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ANNUAL REPORT 2008-2009

From the CEO's desk.....



Dear Shareholders,

It is with great sense of responsibility that I present to you the 16th Annual Report of your company.

On behalf of the entire Danlaw organization I would like to express my deep sense of gratitude for the valuable guidance provided by Mr. V K Menon and Mr. D S N Raju, our esteemed directors. Their contribution towards the growth of the organization will always be remembered. We will miss them and wish them well in their future endeavors.

The financial and credit crisis of last year has led to a global recession of a magnitude never seen since the "Great Depression" of 1930s. There are estimates that the global financial system will suffer losses of around 4 Trillion US Dollars. Millions of people have lost their jobs across the globe. The severe economic crisis across the board and specifically in the auto industry has led significant number of companies to go bankrupt. Our automotive customers are cutting costs to overcome the impact on their businesses.

Danlaw's business model has always been based on strong and long lasting relationships with our customers. This commitment to sustained relationships is one reason why our customers continue to do business with us even in this downturn.

The Forrester global IT market Outlook indicates that purchase of IT goods and services by global businesses and governments will decline by 3% in 2009 and then **rise by 9% in 2010**.

Companies are increasingly turning to the offshore technology service providers for high quality, cost competitive solutions. Outsourcing the development and management of technology platforms and solutions has become increasingly important. The range of services delivered offshore is also increasing.

India offers a large and growing pool of skilled professionals. This has been a key driver in the rapid growth in the Indian IT sector. According to the NASSCOM Strategic Review 2009, India accounts for 28% of the total suitable talent pool available across all the potential global sourcing low-cost locations. These factors make India the premier

destination for offshore technology solutions.

Your company continues to develop and maintain knowledge of a broad range of emerging technologies. our model has been proven to effectively integrate onsite and offshore execution capabilities.

The Engineering division is continuing to strengthen its offering of technologically advanced solutions to the domestic market while it continues its strong relationships with the US customers.

The Information Technology division continues to provide high quality e-governance solutions.

The Intelligent Securities Solutions division is establishing new and stronger relationships with OEMs from across the globe. We are expanding the portfolio of our offerings. The need for high quality, reliable security products across several verticals in India is rapidly growing.

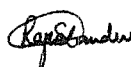
We have taken several steps to mitigate the risks during the downturn and are confident that we will be stronger when the global economic uncertainty ends.

We strive to deliver enhanced value to our Customers, Investors and Employees.

Our biggest asset is our employees and their continued commitment enables us to overcome the challenges during the current business conditions. On behalf of the shareholders and the Board of Directors, I salute them.

We sincerely appreciate the continued support of our Clients, Partners, Investors and Bankers. We thank all the government agencies for their valuable support.

With warm regards,



Raju S. Dandu
Chairman & Managing Director



BOARD OF DIRECTORS

Raju S Dandu
Chairman & Managing Director

Prakash S Kenjale
Director

M.A Ashok Kumar
Additional Director

N.S. Sappata
Additional Director

MANAGEMENT TEAM

B V Ramana
Executive Vice President - ESD

Prakash B Kulkarni
Executive Vice President - IT

G Govardhan Rao
Vice President

Kishan Chowbene
Vice President - Marketing & Sales

E U S Prabhakar
General Manager - ESD

A V R K Varma
Chief Manager - Accounts

REGISTERED OFFICE

Plot No.43, Sagar Society,
Road No.2, Banjara Hills,
Hyderabad 500 034.
info@danlawinc.com

USA SUBSIDIARY

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

AUDITORS

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

BANKERS

The Dhanalakshmi Bank Ltd,
Banjara Hills Branch, Hyderabad.

HDFC Bank, Banjara Hills Branch,
Hyderabad.

