

Annual Report

2003-2004

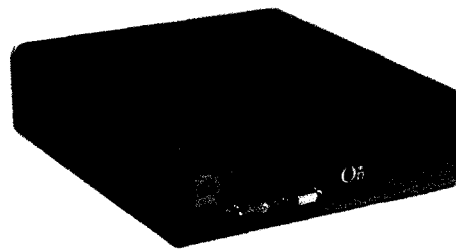
Performance, not promises



DANLAW
TECHNOLOGIES
INDIA LIMITED

CMM Level 3 and ISO 9001:2000 Company

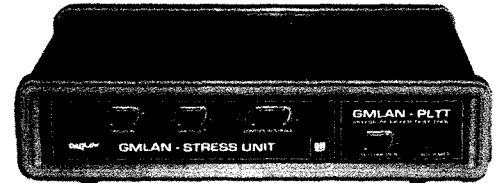
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ONSTAR DAAS



FLIGHT RECORDER



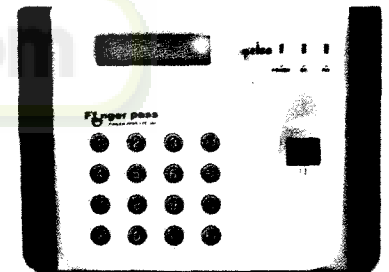
GMLAN - STRESS UNIT



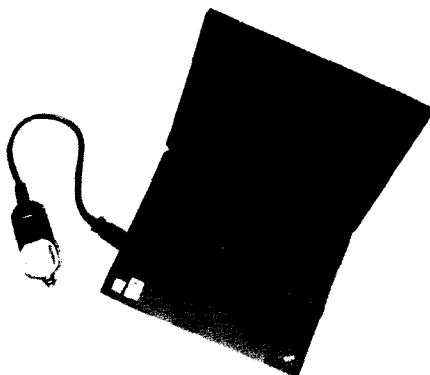
SDATT



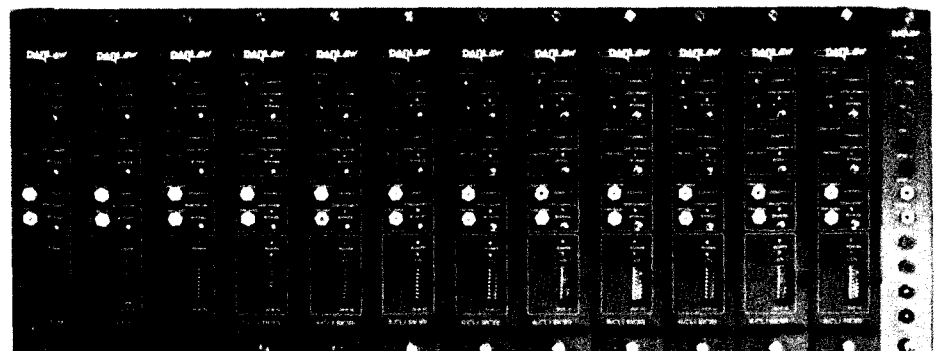
ELECTRONIC ARTICLE SURVEILLANCE



FINGER PASS SYSTEM



PC LOCK



BOB RACK

From the Chairman's desk



Dear Fellow Shareholders,

During the Fiscal year 2003-04, your company has made significant progress towards becoming an organization that provides high-end Solutions, Products and Services. On the financial front, we have seen an increase of 57% in our business turnover. We have carefully managed costs and were able to reduce the "General and Administrative" expenses by about 15%. This has resulted in your company posting a net profit in the third and fourth quarters of the fiscal year 2004.

We are certainly going through a time of rapid and meaningful changes in the economic environment globally. It is very important for us to understand the global trends and their impact on Danlaw. Danlaw must look different... act different... and be different to excel in the years ahead.

We have embarked on a completely redesigned planning process and have evolved a clear **Vision** with proactive strategies:

We have defined our **core values** that are the enduring tenets or the guiding principles that we will adhere to no matter what we intend to do.

