

From the CEO's desk.....



Dear fellow stakeholders,  
It is with a sense of responsibility and accountability, I present the 17<sup>th</sup> Annual Report of your company.

Fiscal 2009-10 was a tough year for the industry. During the year 2009, the IT sector for the first time ever, experienced a negative "Quarter Over Quarter" growth rate. There are encouraging signs for recovery during the current fiscal year and beyond. During the fourth quarter of the fiscal year, the company has experienced some improvements in order booking.

While the turnaround in Europe is expected to be slow, the economic recovery in US is bullish. This recession is not like what we have seen in normal economic cycles. It is lot deeper and more widespread and caused a reset for lot of companies worldwide. As a result of this reset, the organizations are leaner, more efficient and more focused on leveraging their direct employees for their internal development activities.

Given this change in operational thinking, we find that our customers are looking for partnerships rather than a typical customer/vendor relationship. Quality and continuous improvement is the backbone of your company and it is an expression of our corporate culture. This along with our investment in emerging technologies enables us to build strong relationships with our existing customers as well as forge new ones.

The consolidated operating revenues have declined by 12% compared to the previous year. In spite of a drop in sales, the gross margin for this year has improved to 25% as compared to 8% in the previous fiscal year. Our Wholly Owned Subsidiary, Danlaw Technologies Inc., has posted revenues of Rs.163 lacs,

and that is an improvement of 39% year over year. The emerging economies afford exciting opportunities for our company. The Engineering division has established a new relationship with a leading auto manufacturer in India. We continue to expand our relationships with the domestic defense customers. Given this expansion of our relationships, we see signs of significant orders being released during this fiscal year.

While Global economic revival has proven to be sluggish, India's economic revival appears to be moving more briskly than that of other countries. The result of this economic uptick in India has caused significant turnover in human resources. Your company is taking measures to retain people by providing incentives to manage the effects of turnover.

I thank our shareholders, clients, partners, government agencies for their support last year and look forward to the same this year.

Finally, I wish to acknowledge our talented and committed associates for their tireless efforts toward the continued success of Danlaw and its customer commitments.

Raju S. Dandu  
Chairman & Managing Director

#### BOARD OF DIRECTORS

Raju S Dandu  
Chairman & Managing Director

Prakash S Kenjale  
Director

M A Ashok Kumar  
Director

N S Sappata  
Director

K N Praveen Kumar  
Additional Director

#### MANAGEMENT TEAM

B V Ramana  
Chief Operating Officer

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  
General Manager – Finance

#### 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. Ramana Reddy & Associates  
(formerly known as 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 Ltd. , Banjara Hills Branch,  
Hyderabad.

#### DEPOSITORY REGISTRARS & SHARE TRANSFER AGENTS

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

## CONTENTS

	Pages
Notice .....	4
Directors' Report (DTIL).....	7
Report on Corporate Governance .....	10
General Shareholders Information .....	13
Corporate Governance Certificate .....	15
Management Discussion & Analysis Report .....	16
 <u>Financials of DTIL as on March 31, 2010</u>	
Auditors' Report .....	20
Balance Sheet .....	25
Profit and Loss Account .....	26
Schedules .....	27
Significant Accounting Policies .....	31
Statement of Cash Flows .....	35
Balance Sheet Abstract And Company's General Business Profile .....	36
Directors' Report (DTI) .....	37
 <u>Financials of DTI as on March 31, 2010</u>	
Auditors' Certificate .....	38
Balance Sheet .....	39
Statement of Operations .....	40
Statement of Stockholders' Equity and Cash flows .....	41
Notes on financial statement .....	42
 <u>Consolidated Financials as on March 31, 2010</u>	
Auditors' Report .....	46
Balance Sheet .....	47
Profit and Loss Account .....	48
Schedules .....	49
Significant Accounting Policies .....	53
 <i>Attendance Slip and Proxy Form .....</i>	 55

## NOTICE

Notice is hereby given that the Seventeenth Annual General Meeting of the Company will be held on Thursday, the 30th day of September 2010 at 11 a.m. at the Registered Office of the Company at Plot 43, Sagar Society, Road 2, Banjara Hills, Hyderabad – 500034, to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2010 and the Profit & 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. N.S. Sappata, who retires by rotation and being eligible, offers himself for reappointment.
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. K.N. Praveen 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. K.N. Praveen Kumar, who was appointed as an Additional Director with effect from 19.07.2010 and who holds office upto the date this Seventeenth 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 Ltd.,

