

Annual Report 2001-02



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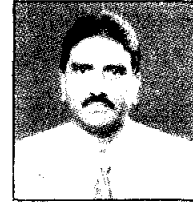
DANLAW
TECHNOLOGIES
INDIA LIMITED



CHAIRMAN'S MESSAGE

Dear Fellow Investor

As we all know, Fiscal 2002 was a challenging year for Danlaw, as it has been for much of the corporate world. The problems we faced have also been shared by many other businesses, particularly companies operating in the technology sector, which has been hard hit by the continued economic slowdown.



Despite the challenges we face, I believe that Danlaw is better positioned for future growth. In the midst of substantial macroeconomic pressure, the September 11 tragedy in the USA and increasing demand for value from our customers, Danlaw delivered solutions with an unprecedented focus on quality and customer satisfaction.

These efforts are paying off: Our business focus is unwavering, our customer relationships are stronger than ever, and we are evolving to meet the business challenges and helping drive the growth.

I am pleased to report that Danlaw is financially healthy. In fiscal 2002 we carefully controlled our expenses while focusing on delivering even better value for our customers and strengthening relationships for future business growth.

We continued to evolve our corporate culture to better serve customers. We see our role as a proactive, strategic partner who helps customers use creative solutions to make doing business easier. We keep customers first in all our actions to better serve them in ways that they find valuable. Customers are now viewing Danlaw as a dependable strategic partner. In short, every action we have taken has been designed to help customers derive the most value from their relationship with Danlaw.

While most of the revenue in fiscal 2002 has come from the services sector, we continue to push innovation in technology and business Best Solutions to drive growth. Danlaw has established an R&D division during fiscal 2002.

At Danlaw, R&D is perceived not just as another group, but as a process; in fact, an Institutional Process. This Institution creates and supports the technological paths for the future at Danlaw. The initial focus has been in Digital Signal Processing.

In 2001, a leading market research firm found that 94 percent of new car buyers consider quality of sound system is a key factor in their purchasing decision. It is the Digital Signal Processing that maximizes the listening experience through digital tuner applications.

Bluetooth™ wireless technology enables consumers to connect a variety of personal electronic devices with the vehicle. This technology enables effortless data exchange and hands-free operation. Wireless synchronization between in-vehicle and portable devices means information is easily accessible and mobile phone communications can be routed through the vehicle audio system.

The Danlaw team has also made significant progress in the areas of Voice Processing and Communication Systems.

DANLAW

Our Engineering Division has been able to establish itself as a quality solution provider. We have added several Fortune 50 companies as customers. These customers have selected Danlaw as a strategic partner for their off-shore software development needs. We continue to prove that Danlaw is a strong player in providing Real-time embedded software solutions. Our focus areas have been Automotive Electronics and Consumer Electronics.

Our Information Technology Division has successfully developed a Web based solution for Education community (School Districts) in the US. The product has been launched and aggressive business development efforts are underway.

We are making headway in adding other IT customers as they view us as their off-shore development partner.

As Microsoft solution provider, Danlaw has embraced the .NET technology platform and is making significant progress in providing solutions using .NET and XML Web Services.

Our AMM Studio (Animation and Multi Media division) has made humble beginning by executing projects for overseas customers as well as creating our own Intellectual Property.

At Danlaw the corporate culture includes attributes of "Commitment to Quality" and "Commitment to Accountability".

As a Commitment to Quality, I am proud to announce that Danlaw has been awarded ISO 9001-2000 certification from the American Quality Assessors. I take this opportunity to congratulate one and all at Danlaw for the zeal and enthusiasm in accomplishing this. Our efforts to achieve CMM Level 3 certification have progressed well. The goal of your company is achieve CMM Level 5 and undertake P-CMM recognition in the next couple of years.

Our Commitment to Accountability: Accountability to Customers by continually meeting and exceeding expectations. Accountability to Partners who share our vision.

Accountability to Shareholders by continuing to invest in growth opportunities for the future, while staying focused on managing our business today.

With the leadership of our executive management team, the support of a talented Board of Directors and our team of dedicated employees, Danlaw will continue to deliver value to its customers and shareholders.

I remain confident that Danlaw will continue to grow and prosper.