The **core purpose** of existence for your company is to provide an uplifting experience that enhances the life of our customers, our employees, our investors, and the community by anticipating their aspirations.

We have established a long-term **Vision Level GOAL** that is crisp and compelling. This is **the combined essence** of what we are passionate about, what we can be best in the world at, and is what drives our economic engine.

Our planning process now includes **Base Camps**, these are the three – to – five year intermediate objectives on the way to our vision level goal. We then defined the **Tactics**. These are our annual plans for getting things done each year including budgets, on our way to achieving our base camps.

Whereas we might achieve a goal or complete a strategy, we cannot fulfill a purpose; it is like a guiding star on the horizon – forever pursued, but never reached. Yet while purpose itself does not change, it does inspire change. The very fact that purpose can never be fully realized means that our organization can never stop stimulating change and progress in order to live more fully to its purpose

Our constant endeavor to create higher customer value combined with the ability to execute our down-to-earth, pragmatic, committed-to-excellence process gives me the confidence that we will fulfill our Vision.

Technology and Innovation are at the heart of our initiatives. Innovation is necessary to satisfy new customer needs and to stay ahead of the competition consistently. Innovation creates higher value for our customers and will lead to new revenue streams for our company.

Your company continues to be financially healthy while it invests in Leading Edge Innovations to keep our long-term future bright.

The **Engineering Solutions Division** continues to deliver high-end technical solutions and products to several customers globally. It has established a very strong relationship with the largest automobile manufacturer in the world by delivering very cost effective solutions and

multiple products. We are now selling these products to several Tier-1 suppliers all over the world.

This division has also developed another product for pass-through reprogramming of ECUs in an automobile. This product supports not only the automobiles manufactured by the Big-3 US automakers but also by several Japanese and European automakers. With a technology license and marketing agreement in place with a US company, the product will be marketed to automotive service markets all over the world.

We are also looking to develop several other applications using the same hardware and software platforms.

Our **R&D group** has focused on developing sophisticated speech and telecommunication algorithms, and implementing them on DSPs. The R&D group in conjunction with the Engineering Division has made significant inroads into the defense sector. The technical strengths of the company have been proven and accepted by several Defense and Space organizations. Your company has been able to garner several orders recently from a defense establishment.

With this focus on strong relationship management we expect significant opportunities from our existing customers as well as to add several new customers.

The **IT Division** has successfully completed a MAS & MMIS (Municipal Administration System and Municipal Management Information System) project named "Suvidha" given by the Government of Andhra Pradesh. We are exploring the opportunities to provide a similar solution to several other states.

The **Exceptional Student Administration Program**, which includes ESAP_{CM} and ESAP_{SP} modules, has been developed by our IT Division. These products have been accepted by a school district in the US and are being used currently. We

are also going to be launching these in several other school districts in the US.

The **ISS Division** has made significant progress and established itself as a strong player in providing security solutions using the latest technologies including Biometrics, RFID and EAS. It has bagged orders from several prestigious clients like ECIL, the Naval Dockyard, and the University of Hyderabad. It expanded its market scope by starting operations in Delhi, Mumbai, Chennai and Bangalore. We have already established relationships with several world leaders to bring their products and solutions to our customers in India.

People are our most valuable assets and will be a key success factor in our journey to greatness. I am very proud of your team. We have a strong HR team. We recruit, we train, we develop, we improve, we think about people and their well being constantly. We continuously take measures to minimize voluntary turnover.

I love your Danlaw team. I am thankful for their loyalty, commitment and hard work.

As always, I appreciate the valuable guidance provided by our experienced Board of Directors.

Danlaw has been built on the foundation of integrity. We continue to operate with the highest degree of transparency and openness. Danlaw is better positioned than ever.

We will win... Win for our customers... Win for our employees... Win for our investors and ... Win for the community.

