

Annual Report

2005-2006



Expanding Horizons



CMM Level 3 and ISO 9001:2000 Company

AWARD OF EXCELLENCE



*The Best Start Up Company (Hardware Sector)
in the State for the Year 2005*

*FROM
INFORMATION TECHNOLOGY
AND
COMMUNICATIONS DEPARTMENT*

GOVERNMENT OF ANDHRA PRADESH

From the Chairman's Desk...



Dear Members,

I take pleasure in presenting the 13th Annual Report of your company.

The business strategy of your company is designed keeping in mind the long-term prospects and to sustain the present business levels. The company believes that this process nurtures both - the customers and the company. The company is continuing to build strategic relationships with the customers and other global players in the industry. I am confident that these relationships help the company to service the potential needs of our clients effectively. I feel that we have reached a point to see the growth phase of your company soon.

Your company adopted a consistent policy of quality in all its operational divisions as well as its human resource management. The quality policy has enabled your company to achieve the desired result and enhancing the customer satisfaction year after year. The thrust for quality continues to haunt all the professionals there by making them progress towards CMMi - level 5 and P-CMM level 3, followed by level 5 soon. Moving forward, your company is marching ahead into the future with an optimistic note.

Innovation is imperative so as to be able to meet the ever-growing global challenges and to create newer revenue streams. Your company continues to spend considerable amount of money and time for Research and Development with a hope to meet the above objective.

During the financial year the ESD division of the company has undertaken and completed projects for prestigious entities like HAL in the defense sector. The company continues to be a partner with all the auto giants globally and is serving their project needs.

The I.T division of your company is working on marketing of the eMunicipal Administration System (*Suvidha*) in other states of the country. It is planning for strategic alliances for promoting *Suvidha* in Madhya Pradesh and West Bengal. The division is also exploring an outbound call centre to improve our business development strategies. ESAP, the company's education product is being used extensively in the state of Colorado. During the year the company came out with another module *ESAPsp* for simplifying the billing processes.

The ISS division has been successful in reaching its targets. The division received the "*Best Performer Award in Asia for 2005*" from Keico Hightech Inc. of Korea. The turnover of the division rose by 69% when compared to the previous fiscal. The division has added 29 new customers and three new business partners, thereby covering the corners of the country.

The company has also bagged the "Performance of Excellence Award" for being the "Top Start Up Company (Hardware Sector)" from the Government of Andhra Pradesh. The Chief Minister Dr. Y.S.Rajasekhara Reddy has presented this award at the GITEX India 2006 function at Hyderabad.

I know that the company's proposal of Danlaw Inc's merger with your company is in the limelight and is of much interest to the stakeholders. In this regard I wish to inform you that the Boards of both the companies have agreed for the merger in-principle. The company has appointed legal consultants to develop a schema and is in progress.

I wish to acknowledge and thank our Associates for their commitment and tireless efforts in serving our esteemed customers. I place on record my sincere thanks to all the stakeholders for their continued and valuable support.



Raju S Dandu

Chairman & Managing Director

BOARD OF DIRECTORS

Raju S Dandu
Chairman & Managing Director

V. K Menon
Additional Director

Prakash S Kenjale
Additional Director

Lloyd R Lawrence
Director

M A Ashok Kumar
Alternate director to Lloyd R Lawrence

D S N Raju
Executive Director

COMPANY SECRETARY

Amara Bhaskara Rao

MANAGEMENT TEAM

B V Ramana
Executive Vice President (ESD)

Prakash B Kulkarni
Executive Vice President (IT)

Dr. Y V Subrahmanyam
Vice President (HR)

V R K Chary
Vice President (Finance & Accounts)

Kishan Chowbene
General Manager (ISS)

AUDITORS

M/s. A M Reddy & Co.
Chartered Accountants
10-5-6/A, "My Home Plaza"
Off: 103, II Floor
Masab Tank, Hyderabad – 50028

BANKERS

HDFC Bank, Banjara Hills Branch, Hyderabad.