Thank you for your continued support,

Hyderabad
July 26, 2002

RAJU S DANDU
Chairman & Managing Director

BOARD OF DIRECTORS

Raju S Dandu	Chairman & Managing Director
B Bowonder	Director
Lloyd R Lawrence	Director
P B Kulkarni	Director
M A Ashok Kumar	Alternate Director to Mr. Lloyd R Lawrence
D S N Raju	Executive Director

CORE MANAGEMENT TEAM

B V Ramana	Executive Vice President (ESD)
Prakash B Kulkarni	Executive Vice President (ITD)
Dr. A K Raina	Vice President (R&D)
Amit Mehta	Vice President (Security Solutions)
Phani Tetali	Vice President (AMM) & CTO
Anand Penumetcha	General Manager (BD)
V R K Chary	General Manager (Finance)
Dr. Y V Subrahmanyam	General Manager (HRD)
B S Bhaskar	Company Secretary

AUDITORS

M/s. A M Reddy & Co.
Chartered Accountants
10-5-6/A, "My Home Plaza"
Off.: 103, II Floor, Masab Tank
HYDERABAD - 500 028

BANKERS

HSBC
HDFC Bank
State Bank of India
Global Trust Bank Ltd.
Union Bank of India
ICICI Bank Ltd.

DEPOSITORY TRANSFER AGENTS

M/s. Sathguru Management Consultants Pvt. Ltd.
Plot No., 15, Hindi Nagar, Punjagutta
HYDERABAD - 500 082

REGISTERED OFFICE

DANLAW TECHNOLOGIES INDIA LTD.
43, Sagar Society,
Road No. 2, Banjara Hills,
HYDERABAD - 500 034

US SUBSIDIARY OFFICE

DANLAW TECHNOLOGIES INC.
23700. Research Drive
Farmington Hills, MI 48335 - 2624
USA

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PROXY	

NOTICE

Notice is hereby given that the Ninth Annual General Meeting of the Company will be held on the Thursday, the September 19, 2002 at 11.00 a.m. at the Registered Office of the Company at 43, Sagar Society, Road No. 2, Banjara Hills, Hyderabad - 500 034, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider, and adopt the audited Balance Sheet as at March 31, 2002 and the Profit and Loss Account for the year ended as on that date, along with the Auditors' Report and the Directors' Report thereon.
2. To appoint a Director in place of Mr. Lloyd R Lawrence, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Statutory Auditors of the Company to hold office from the conclusion of this 9th Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

"Resolved that Mr. B Bowonder, a director who was appointed as an Additional Director by the Board of Directors and who holds office as such up to the date of the Ninth Annual General Meeting and in respect of whom notice under section 257 of the Companies Act, 1956 was received in writing proposing him as a candidate for the office of Director of the Company be and is hereby appointed as a Director of the Company liable to retire by rotation."

5. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:

"Resolved that pursuant to Section 31 and other applicable provisions of the Companies Act, 1956, the following clauses of Article 49 of the Articles of Association of the Company shall be amended/included"

- a) Clause (b) shall be substituted with the following Clause:

"The Chairman or the Managing Director or the Executive Director may at any time, and shall, on the requisition of two directors, summon a meeting of the Board."

- b) Clause (c) shall be substituted with the following Clause:

"Notice of every board meeting shall be given at least seven days before the meeting, either in the usual manner of giving notices to directors of the company in accordance with section 286 of the Act or electronically. The agenda papers for such meeting shall be sent either through post or electronically."

- c) The following Clause shall be added as Clause (da):

"The Members of the Board or any Committee of the Board may participate in any Board Meeting or Committee Meeting by means of a tele-conference or video-conference facilities or any other modern communication equipment, by means of which all persons participating in the meeting can hear each other at the same time and participation by such means shall constitute presence in person at such meeting and hence shall also count for the purpose of quorum."

By Order of the Board

Hyderabad
July 26, 2002

B S BHASKAR
Company Secretary



NOTES:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy and such proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the commencement of the Meeting.
 2. Members/proxies should bring duly filled Attendance slips sent herewith for attending the Meeting.
 3. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto.
 4. The Register of Members and Share Transfer Books of the Company will remain closed from September 17 to 19, 2002 (both days inclusive)
 5. Members holding shares in electronic form are requested to inform any change in their addresses immediately to their respective Depository Participants.
 6. Members seeking any further information on the accounts of the Company should write to the Company at least ten days before the date of the Meeting, to enable compilation of data.
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Additional information about Mr. Lloyd R Lawrence:

Mr. Lloyd Russell Lawrence, aged 60 years, is an Electrical Engineer. He has wide experience in Engineering Software Technology, Industrial and Factory Automation and Real Time Hardware. His career includes working as Project Engineer in General Motors during 1965-73, as Senior Engineer in Xycom Inc. during 1973-78, as Engineering Manager in Omocron/Dana Corp. during 1978-84. He has been working as Vice President of Danlaw Inc. since 1984.

