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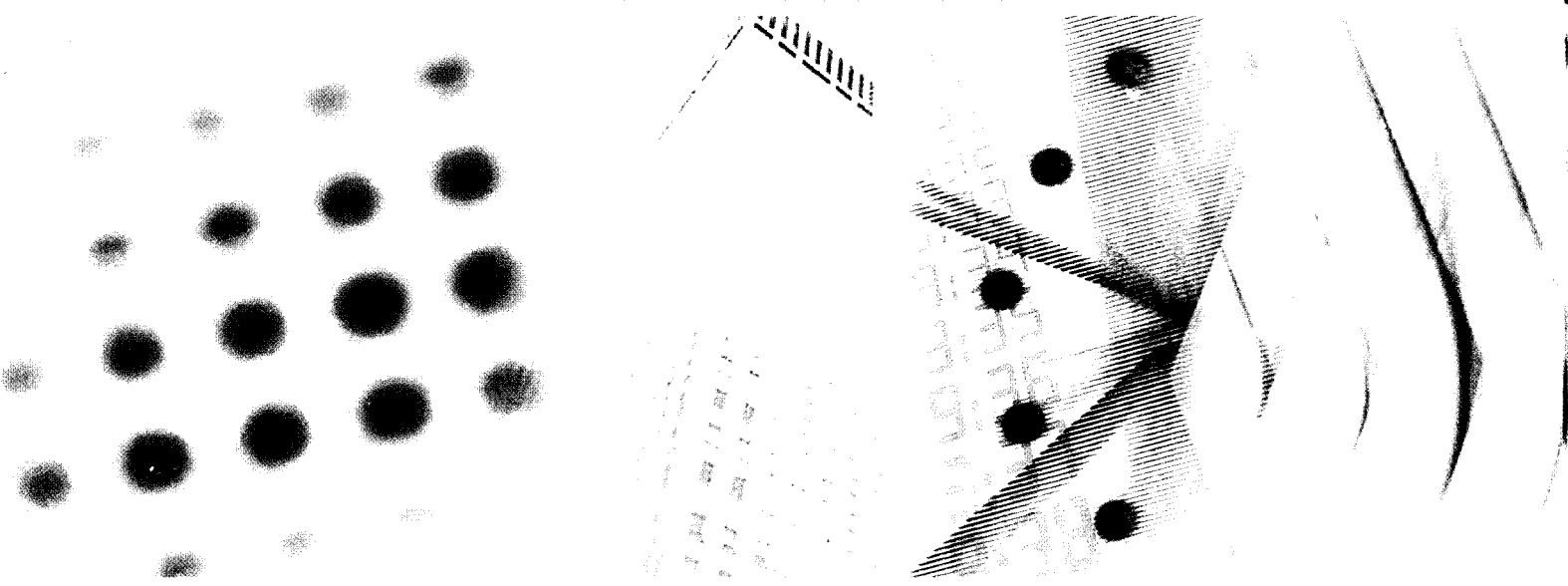

Annual Report 2005 - 06

ADVANCED MICRONIC DEVICES LTD.

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ADVANCED MICRONIC DEVICES LTD.

BOARD OF DIRECTORS

- Mr. Vinod Ramnani — Chairman and Managing Director
- Mr. Bhaskar Valiveti — Whole-Time Director
- Mrs. Usha Ramnani — Director
- Mr. V. Balasubramaniam — Independent Director
- Dr. Anvay Mulay — Independent Director
- Dr. Suleman Adam Merchant — Independent Director
- Mr. Rajkumar Raisinghani — Independent Director

AUDITORS

- Anand Shenoy & Co.
  Chartered Accountants
  S-2, II Floor, Gem Plaza
  No. 66, Infantry Road
  Bangalore - 560 001

BANKERS

- State Bank of India
  Bangalore Commercial Branch
  Hudson Circle, Bangalore - 560 001

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- State Bank of Travancore
  Industrial Finance Branch
  M.G. Road, Bangalore - 560 001

REGISTERED OFFICE AND INVESTOR'S SERVICE CELL

- A-306, II Floor, Block I, KSSIDC Building,
  Electronic City, Bangalore - 560 100.
  Tel : 080-28521634
  Fax : 080-41307586

Annual General Meeting

Day & Date	:	Thursday, 28th September, 2006
Time	:	4.00 P.M.
Venue	:	The Grand Ashok Kumara Krupa, High Grounds Bangalore - 560 001

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DIRECTOR'S REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting their report on the business and operations of the Company for the year ended 31st March, 2006.

