CO.

Chartered Accountants

Manohar Bidaye
Chairman

For and on behalf of the Board of Directors

Pramoud Rao
Managing Director

Mukul Desai
Director

P. S. Shah
Proprietor
Membership No. 44611

Achyut Godbole
Director

Dr. B. Samal
Director

Vijay Kalantri
Director

Mumbai
Date : June 18, 2007

Hemendra Paliwal
Chief Financial Officer

Dimple Upadhyay
Company Secretary

Company Information

Board of Directors

Mr. Manohar Bidaye	-	Chairman
Mr. Pramoud Rao	-	Managing Director
Mr. Harish Nayak	-	Director
Mr. Mukul Desai	-	Director
Mr. Vijay Kalantri	-	Director
Mr. Achyut Godbole	-	Director
Dr. B. Samal	-	Director
Mr. Satya Pal Talwar	-	Additional Director (w.e.f. June 18, 2007)

Chief Financial Officer

Hemendra Paliwal

Auditors

P. Raj & Co.

Chartered Accountants

Company Secretary

Dimple Upadhyay

Bankers

State Bank of India (SBI)
Hongkong and Shanghai Banking Corporation Limited (HSBC)
Union Bank of India (UBI)

Registered Office

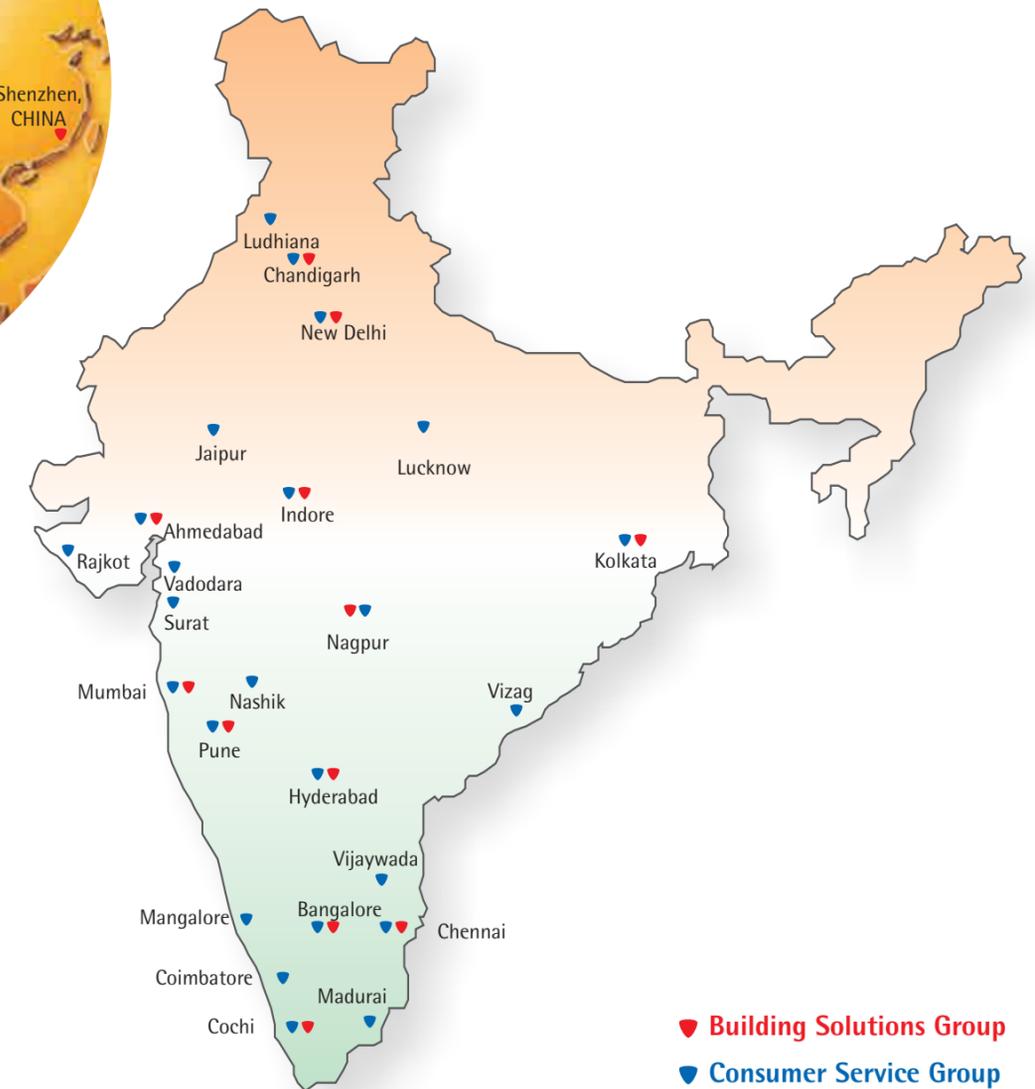
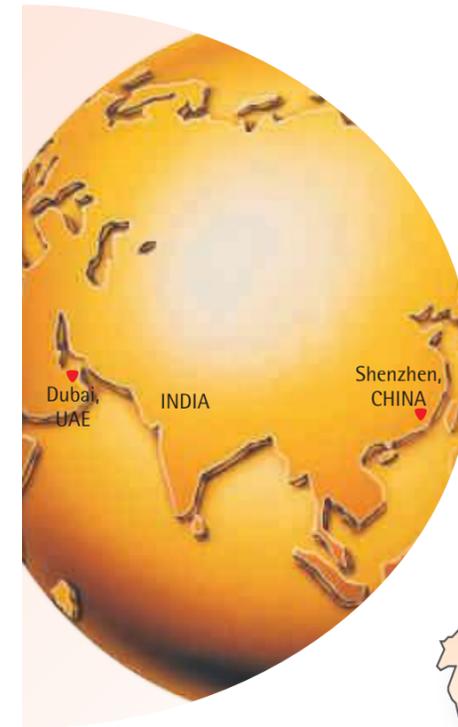
Landmark, A-Wing, 6th Floor,
Off Western Express Highway,
Andheri Kurla Road,
Andheri East, Mumbai 400 093.
Tel.: 91-22-4000 3535 Fax: 91-22-4000 3434
E-mail: corporate@zicom.com
website: www.zicom.com

Registrar & Share Transfer Agent

Big Share Services Private Limited

E-2, Ansa Industrial Estate, Sakivihar Road,
Saki Naka, Andheri (E), Mumbai - 400 072.
Tel.: 022-2847 3474, 2847 3747 Fax: 022-2847 5207
E-mail: bigshare@bom7.vsnl.net.in

Our Reach



♥ Building Solutions Group

▲ Consumer Service Group

Toll Free: 1-800-22-4567

SMS Zicom to: 58888