DEPOSITORY & 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

REGISTERED OFFICE

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

BRANCH OFFICE

1271, Road No.63
Jubilee Hills
Hyderabad – 500 033.

U.S. SUBSIDIARY

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

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NOTICE

NOTICE is hereby given that the Thirteenth Annual General Meeting of DANLAW TECHNOLOGIES INDIA LIMITED will be held on Thursday, the 28th day of September 2006 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, 2006 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 Sri. D S N Raju, 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 Sri V K Menon as Director**
To consider and, if thought fit, to pass, with or without modifications, the following resolution as an ORDINARY RESOLUTION :

“RESOLVED THAT Sri. V K Menon, who was appointed as an Additional Director by the Board of Directors at its meeting held on January 27, 2006 and who holds office as such, upto the date of this Thirteenth 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 Sri. Prakash S Kenjale as Director**

To consider and, if thought fit, to pass, with or without modification, the following resolution as an ORDINARY RESOLUTION :

“RESOLVED THAT Sri. Prakash S Kenjale, who was appointed as an Additional Director by the Board of Directors at its meeting held on April 28, 2006 and who holds office as such, upto the date of this Thirteenth 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.”

6. **Re-appointment of Sri. Raju S Dandu as Managing Director**

To consider and, if thought fit, to pass, with or without modification, the following resolution as a SPECIAL RESOLUTION :

“RESOLVED THAT pursuant to the applicable provisions of the Companies Act, 1956 and subject to the approval of the Central Government, Sri. Raju S Dandu, be and is hereby *re-appointed* as the Chairman and Managing Director of the company for a term of five years w.e.f. April 1, 2006 as per the terms and conditions specified in the following resolutions :

“RESOLVED THAT pursuant to sections 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of the Central Government, the remuneration package of the appointee be, a basic pay of Rs. 60,000/- per month *plus* all other benefits, perquisites and other allowances as permitted by the Companies Act, 1956, within the rules of the company as applicable from time to time, which are broadly described hereunder :

- 1) Basic Salary Rs. 60,000/- per month

- 2) Dearness Allowance – 50% of basic salary
- 3) CCA – 15% of basic salary

The Chairman and Managing Director shall also be eligible for the following perquisites :

Category I: Included in the remuneration

- a) Housing: The expenditure incurred by the company on hiring furnished accommodation.
- b) House Maintenance: The expenditure incurred by the company on gas, electricity, water and furnishings.
- c) Medical Reimbursement: Expenses incurred for self and family subject to a ceiling of one-month salary per annum.
- d) Club fee subject to a maximum of two clubs.
- e) Premium on Medical / Personal Accident Insurance Policy, which does not exceed Rs. 5,000/- per month.
- f) The company will reimburse the wages of one servant at residence.
- g) Children's education allowance up to a maximum of Rs. 5, 000 per month, per child.

Category II: Not included in the remuneration

- a) Contribution to Provident Fund and Annuity Fund are as per the rules of the company and to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- c) Encashment of Leave at the end of his tenure.
- d) Leave: As per the rules of the company.
- e) Leave Travel Concession for self and family incurred in accordance with the service rules of the company.
- f) Provision of car with driver for use on company's business.
- g) Telephone at residence.
- h) Cellular phone for self.

"RESOLVED FURTHER THAT the Chairman and Managing Director shall be paid a commission up to a maximum of 2% on Net Profits as

computed u/s 349 and 350, the actual amount of which will be determined by the Board of Directors from time to time, subject to the overall ceiling of Managerial Remuneration as prescribed in the Companies Act, 1956."

"RESOLVED FURTHER THAT notwithstanding to anything specified above, where in any financial year, during the currency of the tenure of the appointee, the company has no profits or its profits are inadequate, the company shall pay remuneration by way of salary, perquisites and allowances as mentioned above."