Place: Hyderabad  
Date: July 19, 2010

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. Members / 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 September 27, 2010 to September 30, 2010 (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 September 27, 2010, to facilitate the compilation of data for clarifications.
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 - 500082. Phone Nos.: 040-23356507 & 23350586. E-mail: sta@sathguru.com.
7. Information about the director being re-appointed: Mr. N.S. Sappata is the Non-Executive Director of the Company. 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.

## EXPLANATORY STATEMENT

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

### Item No.4

#### Appointment of Mr. K.N. Praveen Kumar as Director

The Board has appointed Mr. K.N. Praveen Kumar as an Additional Director with effect from 19.07.2010. He was also appointed as a Member of the Audit Committee.

He holds office of directorship upto the date of the ensuing Seventeenth 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. K.N. Praveen 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. K.N. Praveen Kumar himself, are considered or interested in the proposed resolution.

#### Information about Mr. K.N. Praveen Kumar

Mr. K.N. Praveen Kumar, B.E. (Mech.), is a Retired Superintending Engineer from the Public Health & Municipal Engineering Department, Government of Andhra Pradesh. He entered into government service during 1976 as Junior Engineer subsequently promoted as Deputy Executive Engineer, Executive Engineer, Deputy Superintending Engineer, and Superintending Engineer, and took voluntary retirement on 28.10.2008. He also worked as Deputy Chief Transport Officer in Municipal Corporation of Hyderabad (MCH), as Chief General Manager in Hyderabad Metro Water Supply & Drainage Board (HMWS&D). He designed and executed water supply schemes (systems) and underground drainage schemes (systems) during his service tenure of 32 years. He dealt with inviting tenders and acceptance and fixing agency with respect to civil engineering, mechanical engineering works like pump sets, mechanical equipments, water supply systems, etc. He is Life Member in Institute of Engineers, Kolkata, and Life Member in Indian Water Works Association, Mumbai. He underwent refresher courses in drawing and disbursing officers, disaster management, Right to Information Act, etc.

By Order of the Board  
For Danlaw Technologies India Limited

Place: Hyderabad  
Date: July 19, 2010

Raju S. Dandu  
Managing Director

## DIRECTORS' REPORT

To,  
The Members,

Your Directors take pleasure in presenting the 17<sup>th</sup> Annual Report and the Audited Statement of Accounts for the year ended 31<sup>st</sup> March 2010.

### FINANCIAL PERFORMANCE

Key aspects of your Company's financial performance for the year 2009-10 are tabulated below:

Rs. in Lakhs

Particulars	2009-10			2008-09		
	DTIL	WOS	Cons.	DTIL	WOS	Cons.
Net sales/Income from operations	453.74	162.97	616.71	568.58	117.36	703.94
Other Income	77.42	-	77.42	64.38	-	64.38
Total Income	531.16	162.97	694.13	650.96	117.36	768.32
Direct cost	349.04	116.67	465.71	541.35	106.70	648.05
Gross Profit	182.12	46.30	228.42	109.61	10.66	120.27
Selling expenses	48.59	2.35	50.94	57.03	14.54	71.56
General & Admin expenses	147.47	25.17	172.64	189.95	18.18	208.14
Profit / (Loss) before Interest, Depreciation and Tax	(13.94)	18.78	4.84	(137.37)	(22.06)	(159.43)
Interest	22.43	-	22.43	9.33	-	9.33
Depreciation	15.63	2.33	17.96	24.59	1.78	26.37
Exceptional Items	-	-	-	1044.75	108.55	1153.30
Extraordinary Items	-	-	-	20.62	-	20.62
Net Profit / (Loss) before tax	(52.00)	16.45	(35.55)	(1236.66)	(132.39)	(1369.05)
Income tax	-	-	-	52.14	-	52.14
Deferred taxes	(14.29)	4.72	(9.56)	(287.92)	(48.72)	(336.64)
Profit / (Loss) after tax	(37.71)	11.73	(25.99)	(1000.88)	(83.67)	(1084.55)
Paid up equity share capital	372.03	295.66	372.03	372.03	295.66	372.03
Reserves and Surplus (excl. revaluation reserve)	1759.47	(213.96)	1545.51	1795.18	(116.61)	1678.57
Earnings per share	(1.01)	-	(0.70)	(26.90)	-	(29.15)