(Rs. in lakhs)

Financial Results	Year Ended 31.03.06	Year Ended 31.03.05
Sales	5245.62	5445.28
Profit before Depreciation And Financial Charges	670.59	306.45
Less : Depreciation	51.47	39.41
Financial Charges	172.59	146.85
Profit before Tax	446.53	120.19
Provision for taxation	82.10	42.65
Profit for the year	364.43	77.54
Add : prior Year adjustment	—	6.07
APPROPRIATION :		
Proposed Dividend	52.81	52.81
Carried to Balance sheet	403.52	101.27

COMPANY PERFORMANCE

During the year under review your Company recorded sales and service income of Rs. 5245.63 lakhs. Some of the less profitable lines of distribution in the Healthcare Business were discontinued during the year. Your Company made a net profit of Rs. 446.53 lakhs including the profit earned on sale of Fixed Assets.

DIVIDEND

Considering the performance of the Company, your Directors are pleased to recommend an Equity Dividend at the rate of 10% for the year ended 31st March, 2006 on the equity share capital.

MANAGEMENT DISCUSSION AND ANALYSIS

- **Health Care Division Products** – The Health Care Industry is booming and in our estimate it will continue to grow rapidly in the coming years.

  As a strategy, we have decided to aggressively market our Monitors and Sensors which have addressed the market requirement very well. While we will continue to market products of Audiology and Anesthesiology, our main focus area will continue to be Cardiology particularly Critical care products which are in high demand in most Hospitals.

- **Bank Card Division** – We have test marketed over 1000 EDC Terminals to various customers / banks. Phoenix PX 9600 brand of Electronic Draft Capture Terminals for the Banking & Loyalty program market segment are fast gaining market acceptance. Customization to suit specific requirement of individual customers is being taken up. Projections for the next year is also very impressive, with many prominent Banks choosing our Terminals for automating electronic payments.

- Our high resolution thermal printer is also making inroads in various diverse applications. More than 1500 printers have found acceptance in Leading Banks. Driven by market demand, we will continue to focus on product differentiation and low cost leadership to create new markets and push growth.

- **Strategic Electronic Division (SED)** - Working on two technology areas of GPS and EDA, the division has been offering state of art products and services. SED registered good growth during 2005-06 resulting in 48% growth in the bottom line of the division.

  2005-06 was another significant year in which few major business deals were initiated. SED won performance awards from some of its Principals like Cadence. New Products were added to almost all the groups and the infrastructure is being expanded to handle these new products. We have also started marketing high end VLSI products from Cadence, which will show results in the Current year.

- **Information Systems Division (ISD)** – With the IT industry seeing a renewed boost in growth, ISD has taken on the growth opportunities. We are now Authorised Business Partners of IBM and have an association with Microsoft. Our Association with Dell as a Local Service Provider for their entire range of products and with Acer as Professional Service Providers has seen encouraging growth.

  With Intel as a Business Associate, we enjoy a reputation of Premier Third Party Maintenance Agency undertaking maintenance services for complete range of Intel based platform, peripherals etc. We also promote Iomega range of backup products as Value Added Reseller of Iomega. These associations with leading players in the industry is adding to your Company's growth story.

- **Internal Control System and Adequacy** – The Company has adequate internal control systems and procedures in all the areas of activity. Our activities are also subject to internal and external Audit. The internal control systems and procedures are commensurate and adequate with the size and nature of the business of the Company. Our Factory continues to enjoy ISO 9000 certification ensuring strict compliance of internal systems and procedures.

- **Human Resources** – The Company considers its employees as valuable assets, and has adopted various HRD measures including proper appraisal of employees, placements, recognition, career growth, improvement of managerial and inter-personal skills through various training programs etc. The Company had 296 employees as at 31st March, 2006.

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CORPORATE GOVERNANCE

Certificate dated 21st August, 2006 of the auditors of your Company regarding compliance of the conditions of corporate Governance as stipulated in Clause 49 of the listing agreement with stock exchanges, is enclosed.