Additional information about Mr. B Bowonder:

Dr. B. Bowonder is Dean of Research and ITC Chair Professor on Strategic Management of Technology at Administrative Staff College of India (ASCI), Bella Vista, Hyderabad. He has been working with ASCI since 1977. He has a Ph.D. in Engineering from Indian Institute of Science, Bangalore. He was an international expert on Manufacturing Technology at United Nations Economic and Social Commission for Asia and Pacific during 1987-89. He was the Hallsworth Visiting Professor at Manchester Business School, Manchester, UK during 1998-99. He had worked as a visiting Fellow at World Resources Institute, Washington DC during 1995. He has been an International Consultant for UNIDO on Technology Management. He is the Editor of "International Journal of Information Technology Management" and "International Journal of Biotechnology" and is also on the Editorial Boards of many International Journals.

EXPLANATORY STATEMENT**Item No.: 4**

Mr. B Bowonder was inducted into the Board as an Additional Director of the Company with effect from March 18, 2002, pursuant Section 260 of the Companies Act, 1956. He holds office of director up to the date of the ensuing Ninth Annual General Meeting. The Company has received notice in writing from a member along with a deposit of Rs.500/- proposing the candidature of Mr. B Bowonder for the office of Director under the provisions of Section 257 of the Act.

The Board of Directors recommends the resolution. None of the directors of the Company except Mr. B Bowonder is concerned or interested in the resolution.

Item No.: 5

With the changes in technology, the communication methods have been changing rapidly. The people are able to 'talk' to each other sitting across continents and also now able to 'see' each other through the medium of videoconference and Internet facilities. Thus, it is made possible for board meetings to be held, in case of exigency, through teleconferencing and/or videoconference facilities. The notices and agenda papers for board meetings may be sent to directors through e-mail.

Hence, in order to take advantage of the modern facilities, your directors wish to amend the Articles of Association of the company facilitating the use of such media. However, the current legal provisions do not permit the same. The enabling provision in the Articles will only permit the company to use the facilities, whenever the same is legalized.

The directors recommend the resolution for the approval of the members. None of the directors is concerned or interested in the resolution.

By Order of the Board

Hyderabad
July 26, 2002

B S BHASKAR
Company Secretary



ANIMATION AND MULTIMEDIA DIVISION

Every century has had an epithet...and the 21st century is not an anomaly either. This is the age of media convergence. The proliferation of digital technology is blurring the dividing lines between media and different forms of content and their consumption. Television and cinema, which have long been linear, passive forms of entertainment are no longer the only entertainment media. Computers, Video games and Internet are fast becoming important and popular means of entertainment.

According to estimates, the global multimedia industry is expected to grow to gargantuan proportions from the present global market of \$70B.

AMM Studio was conceived of as a SBU in April 2001.

The premise of this decision was that the major AMM Studio development center will be based in Hyderabad and the Marketing outfit as well as a mini-development studio will be based in Mumbai. Mumbai accounts for over 80% of the market for Animation and Multimedia in the country and the remaining 5 metros account for the balance 20%, of which the major ones are Chennai (10%) and Delhi (5%).

As stated earlier, animation and multimedia is a growing market and there is space for mid-level animation companies, which are high on quality, and whose services are moderately priced. High-end animation companies like Crest Communications, UTV, Western Out door, Pentamedia etc. are highly reputed and deliver excellent quality, but charge a premium, which not many companies can pay/are willing to pay. This gap of willing, but unwilling companies that want to use animation and multimedia is a wholesome target for organizations like AMM Studio. Presently AMM Studio has a professional strength of about 45.

Therefore, we have clients like HLL, Lloyds Register, GESCO, IT Skool, Tokhar Software, classteacher.com, Shrinathji etc., which fall into this bracket. Talks are also on with high-end clients and numerous advertising agencies that delegate work to animation studios. TV Channels like Cartoon Network, websites like indiatimes.com and distributors like Times Multimedia / e- xpress are also being targeted for home products like A Trip to Heaven, Snakes & Ladders, Ludo etc. Our overseas clients include Excellence Manufacturing in US, Encode Networks in Malaysia, Dotcom Trade Services in Middle East and Sparkus in Europe.

A) Plans for the coming year

Having analyzed the services we offer at this juncture, we have come to the conclusion that we need to concentrate on the following:

- Domestic, Indian-based TVC from ad agencies
- Marketing through distributors our IPR like games and animated stories
- High value multimedia-based development
- Overseas animated serials production
- Overseas animated TVC production
- Overseas multimedia-based development

B) Clients and Services

Our core competency lies in traditional 2D animation, 3D modelling and interactive multimedia solutions. The services offered include:

- Development of CBT and WBT
- Corporate presentations and electronic part manuals
- TVCs and Logo designing