The Gross Profit for the year has increased to Rs. 228 lacs (37%) as compared to Rs. 120 lacs (17%) last year, even though the total sales of the Company have come down by 12%. This is made possible because of the cost control measures implemented by the management. The direct Cost of Sales has been reduced by 16%. The General & Administration (G&A) costs relative to the sales have also come down significantly. The overall profit from operations has increased to Rs. 5 lacs as compared to a loss of Rs. 159 lacs last year.

The increase in other income is mainly on account of exchange gain. An amount of Rs. 2.32 lacs was written off as bad debt from domestic debtors. Your management has made every single effort possible to collect these receivables without success.

#### **CORPORATE GOVERNANCE**

The Corporate governance practices are described separately in page no.10 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.15.

#### **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 2010.

#### **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 confirms that:

- a) In the preparation of annual accounts for the year ended 31st March 2010, 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 2010 and of the profit and 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 2009-2010 have been prepared on a going concern basis.

#### **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	2009-2010 INR	2008-2009 INR
Earnings	1,66,41,312	86,01,894
Outgo	55,68,919	75,58,167

**APPRECIATION & ACKNOWLEDGEMENTS**

Your Directors take this opportunity to place on record their sincere thanks to the suppliers, customers, bankers, auditors, registrar and transfer agents and all others associated with the Company for their support and co-operation extended to the Company from time to time.

Your Directors express gratitude to the shareholders of the Company for the confidence reposed in the management. Your directors are also pleased to record their appreciation of the dedicated and sincere services of the employees of the Company

By Order of the Board  
For Danlaw Technologies India Ltd.

Hyderabad  
May 22, 2010

Raju S Dandu  
Chairman & Managing Director

## REPORT ON CORPORATE GOVERNANCE

### 1. The Philosophy and the Policy

The company's philosophy on corporate governance is based on the principles of ethical and responsible decision-making, integrity in financial reporting and recognizing the legitimate interest of the stakeholders. This is achieved through adoption of competitive corporate strategies, prudent business plans and strategic monitoring and mitigation of risks.

Corporate Governance has been a continuous journey at Danlaw always taking into account the welfare of its stakeholders in all its business decisions. Its business culture and practices are founded upon a common set of values that govern its relationships with customers, employees, shareholders, suppliers and the communities in which the company operates. The company follows sound and healthy business practices in all facets of its operations and conducts its business in a transparent manner.

### 2. The Board and its Meetings

The Board consists of four directors of whom three are Independent Non-Executive directors. Four meetings were held during the Financial Year 2009-2010 on 29th May '09, 31st July '09, 23rd October '09, and 29th January '10.

The particulars of directors, their attendance and other directorships, memberships / chairmanships of committees for the financial year 2009-2010 are given below:

Name	Category	Attendance At		Particulars of other Indian Directorships, Committee Memberships/ Chairmanships		
		Board	Last AGM	Directorship	Committee Membership	Committee Chairmanship
Raju S Dandu	Promoter Executive	4	Yes	Nil	Nil	Nil
D S N Raju *	Promoter Non-executive	1	No	1	Nil	Nil
Prakash Kenjale	Independent Non-executive	Nil	No	1	Nil	Nil
M. A. Ashok Kumar	Independent Non-executive	4	Yes	1	Nil	Nil
Naga Satyanarayana Sappata	Independent Non-executive	4	Yes	Nil	Nil	Nil

\* Mr. DSN Raju resigned as Director w.e.f. 17-07-2009

### 3. The Committees of the Board

#### a) Audit Committee

As on date the Audit Committee consists of four directors as its members, out of whom three are independent non-executive directors and one is promoter managing director. Its members as on date are : Mr. Prakash S Kenjale, Mr. Naga Satyanarayana Sappata, Mr. M. A. Ashok Kumar and Mr. Raju S Dandu.