PARTICULARS OF EMPLOYEES

Information as per Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules 1975 as amended, is available at the registered office of your Company. As per the provisions of Section 219 (1)(b)(iv) of the said Act, the Report and accounts are being sent to all shareholders of the Company excluding the statement of particulars of employees u/s 217 (2A) of the said Act. Any shareholder interested in obtaining a copy of this statement may write to the Company Secretary at the Registered Office of the Company.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO.

In pursuance of the provisions of Section 217(1)(e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, the particulars relating to conservation of energy, technology absorption and foreign exchange earning and outgo are furnished below :

1. **Conservation of Energy** : The operations of your Company are not energy intensive. Adequate measures have, however, been taken to reduce energy consumption by using energy efficient computer terminals. Airconditioners are used when required, thereby enhancing energy efficiency.
2. **Research and Development** : Not applicable.
3. **Technology Absorption** : Not applicable.
4. **Foreign Exchange Earning and outgo** : The Company earned Rs. 207.83 lakhs in Foreign Exchange. The Foreign Exchange outgo including for capital goods was Rs. 2191.63 lakhs.

RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to the Directors Responsibility Statement, it is hereby confirmed;

That in the preparation of the Annual Accounts for the financial year ended 31st March, 2006 the applicable accounting standards have been followed along with proper explanation relating to material departures;

That they have selected such appropriate accounting policies and applied them consistently and made judgment and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

That the Directors have prepared the annual accounts for the financial year ended 31st March, 2006 on a going concern basis.

LISTING OF SECURITIES

The Company's securities are listed in Mumbai Stock Exchange.

FIXED DEPOSITS

The Company has not accepted any fixed deposits from the public during the year.

PERSONNEL

The Employer-Employee relationship was cordial throughout the year under review. The Board wishes to express its appreciation to all employees for their contribution to the growth of the business during the year.

DIRECTORS

Mr. Vinod Ramnani and Mr. Bhaskar Valiveti retire by rotation and being eligible offer themselves for re-election.

Mr. S.N. Kumar retired as Whole-Time Director from the Board on 31st March, 2006 and ceased to be a member of the Board of Directors of the Company with effect from 1st April, 2006. The Board has placed on record, its sincere appreciation of the valuable services rendered by Mr. S.N. Kumar during his long tenure.

Mr. Y.K. Gauba ceased to be Whole-Time Director with effect from 1st September, 2005. Mr. Jayesh Patel also resigned as Director from 31st December, 2005.

Mr. Balasubramaniam, Dr. Anvay Mulay, Dr. Suleman Adam Merchant and Mr. Rajkumar Raisinghani have been appointed as independent Directors on 31st December, 2005.

GRATUITY AND LEAVE TRAVEL

The Company has not made any provision towards the gratuity as noted by the auditors vide their report dated 13th June, 2006. The Company is however charging of the gratuity paid during the year.

AUDITORS

The auditors M/s. Anand Shenoy & Co., Chartered Accountants, Bangalore retire at the conclusion of the forthcoming Annual General Meeting. Your Company has received a letter from them to the effect that their re-appointment, if made, will be in accordance with the provisions of Section 224(1-B) of the Companies Act, 1956.

ACKNOWLEDGMENT

The Directors wish to thank all stakeholders and business partners. Your Company's bankers, Financial institutions, and Business Associates for their continued support and valuable co-operation. The Directors also wish to express their gratitude to investors for the faith that they continue to repose in the Company.

For and on behalf of the Board

Place: Bangalore
Date : 21st August 2006

VINOD RAMNANI
Chairman & Managing Director

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CORPORATE GOVERNANCE

In compliance with Clause 49 of the Listing Agreement with Stock Exchanges, the Company submits the report on the matters mentioned in the said Clause and lists the practices followed by the Company.

1. PHILOSOPHY ON THE CODE OF GOVERNANCE

Advanced Micronic Devices Limited's philosophy on Corporate Governance envisages transparency, accountability, integrity, consistence value systems, delegation and responsibility. The Company tries to work by these principles in all its interactions with Shareholders, Employees, Customers, Suppliers and Statutory Authorities. The Corporate Governance comprises of a unique combination of factors likes regulations, compliance, policies and economic environments, voluntary practices and disclosures.