"RESOLVED FURTHER THAT subject to the provisions of the Companies Act, 1956 and subject to the accordance of the requisite approvals, the Board be and is hereby authorized to revise the gross salary of the appointee by a maximum of 50% per annum."

7. **Re-appointment of Sri. D S N Raju as Executive Director**

To consider and if thought fit, to pass, with or without modification, the following resolution as a SPECIAL RESOLUTION :

"RESOLVED THAT pursuant to the applicable provisions of the Companies Act, 1956, Sri. D S N Raju be and is hereby *re-appointed* as the Executive Director of the company for a further term of five years with effect from April 1, 2006 as per the terms and conditions specified in the following resolutions :

"RESOLVED THAT pursuant to sections 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, Sri. D S N Raju be and is hereby *re-appointed* as the Executive Director at a remuneration of a basic pay of Rs.30,000/- per month *plus* all other benefits, perquisites and other allowances as permitted by the Companies Act, 1956, within the rules of the company as applicable from time to time, the details of which are broadly described hereunder :

- 1) Basic Salary Rs. 30,000/- per month
- 2) Dearness Allowance – 50% of basic salary
- 3) CCA – 15% of basic salary

The Executive Director shall also be eligible for the following perquisites:

Category I: Included in the remuneration

- a) Housing: The expenditure incurred by the company on hiring furnished accommodation.
- b) House Maintenance: The expenditure incurred by the company on gas, electricity, water and furnishings.
- c) Medical Reimbursement: Expenses incurred for self and family subject to a ceiling of one-month salary per annum.
- d) Club fee subject to a maximum of two clubs.
- e) Premium on Medical / Personal Accident Insurance Policy, which does not exceed Rs. 5,000/- per month.
- f) The company will reimburse the wages of one servant at residence.
- g) Children's education allowance up to a maximum of Rs.5, 000 per month per child.

Category II: Not included in the remuneration

- a) Contribution to Provident Fund and Annuity Fund are as per the rules of the company and to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- c) Encashment of Leave at the end of his tenure.
- d) Leave: As per the rules of the company.
- e) Leave Travel Concession for self and family incurred in accordance with the service rules of the company.

- f) Provision of car with driver for use on company's business.
- g) Telephone at residence .
- h) Cellular phone for self.

“RESOLVED FURTHER THAT subject to the applicable provisions of the Act, the Executive Director shall be paid a commission up to a maximum of 2% on Net Profits as computed u/s 349 and 350, the actual amount of which will be determined by the Board of Directors from time to time, subject to the over all ceiling of managerial remuneration as prescribed in the Companies Act, 1956.”

“RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year, Sri. D S N Raju shall be paid remuneration as prescribed above.”

“RESOLVED FURTHER THAT subject to the applicable provisions of the Act, the Board be and is hereby authorized to revise the gross salary of the Executive Director by a maximum of 50% per annum.”

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

Place : Hyderabad

Date : 26th July 2006

A Bhaskara Rao
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 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 the meeting.
2. Members / Proxies are requested to bring their copies of Annual Report with 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 Monday, the 25th of September 2006 to Thursday, the 28th of September 2006 (both days inclusive).
4. The relative Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956 in respect of special businesses as set out above are annexed herewith.

5. Members seeking any additional information on the accounts of the company should write to the company Secretary on or before 25th September 2006, 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 Pvt. Ltd, Plot No. 15, Hindi Nagar, Punjagutta, Hyderabad – 500 082, Phones: 040-23356507, 23350586; E-mail: sta@sathguru.com

EXPLANATORY STATEMENT

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

Item No. 4

Appointment of Sri. V K Menon as Director

The Board has appointed Sri. V K Menon as an Additional Director with effect from January 27, 2006. He was also appointed as a Member of the Audit Committee.

He has no shareholding in the company. He is not a director in any other company. He holds office of directorship upto the date of the ensuing thirteenth annual general meeting. The company received a notice in writing from a member along with a deposit of Rs.500/- proposing the candidature of Mr. Menon 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. Menon himself, are considered as concerned or interested in the proposed resolution.