DEPOSITORY REGISTRARS & SHARE TRANSFER AGENTS

Sathguru Management Consultants (P) Ltd.
Plot No. 15, Hindi Nagar,
Panjagutta, Hyderabad 500 082.
Phones: 040-23356507, 23350586
E-mail: sta@sathguru.com

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NOTICE

Notice is hereby given that the Sixteenth Annual General Meeting of the Company will be held on Wednesday, the 30th day of September, 2009 at 10.00 a.m. at the Registered Office of the Company at Plot No.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 31st March, 2009 and the Profit & Loss Account for the year ended as on that date, along with the Auditors' Report and Directors' Report thereon.
2. To appoint a director in place of Mr. Prakash S Kanjale, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Statutory Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

4. Appointment of Mr. N.S. Sappata as Director

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

"RESOLVED THAT Mr. N.S. Sappata, who was appointed as an Additional Director with effect from 31.10.2008 and who holds office upto the date this Sixteenth Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of directorship (under Section 257 of the Companies Act. 1956), be and is hereby appointed as Director of the Company whose period of office shall be liable to determination by retirement of directors by rotation."

5. Appointment of Mr. M.A. Ashok Kumar as Director

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

"RESOLVED THAT Mr. M.A. Ashok Kumar, who was appointed as an Additional Director with effect from 30.01.2009 and who holds office upto the date this Sixteenth Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of directorship (under Section 257 of the Companies Act. 1956), be and is hereby appointed as Director of the Company whose period of office shall be liable to determination by retirement of directors by rotation."

By Order of the Board
 For Danlaw Technologies India Limited

Place: Hyderabad
 Date: 31st July, 2009

Raju S. Dandu
 Managing Director

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. The instrument appointing a proxy should however be deposited at the Registered Office, not less than 48 hours before the commencement of meeting.
2. Member / Proxies are requested to bring copies of Annual Report along with them and the duly filled-in attendance slips for attending the meeting. No copies of Annual Report will be distributed at the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 27th September 2009 to 30th September 2009 (both days inclusive).
4. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of special business as set out above is annexed herewith.
5. Members seeking any additional information on the accounts of the Company should write to the Compliance Officer on or before 27th September 2009, to facilitate the compilation of data for clarification.
6. Members are requested to send all communications relating to shares to the Company's Share Transfer Agents (Physical and Electronic) to M/s. Sathguru Management Consultants Private Limited, Plot 15, Hindi Nagar, Panjagutta, Hyderabad - 500 082. Phone Nos. : 040-23356507 & 23350586, e-mail : sta@sathguru.com
7. Information about the director being re-appointed: Mr. Prakash S. Kenjale is the Non-Executive Director of the Company. Mr. Kenjale did his M. Tech from IIT, Kanpur in 1974. Soon after, he joined Tata Consultancy Services Limited as Trainee and rose to Senior Consultant. Held several concurrent positions, including CEO, Tata-Intraco Systems Private Limited, Singapore. Helped it grow from a 300 people to a 3000 people company. He was with TCS Group until 1988. Later, he joined Syntel Inc., as Senior Consultant, and held other positions including Chief Technology Officer, Chief Delivery Officer, etc. He helped the Company grow from a mere 70 people to a 5000 people company.

He has traveled widely and worked for 35 years in US, UK, France, Netherlands, Switzerland, Spain, Portugal, India, Singapore, Malaysia, Australia and New Zealand. Mr. Kenjale has proven competencies for new initiative set up; sales and sales support services; delivery management and also architect level expertise. His special skill and attributes include strategic and tactical thinking, creating new initiatives, solving complex problems, mentoring and training.

Mr. Kenjale is a US citizen of Indian origin. He currently stays in Michigan, USA and provides corporate consultancy services.

EXPLANATORY STATEMENT

[Pursuant to Section 173(2) of the Companies Act, 1956]

Item No.4: Appointment of Mr. N.S. Sappata as Director

The Board has appointed Mr. N.S. Sappata as an Additional Director with effect from 31.10.2008. He was also appointed as a Member of the Audit Committee.

He holds office of directorship upto the date of the ensuing Sixteenth Annual General Meeting. The Company received a notice in writing from a member along with a deposit of Rs.5,000/- proposing the candidature of Mr. N.S. Sappata for the office of directorship 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 Mr. N.S. Sappata himself, are considered or interested in the proposed resolution.