2. BOARD OF DIRECTORS

Composition and provisions as to Board and Committees

Your Company's Board comprises of 7 Directors out of which 4 are executive. The details of directors with regard to outside directorships, committee positions as well as attendance at Board / general meetings are as follows :

NAME	CATEGORY	Month and year of appoint-ment	Designa-tion	No. of Meetings		No. of Membership in Board Other Companies	Member-ship of Board Committee	Chairman of Board Committee	Whether Attended Last AGM
				Held	Attended				
Mr. Vinod Ramnani	Non-Executive Director	24-08-2001	Chairman	12	12	1	Nil	Nil	Yes
Mr. Bhaskar Valiveti	Executive	24-08-2001	Director	12	12	Nil	Nil	Nil	yes
Mr. S N Kumar *	Executive	19-09-1980	Director	12	9	1	Nil	Nil	yes
Mr. Y K Gauba**	Executive	19-09-2003	Director	12	3	Nil	Nil	Nil	yes
Mrs. Usha Ramnani	Non-Executive Director	24-08-2001	Director	12	7	1	1	No	yes
Mr. Jayesh Patel	Non-Executive Director	24-08-2001	Director	12	3	1	Nil	Nil	Yes
Dr. Suleman Adam Merchant #	Non-Executive Director	31-12-2005	Director	12	3	1	2	1	No
Dr. Anvay Mulay #	Non-Executive Director	31-12-2005	Director	12	3	1	2	Nil	No
Mr. Rajkumar Raisinghani #	Non-Executive Director	31-12-2005	Director	12	3	1	2	Nil	No
Mr. V Balasubramaniam #	Non-Executive Director	31-12-2005	Director	12	3	3	2	2	No

Mr. Y.K. Gauba resigned as a Whole-Time Director w.e.f. 1st September, 2005, Mr. Jayesh C. Patel resigned on 31st December, 2005 and Mr. S.N. Kumar resigned as a Whole-Time Director w.e.f. 31st March, 2006.

Dr. Suleman Merchant, Dr. Anvay Mulay , Mr. V. Balasubramaniam and Mr. Rajkumar Raisinghani were appointed as additional Directors on 31st December, 2005. and they hold office up to the date of Annual General Meeting. They need to be re-appointed by the members of the Company

Pursuant to the provisions of the Companies Act, 1956, Mr. Vinod Ramnani and Mr. Bhaskar Valiveti retire by rotation at the ensuing Annual General Meeting and being eligible offers themselves for re-election.

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CODE OF CONDUCT

The Board of Directors of your Company have laid down a Code of Conduct ('the Code') applicable to all Board Members and Senior Management personnel of your Company. A Declaration from the CEO of your Company to the effect that all Board Members and Senior Management personnel of your Company have affirmed Compliance with the Code, forms a part of this Report.

DECLARATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Board Memebers and the Senior Management Personnel have affirmed compliance with the Code of Conduct for the year ended 31st March, 2006

3. AUDIT COMMITTEE

The Company has a qualified and independent Audit Committee. The present Committee consists of 3 members all being Non-Executive Independent Directors. The details are given below :

S.No.	Name of the Members	Category	Present position
1	Mr. V. Balasubramanian	Independent Director	Chairman
2	Dr. Anvay Mulay	Independent Director	Member
3	Dr. Suleman Merchant	Independent Director	Member

The attendance of the members are given below:

S. No.	Name of the Members	Attendance	Changes during the year	
			Inducted on	Ceased on
1	Mr. Vinod Ramnani	3	—	31-12-2005
2	Mrs. Usha Ramnani	3	—	31-12-2005
3	Mr. V. Balasubramanian	1	31-12-2005	—
4	Dr. Anvay Mulay	1	31-12-2005	—
5	Dr. Suleman Merchant	1	31-12-2005	—

The Audit Committee has the following powers :

1. To investigate any activity within its terms of reference.
2. To seek information from any employee,
3. To obtain outside legal or other professional advice
4. To secure attendance of outsiders with relevant expertise, if it considers necessary

The role of the Audit Committee includes the following

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are fairly stated.
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment of any other services.
- Reviewing the internal audit system and scope of internal audit.
- Reviewing with Management the annual financial statement before submission to the Board for approval, with particular reference to :
  a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
  b. Changes, if any, in accounting policies and practices and reasons for the same
  c. Major accounting entries involving estimates based on the exercise of judgment by Management