Information about Mr. V K Menon

Born in 1954, Mr. V K Menon is an 'Electronics & Communications' Engineer. He did PGD in Marketing from IIM, Bangalore during 1980-82

He has a rich and varied industrial experience spanning over two and half decades. He worked in different positions in Philips [Calcutta], Escorts Communications Ltd., [New Delhi] and BPL US West Cellular Ltd., [Kerala]. He also worked as Professor [Marketing] for six years in SDM Institute for Management Development, Mysore.

Presently, he is the 'Director – Career Advancement Services' at 'Indian School of Business', a prestigious Institute in Hyderabad.

Item No. 5

Appointment of Mr. Prakash S Kenjale as Director

The Board has appointed Mr. Prakash Kenjale as an Additional Director with effect from April 28, 2006. He was also appointed as a Member of the Audit Committee.

He has no shareholding in the company. He is not a director in any other company. He holds the office of directorship upto the date of the ensuing thirteenth

annual general meeting. The company received a notice in writing from a member along with a deposit of Rs.500/- proposing the candidature of Mr. Kenjale for the office of the directorship under the provisions of Section 257 of the Companies Act, 1956.

The Board of Directors recommends the resolution for approval of the members. None of the directors of the company, except Mr. Kenjale himself, are considered as concerned or interested in the proposed resolution.

Information about Mr. Prakash Kenjale

Mr. Kenjale did his M.Tech. from IIT, Kanpur in 1974. Soon after, he joined Tata Consultancy Services Ltd. as Trainee and rose to Senior Consultant. Held several concurrent positions, including CEO, Tata-Intraco Systems Pvt. Ltd., 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. and worked with it till 2005. Mr. Ken held several positions in Syntel Inc., such as Senior Consultant, 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 31 years in U.S, U.K, France, Netherlands, Switzerland, Spain, Portugal, India, Singapore, Malaysia, Australia and New Zealand. Mr. Ken has proven competencies for new initiative set up; sales and sales support services; delivery management capabilities 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. Ken is a US Citizen with Indian Origin. He currently stays in Michigan, US and teaches Architecture.

Item No. 6

Re-appointment of Mr. Raju S Dandu as Chairman & Managing Director

The Board of Directors had appointed Mr. Raju S Dandu as the Chairman & Managing Director of the

Company with effect from April 1, 2001 *for a term of five years*. The appointment was approved by the members of the company at the annual general meeting held on July 28, 2001. His term of five years expired on March 31, 2006. The Board approved his re-appointment for another term of five years, w.e.f. April 1, 2006. The remuneration committee has also reviewed the terms & conditions of appointment and approved the same. Since he is an N.R.I, the approval of the Central Government is also required to be obtained. The company has applied for the same.

The Board of Directors recommends the resolution for approval. Mr. Raju S Dandu, himself and Mr. D S N Raju, ED, are considered as concerned or interested in the said resolution.

For the information of the members, his detailed profile is appended herein below :

Information about Mr. Raju S Dandu

Danlaw is the brainchild of Mr. Raju, who has been its Promoter Director. He is instrumental in spearheading the progress of the company during all these years. He is not a director in any company in India. Mr. Raju has been the source of getting business from US clientele – both for Engineering and I.T divisions. He has formulated the core culture and policies of the company and chiseled the future of Danlaw. The growth of the Company is as per his vision and future plans. Being the CMD of the company, Mr. Raju is propagating the Image of Danlaw among the industry circles. He has long drawn plans for the future of the company, which would be implemented in phased manner with due approvals from the Board and the Members of the company as per the statutory requirements.

Mr. Raju is a highly qualified Technocrat from Andhra Pradesh, India. He is B.E. in Electronics and Communications, M.E. in Electronics and Controls, M.S in Electrical and Computer Engineering from University of Iowa, USA and MBA from University of Detroit, USA. He is a member of IEEE, Society of