Sincerely,



Raju S. Dandu

Chairman and Managing Director

BOARD OF DIRECTORS

Raju S Dandu
Chairman and Managing Director

Dr. P V S Jagan Mohan Rao
Director

Dr. B Bowonder
Director

Lloyd R Lawrence
Director

M A Ashok Kumar
Alternate Director to Mr. Lloyd R Lawrence

D S N Raju
Executive Director

MANAGEMENT TEAM

B V Ramana
Executive Vice President (ESD)

Prakash B Kulkarni
Executive Vice President (ITD)

Dr. Y V Subrahmanyam
Vice President (HR)

V N Rao
Vice President (Finance)

COMPANY SECRETARY

B S Bhaskar

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

HDFC Bank

DEPOSITORY AND SHARE TRANSFER AGENTS

Sathguru Management Consultants Pvt. Ltd.
Plot No.: 15, Hindi Nagar,
Punjagutta
HYDERABAD – 500 082
Phones: 040-23356507, 23350586
e-mail : sta@sathguru.com


Registered Office

43, Sagar Society, Road No. 2,
Banjara Hills, **Hyderabad 500 034**
Phone: 040-23542499
Fax : 040-23541671

Branch Offices

1271, Road No. 63
Jubilee Hills, **Hyderabad 500 033**
040-23556255
040-23556259

5, Sagar Society, Road No. 2,
Banjara Hills, **Hyderabad 500 034**
040-23550851
040-23550861

www.danlawtechnologies.com

e-mail : info@danlawinc.com

US SUBSIDIARY OFFICE

Danlaw Technologies Inc.
23700, Research Drive, Farmington Hills,
MI 48335-2624, USA

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Proxy Form

Notice

Notice is hereby given that the Eleventh Annual General Meeting of the Company will be held on Wednesday, the September 29, 2004 at 11.00 a.m. at the Registered Office of the Company, 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, 2004 and the Profit and Loss Account for the year ended on that date, along with the Auditors' Report and Directors' Report thereon.
2. To appoint a director in place of Mr. D S N Raju, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Auditors of the Company from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to authorize Board of Directors to fix their remuneration.

SPECIAL BUSINESS

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

"Resolved that Dr. P V S Jagan Mohan Rao, a director who was appointed as an Additional Director by the Board of Directors of the Company on January 23, 2004 and who holds office as such up to the date of the Eleventh 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."

By Order of the Board
For **Danlaw Technologies India Ltd.**

Hyderabad
July 30, 2004

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. In order for the proxies to be effective, the company must receive proxies 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. The Register of Members and Share Transfer Books of the company will remain closed on September 28, 2004 and September 29, 2004.
4. Members seeking any additional information on the accounts of the company should write to the company secretary on or before September 20, 2004.

EXPLANATORY STATEMENT

Item No. 4 :

The Board appointed Dr. P V S Jagan Mohan Rao as an Additional Director with effect from January 23, 2004, in place of Mr. P B Kulkarni, who resigned due to personal reasons. The Board of Directors appointed Dr. P V S Jagan Mohan Rao as Chairman of the Audit Committee.

Dr. Rao holds office of director up to the date of the ensuing Eleventh Annual General Meeting. The Company has received notice in writing from a member along with a deposit of Rs.500/- proposing the candidature of Dr. Rao for the office of the Director under the provisions of Section 257 of the Companies Act, 1956.

The Board of Directors recommends the resolution for the approval of the members. None of the directors of the company except Dr. Rao himself is concerned or interested in the proposed resolution.

Information about Dr. P V S Jagan Mohan Rao is appended to this notice.

By Order of the Board
For **Danlaw Technologies India Ltd.**

Hyderabad
July 30, 2004

B S Bhaskar
Company Secretary

ADDITIONAL INFORMATION

Mr. D S N Raju:

Mr. D S N Raju BSc., B.L., packs within himself nearly two decades of entrepreneurial and industrial experience. He has been associated with industrial sectors like Chemical, Construction, Real Estate, Engineering Trade, and Food Processing etc., in various capacities as founder, director and operating chief. He has been associated with DTIL right from its inception.