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d. Significant adjustments made in the financial statements arising out of audit findings
e. Compliance with listing and other legal requirements relating to financial statements
f. Disclosure of any related party transactions
g. Qualifications in the draft audit report

The Audit Committee reviews the following information :

1. Management Discussion and Analysis of financial condition and results of operations,
2. Statement of significant related party transactions (as defined by the Audit Committee), submitted by Management,
3. Management letters / letters of internal control weaknesses issued by the statutory auditors, if any,
4. Internal audit reports relating to internal control weaknesses and
5. The appointment , removal and terms of remuneration of the Chief Internal Auditors

During the year 2006, four audit committee meetings were held. The requirements on periodicity and time gap between two meetings were in accordance with the requirements of clause 49 of the listing agreements.

4. REMUNERATION COMMITTEE :

The Board constituted a Remuneration Committee which presently comprises of 3 Non Executive Independent Directors

S.No.	Name of the Members	Category	Present position
1	Mr. V Balasubramanian	Independent Director	Chairman
2	Dr. Suleman Adam Mechant	Independent Director	Member
3	Mr. Rajkumar Raisinghani	Independent Director	Member

The committee reviews and decides the overall remuneration of the key employees of the Company and the Whole-Time Directors.

The Committee has been empowered to review/ recommend appointment and remuneration of the executive & Non-executive Directors. The Committee met once during the financial year. The details of remuneration paid to the Directors during the year 2006 are given below.

S.No.	Name of the Director	Salary #	Perquisites*	Total
1	Mr. Vinod Ramnani	Nil	Nil	Nil
2	Mr. Bhaskar Valiveti	1557600	165600	1723200
3	Mr. S.N. Kumar	12,57,600	1,29,600	13,87,200
4	Mr. Y.K. Gauba	7,85,000	Nil	7,85,000
5	Mr. Jayesh Patel	Nil	Nil	Nil
6	Mrs. Usha Ramnani	Nil	Nil	Nil
7	Dr. Suleman Adam Merchant	Nil	Nil	Nil
8	Dr. Anvay Mulay	Nil	Nil	Nil
9	Mr. Balasubramaniam	Nil	Nil	Nil
10	Mr. Rajkumar Raisinghani	Nil	Nil	Nil

Note : # Salary includes bonus.
*Perquisites includes House Rent Allowance, Leave Travel Assistance, Medical

Reimbursement and contribution to Provident Fund and Superannuation Fund.

Besides this, all the Whole-Time Directors were also entitled to Gratuity and encashment of leave at the end of tenure, as per the rules of the Company.

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5. SHAREHOLDER'S / INVESTORS' GRIEVANCE COMMITTEE :

The Shareholders / Investors Grievance Committee presently consists of 3 memebers two of the being Non Executive Independent Directors as details Below :

S.No.	Name of the Members	Category	Present position
1	Dr. Suleman Adam Merchant	Independent Director	Chairman
2	Dr. Anvay Mulay	Independent Director	Member
3	Mrs. Usha Ramnani	Director	Member

The committee is constituted monitor and look into the redressals of shareholders and investors complaints like transfers, non-receipt of balabce sheet, declared dividends etc and also approval of share transfers, transmissions, transpositions, splitting and consolidation.

All the Meetings of the Shareholders/Investors Grievance Committee meetings were attended by at least two independent directors.

The total number of Complaints received and replied to, to the satisfaction of shareholders during the year under review, were 47. There were no outstanding complaints as on 31st March, 2006. No requests for transfers and for dematerialisation were pending for approval as on 31st March, 2006.

The Committee met 14 times during the financial year. The attendance of the members are given below :

S. No.	Name of the Members	Attendance	Changes during the year	
			Inducted on	Ceased on
1	Mr. Vinod Ramnani	8	—	31-12-2005
2	Mrs. Usha Ramnani	8	—	31-12-2005
3	Mr. V. Balasubramanian	4	31-12-2005	—
4	Dr. Anvay Mulay	4	31-12-2005	—
5	Dr. Suleman Merchant	4	31-12-2005	—

The Board has also delegated the power of approving the transfer, transmission etc. of securities to the Chairman and the Company Secretary.