Information about Mr. N.S. Sappata

Commander N.S. Sappata has served in Indian Navy from December 1973 to January 2008 as Deputy General Manager in Dockyards, Ship Building Center and served in R&D Unit from November 2001 to January 2008 and served on Board in Ships.

Item No.5: Appointment of Mr. M.A. Ashok Kumar as Director

The Board has appointed Mr. M.A. Ashok Kumar as an Additional Director with effect from 30.01.2009. He was also appointed as a Member of the Audit Committee.

He holds office of directorship upto the date of the ensuing Sixteenth Annual General Meeting. The Company received a notice in writing from a member along with a deposit of Rs.5,000/- proposing the candidature of Mr. M.A. Ashok Kumar for the office of directorship 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 Mr. M.A. Ashok Kumar himself, are considered or interested in the proposed resolution.

Information about Mr. M.A. Ashok Kumar

Mr. M.A. Ashok Kumar holds Masters in Electrical Engineering degree with specialization in Control Systems. He has nearly 25 years of experience in Utility companies. His expertise is in project consultancy for the power sector and industrial shop floor automation. He has dealt with power projects, finance proposals with the World Bank, Asian Development Bank and Power Finance Corporation.

By Order of the Board
For Danlaw Technologies India Limited

Place: Hyderabad
Date: 31st July 2009

Raju S. Dandu
Managing Director

DIRECTORS' REPORT

To,
The Members,

Your Directors take pleasure in presenting the 16th Annual Report and the Audited Statement of Accounts for the year ended 31st March 2009.

FINANCIAL PERFORMANCE

Key aspects of your Company's financial performance for the year 2008-09 are tabulated below:

Particulars	2008-09			2007-08		
	DTIL	WOS	Cons.	DTIL	WOS	Cons.
Net sales/Income from operations	568.58	117.38	703.94	825.12	152.38	977.50
Other Income	64.38	-	64.38	55.97	-	55.97
Total Income	650.96	117.36	768.32	881.09	152.38	1033.47
Direct cost	541.35	106.70	648.05	572.45	124.53	696.98
Gross Profit / (Loss)	109.61	10.66	120.27	308.64	27.85	336.49
Selling expenses	57.03	14.54	71.57	57.12	42.93	100.05
General & Admin expenses	189.96	18.18	208.14	210.29	24.51	234.80
Profit (Loss) before Interest, Depreciation and Tax	(137.38)	(22.06)	(159.44)	41.23	(39.59)	1.64
Interest	9.33	-	9.33	5.80	-	5.80
Depreciation	24.59	1.78	26.37	32.70	1.32	34.02
Exceptional Items	1044.75	108.55	1153.30	-	-	-
Extraordinary Items	20.62	-	20.62	-	-	-
Net Profit / (Loss) before tax	(1236.67)	(132.39)	(1369.06)	2.73	(40.91)	(38.18)
Income tax	52.14	-	52.14	2.11	-	2.11
Deferred taxes	(287.92)	(48.72)	(336.64)	13.96	(13.56)	0.40
Profit / (Loss) after tax	(1000.89)	(83.67)	(1084.56)	(13.34)	(27.35)	(40.69)
Paid up equity share capital	372.03	295.66	372.03	372.03	295.66	372.03
Reserves and Surplus (excl. revaluation reserve)	2704.57	(1026.00)	1678.57	2782.06	(165.36)	2616.70
Earnings per share	(26.90)	-	(29.15)	(0.36)	-	(1.09)

The total sales of the Company have come down by 28 %, mostly on the account of 50% drop in the sales of Electronic Goods.

The direct costs include obsolete stock written off amounting to Rs.24.80 lakhs and on account of revaluation of RMA stock valued at Rs.6.32 lakhs. Most of this stock has been purchased as demo stock when we were establishing the division to sell security solutions. Due to advances in technology these products have become obsolete.

The General and Administrative expenses have been reduced significantly. On the other hand bad debts to the tune of Rs.16.53 lakhs have been written off. All of these are from domestic debtors. Your management has made every single effort possible to collect these receivables without success.