Mr. D S N Raju is currently the Executive Director of the Company.

Dr. P V S Jagan Mohan Rao:

Dr. P V S Jagan Mohan Rao, M.Com., LLB, FCS, FICWA and Ph D.(on Capital Markets), is having a rich industrial experience of about three decades. He started his career in Calcutta as an Articles Clerk while pursuing Chartered Accountancy Course way back in 1977 and held several positions in different reputed companies including Director & Company Secretary. Presently, he is working as Vice

President & Company Secretary of Karvy Consultants Ltd., Hyderabad.

Dr. Rao was the President of the Institute of Company Secretaries of India for the year 2001-2002 and was also the Member of National Advisory Committee on Accounting Standards, Government of India and Member of the Accounting Standards Board of SEBI during his tenure as President of the Institute.

Dr. Rao was also elected Chairman of the Southern Regional Council of the Institute of Cost and Works Accountants of India, Chennai for the year 1999-2000.

He has been a visiting faculty to Jawaharlal Nehru Technological University (JNTU), Jawaharlal Nehru Institute of Development Banking (JNIDBI), State Bank Staff College (SBSC) and National Academy of Telecom Finance Management. He published over 200 articles in several journals / magazines and newspapers of national repute like The Chartered Secretary, The Management Accountant, The Financial Express, The Indian Express, The Deccan Chronicle and The Andhra Jyothi.

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TECHNOLOGIES
INDIA LIMITED

Divisional Reports

ENGINEERING SOLUTIONS DIVISION (ESD)

Danlaw's Engineering Solutions Division offers cost-effective design/development solutions and innovative product realization services to the global automotive industry. Danlaw leverages wireless technology development applications to deliver out-of-the-box best integrated engineering solutions.

Danlaw brings its in-depth domain knowledge as well as its embedded systems expertise in messaging, diagnostics, and testing, to the Automotive Original Equipment Manufacturers (OEMs) and first-tier supplier markets. Through proven automotive industry know-how and a comprehensive suite of cost-effective products and design test solutions, ESD enable clients to find the competitive edge.

Danlaw provides a broad spectrum of engineering enterprise services, based on a combination of wide-ranging engineering expertise and industry domain knowledge. Our mission is to continually upgrade our resources to fulfill our clients' product requirements. This enables us to provide our customers all the benefits of the prevailing technology in engineering, optimal products for the automotive sector. Our strong experience in software development across multiple mission-critical automotive applications, strengthens our offering in the following areas:

- ☞ Software and Hardware Development
- ☞ Software Verification and Validation
- ☞ Software Test Plan Development
- ☞ Development of specific testing and diagnostic tools for the automotive industry
- ☞ Communication protocols

The division has completed all phase of deliveries and final acceptance trials of the SDATT testing tool have taken place.

Additional deliveries were made to other tier-1 automotive suppliers all over the world.

New Landmark in Danlaw's History: Danlaw has successfully developed an automotive Product for pass-through reprogramming of ECUs. A technology license and marketing agreement has been signed with M/S Vetronix Corp, USA. With the signing of this agreement a new landmark has been created in the history of Danlaw. Danlaw and Vetronix will be marketing the product in automotive service markets all over the world. The ESD is continuously looking for additional applications using the same hardware and software platforms.

Danlaw boasts of Hardware Park (EHTP) : Danlaw has successfully setup a hardware production facility to cater the production of Danlaw products as well as customer products. The facility has been registered with EHTP (Electronic Hardware Technology Park). Production procedures to ensure quality have been developed and are being enforced. First few batches of Danlaw Products have already been manufactured and delivered by our production team.

Danlaw's Thrust Area in Domestic market : The division has been making inroads into the defense sector. The technical strengths of the company have been proven and accepted by several Defense and Space organizations. Danlaw has infused domain expertise in this area and inducted resources with relevant marketing and domain expertise. In spite of the price pressures and the competitive bidding process ESD has been able to garner several orders recently from a defense establishment.