6. GENERAL BODY MEETINGS :

Location and time, where last three AGMs were held

Financial Year	2002-2003	2003-2004	2004-2005
Date	19th September, 2003	28th September, 2004	21st July, 2005
Time	12.00 Noon	12.00 Noon	3.00 PM
Venue	Woodlands Hotel Pvt. Ltd., No. 5, Raja Rammohan Roy Road, Bangalore - 560 025.	Woodlands Hotel Pvt. Ltd., No. 5, Raja Rammohan Roy Road, Bangalore - 560 025.	Woodlands Hotel Pvt. Ltd., No. 5, Raja Rammohan Roy Road, Bangalore - 560 025.

6. DISCLOSURES

(A) Basis of Related party transaction

Your Company places all the aforesaid details w.r.t reated party transactions before the Audit Committee periodically.

No transaction of a material nature has been entered into by the Company with Directors or Management and their relatives etc. that may have a potential conflict with the interest of the Company.

There has been no instance of non-compliance by the company on any matter related to capital markets. Hence, the question of penalties or strictures being imposed by SEBI or Stock Exchanges does not arise.

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(B) Disclosure of Accounting treatment

Your Company has followed all relevant Accounting Standards while preparing the financial statements, subject to compliance of Accounting for Retirement benefits of employees (AS-15) as stated in the Note No. 1 of the notes to accounts.

(C) Risk Management

Your Company is aware of the risk associated with the business. It regularly analysis the risks and takes corrective action for managing / mitigating the same. Your Company has developed a risk Management policy.

(D) Proceeds from public issues, Right Issues, Preferential issues etc

During the year under review, your Company has not raised any funds by way of Public issues etc..

(E) The Company needs to disclose all pecuniary relationship or transactions of the non-executive Directors vis-a-vis the Company

Apart from sitting fees that are paid to the Directors for attending Board / Committee meetings, no significant material transactions have been made with the non-executive Directors Vis-à-vis the Company.

Details of Directors shareholding in the Company are as follows :

S. No	Name of the Director	No. of Shares
1	Mr. Vinod Ramnani	Nil
2	Mr. Bhaskar Valiveti	Nil
3	Mrs. Usha Ramnani	Nil
4	Mr. Balasubramaniam	Nil
5	Dr. Anvay Mulay	Nil
6	Dr. Suleman Adam Merchant	Nil
7	Mr. Rajkumar Raisinghani	Nil

(F) Management

The Management Discussion and Analysis Report forms part of the Annual Report and is in accordance with the requirement laid out in Clause 49 of the Listing Agreement.

No material transaction has been entered into by your Company with the promoters, Directors or the Management, their subsidiaries or relatives etc., that may have a potential conflict with interests of your Company.

(G) Shareholders

A shareholders' Grievances Committee under the chairmanship of a non-executive director shall be formed to specifically look into the redressal of shareholder and investors complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc. To expedite the process of shares

7. MEANS OF COMMUNICATION :

The annual, half yearly and quarterly results are regularly submitted to the Stock Exchanges in accordance with the listing agreement and published in leading newspapers like Business standard and other local news papers..

8. MANAGEMENT DISCUSSION AND ANALYSIS :

The Management discussions and Analysis report forms part of the annual report and is captioned "Management Discussion and Analysis" in the Directors Report.

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9. GENERAL SHAREHOLDER INFORMAITON :

9.1 Annual General Meeting

Date and Time	28th September, 2006 4.00 PM
Venue	The Grand Ashok, Kumara Krupa, High Grounds, Bangalore - 560 001.

9.2 Financial Calendar

Results	Reporting
Quarter 30th June, 2006	31st July, 2006
Quarter 30th September, 2006	Last week of October, 2006
Quarter 31st December, 2006	Last week of January, 2007
Quarter 31st March, 2007	Last week of June, 2007
AGM for the approval of the Audited accounts for the year ended 31st March, 2007	September, 2007

9.3 Details of Book Closure : from 22nd September, 2006 to 28th September, 2006 (both days inclusive)

9.4 Dividend payment : after 28th September, 2006

9.5 Listing of Equity shares on Stock Exchanges

The Stock Exchange Mumbai
Phiroze Jeejeebhoy Towers, Dalal Street
Mumbai - 400 001.

9.6 Stock Code

a. Trading Symbol Bombay Stock Exchange : **ADVNCMIC Code 517552**

b. Demat ISIN Numbers in NSDL And CDSL for equity Shares **ISIN No. INE E903C01013**

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