Due to global economic slow down, your management has decided reduce the overhead expenses significantly. It is in this context that the Jubilee Hills office has been closed during this year.

Your company has invested in heavily in product development over the years.

In the Embedded Solutions division, we have developed software products related to Digital Signal Processing and Echo Cancellation technologies. An amount of Rs. 167 lakhs that has been spent on this effort has been treated as differed revenue expenditure.

In the Information Technologies division, we have developed a product (ESAP) for US market that addresses the IDEA and Special Education requirements. An amount of Rs. 878 lakhs that has been spent on this effort has been treated as differed revenue expenditure.

While the products have been well received technically, several external factors along with some strategic mistakes have made products not commercially viable. The management has decided to write off the total amount of Rs. 1045 lakhs to P&L account.

CORPORATE GOVERNANCE

The Corporate governance practices are described separately in page no.11, of this Annual Report. We have obtained a certification from the statutory auditor of the Company as to the compliance of the provisions of the relevant clauses of the Listing Agreement. This certificate is given in page no.16.

EMPLOYEE PARTICULARS

No employee of the Company falls within the limits prescribed under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

FIXED DEPOSITS

The Company has not accepted or invited any deposits and consequently no deposit has matured / become due for repayment as on 31st March 2009.

WHOLLY OWNED SUBSIDIARY

The Company has a wholly owned subsidiary in USA, Danlaw Technologies Inc. The financial statements of the said Company have been attached herewith for complying with the provisions of Section 212 of the Companies Act, 1956.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A management discussion and analysis report, pursuant to clause 49 of the listing agreement forms part of this report and is annexed hereto.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, the Board of Directors of the Company confirm that:

- a) In the preparation of annual accounts for the year ended 31st March 2009, the applicable accounting standards have been followed along with proper explanation relating to any material departures.
- b) Such accounting policies as mentioned in schedule of the notes to the financial statements have been selected and applied consistently and judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company for the financial year ended 31st March 2009 and of the loss of the Company for the year ended on that date.

c) Proper and sufficient care has been 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.

d) The annual accounts for the financial year 2008-2009 have been prepared on a going concern basis.

DIRECTORS

Mr. Naga Satyanarayana Sappata has been appointed as Independent Non- Executive Additional Director w.e.f. 31.10.2008.

Mr. Lloyd R Lawrence resigned as director w.e.f. 30.01.2009. Mr. M.A. Ashok Kumar resigned as Alternate Director w.e.f. 30.01.2009.

Mr. M. A. Ashok Kumar has been appointed as an Independent Non-Executive Additional Director w.e.f. 30.01.2009.

Mr. V.K.Menon resigned as Director w.e.f. 15.02.2009.

AUDITORS

M/s. A M Reddy & Co., Chartered Accountants, Statutory Auditors of the Company, retire at the conclusion of the ensuing annual general meeting. They have expressed their willingness to accept re- appointment.

M/s. A M Reddy & Co., Chartered Accountants have confirmed that their appointment, if made, shall be in accordance with the provisions of Section 224(1B) of the Companies Act, 1956.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO AS REQUIRED U/s.217 (1)(e) OF THE COMPANIES ACT, 1956

a) Conservation of Energy:

The Company is engaged in the business of Software and Information Technology. The activity of the Company does not require huge energy / power. The Company is monitoring the consumption of energy and is identifying measures for saving energy. During the year the Company has taken adequate measures to use energy efficiently and reduce avoidable energy consumption.

b) Research & Development and Technology Absorption:

(i) R & D: Your Company has a team of people working on R & D. This year no revenue expenditure was deferred.

(ii) Technology Absorption: Your Company continues to use state of the art technology for improving the productivity and quality of its products and services. To create adequate infrastructure, your Company continues to invest in the latest hardware and software.

(iii) Foreign Exchange Earnings and Outgo: The particulars of foreign exchange earnings and outgo are given below:

Particulars	2008-2009 INR	2007-2008 INR
Earnings	2,49,45,625	3,97,18,129
Outgo	75,58,167	1,28,36,687