

Annual Report 2006 -2007

Converging Technologies

From the CEO's desk.....



Dear friends,

I take pleasure in presenting the 14th Annual Report of your company.

When Danlaw was created, its mission was simple : provide the best Engineering and IT solutions to businesses worldwide. Over the past decade its passion for offering world-class engineering and specialized software solutions has not only remained unchanged but its mission also broadened with pioneering forays into products and services in embedded solutions, state of the art algorithms and solutions in digital signal processing, products in security access controls, eGovernance services and web based products for international clients in Information Technology.

Quality is our forte. Its infact our backbone and an expression of our corporate culture & values. Technical excellence is a hallmark of the products created and produced by Danlaw. This has been possible only with a highly qualified and motivated workforce and an uncompromising quality management system. During the current year, the Engineering Solutions Division has completed prestigious projects for leaders in automotive, defense and aeronautical industries. For the second consecutive time the ISS Division bagged the "Best Performer Award in Asia for 2006" from Keico Hightech Inc. of Korea for achieving the highest sales of its products. The turnover of ISS Division rose by 73% when compared to the previous fiscal. After a successful MAS & MMIS for the Department of Municipal Administration of AP Government, the IT division has made strategic alliances with IT

Giants for promoting the Municipal Administration system in the state of West Bengal. The division is also working on marketing MAS across other states of India. The company's JV, Danlaw CNA has commenced its operations. It will be principally engaged in the business of providing enterprise level management software and services to real estate, airports, healthcare, industrial and various infrastructure and facilities management sectors in the Indian and North American markets.

I hereby extend a special word of thanks to all our associates. I look forward to your continued support once again in all our endeavours.

With warm regards,



Raju S Dandu
Chairman & Managing Director



BOARD OF DIRECTORS

Raju S Dandu
Chairman & Managing Director

V K Menon
Director

Prakash S Kenjale
Director

Lloyd R Lawrence
Director

M A Ashok Kumar
Alternate Director to Lloyd R Lawrence

D S N Raju
Director

REGISTERED OFFICE

No.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.

USA SUBSIDIARY

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

COMPANY SECRETARY

Amara Bhaskara Rao

AUDITORS

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

MANAGEMENT TEAM

B V Ramana
Executive Vice President (ESD).

Prakash B Kulkarni
Executive Vice President (IT)

V R K Chary
Vice President (Finance & Accounts)

G Govardhan Rao
Vice President

Kishan Chowbene
General Manager (ISS)

E U S Prabhakar
General Manager (ESD)

BANKERS

The Dhanalakshmi Bank Ltd,
Banjara Hills Branch, Hyderabad

HDFC Bank, Banjara Hills Branch,
Hyderabad.

DEPOSITORY & SHARE TRANSFER AGENTS

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

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NOTICE

NOTICE is hereby given that the Fourteenth Annual General Meeting of M/s. DANLAW TECHNOLOGIES INDIA LIMITED will be held on Saturday, the 29th day of September, 2007 at 11.00 a.m. at the Registered Office of the company at No. 43, Sagar Society, Road No. 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, 2007 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. Lloyd R Lawrence, 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.

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

Place: Hyderabad
Date : 30th July, 2007

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 be a member of the company. The instrument appointing a proxy should 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 alongwith 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 26th September, 2007 to 29th September, 2007 (both days inclusive).
4. Members seeking any additional information on the accounts of the company should write to the Company Secretary on or before 26th September, 2007 to facilitate the compilation of data for clarifications.
5. Members are requested to send all communications relating to shares to the company's Share Transfer Agents (Physical and Electronic) M/s. Sathguru Management Consultants Pvt. Ltd, Plot No. 15, Hindi Nagar, Punjagutta, Hyderabad-500082, Phones: 040-23356507, 23350586; E-mail : sta@sathguru.com
6. Information about the re-appointing director:

Mr. Lloyd R Lawrence Lloyd has been with engineering industry for more than thirty-five years. He is one of the co-founders of Danlaw Inc. in 1984.

He was a project engineer in General Motors, way back in 1965. Subsequently, he moved to Xycom Inc. in 1973 as a senior engineer responsible for new product development that led to electronic engine controls. Later on he worked for Dana Corp., building CNC controls for various applications like robots and EDI machines. Lloyd holds a B.S. in electrical engineering from Lawrence Technological University, Michigan.

He has no shareholding in DTIL.

DIVISIONAL REPORTS

ENGINEERING SOLUTIONS DIVISION

The division is a new generation framework for technology innovators who have become the trailblazers for spawning several end to end engineering product realization services through hardware and software design, development and implementation.

Engineering Division offers design test solutions and innovative product realization services to the global automotive industry. At Danlaw, we combine a thorough understanding of the automotive marketplace with a better approach to developing incremental, cost-justified products. Our expertise is built around successful client engagements, dedicated domain and product experts who can implement engineering design solutions and industry specific packages. Our highly acclaimed application product development competencies are leveraged by the state-of-the-art technologies:

- ❖ Embedded Software Development
- ❖ Digital Signal Processing (DSP)
- ❖ Speech Compression and Filtering
- ❖ GUI
- ❖ Embedded web server applications
- ❖ Real time operating systems
- ❖ Automotive applications and protocols

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 and first tier supplier markets. Through proven automotive industry know-how and a comprehensive suite of cost effective products & design test solutions it helps its clientele in finding the competitive edge. Experience in software development across multiple mission critical automotive applications strengthens the offerings in the areas of software verification & validation, software test plan development, messaging and development of specific hardware and software testing tools for the automotive industry.

The division has generated scalable enterprise-wide high secure, and reliable products, which span across the technology requirements of the automotive segment. Some of the division's revolutionary products are:

DPRD

Danlaw's ECU reprogramming device DPRD was developed to provide the automotive community, a handheld ECU reflashing tool. High speed reprogramming, stand-alone simplicity, portability, low cost solution and rugged design are the main features of this product. The need for the DPRD was driven by Danlaw's own experience with networked automotive electronics solutions development, and perfected to provide the benefits of its experience to its customers.

DFD

Digital Frequency Demultiplexer (DFD) assists the Ground control staff in analyzing various important parameters of Aircraft while in flight and post flight. This equipment forms an integral part of the ground control equipment in the Flight Test Control Centres.

FMDGS

FM Demodulator Gauging System (FMDGS) is a single channel FM demodulator based on DSP blocks implemented in FPGA technology. This equipment forms an integral part of the ground control equipment in the Flight Test Control Centres.

RESEARCH & DEVELOPMENT

Danlaw is driven by innovation because it is a part of its heritage. And this principle coupled with vast industry experience and domain knowledge enables the R&D division to integrate, design real time software systems and engineering solutions combining the most advanced digital signal processing technology in the market.

Energy of international expertise, passion for customer & quality, excellence in products, services and system integration makes Danlaw a preferred technology solutions partner for customers and more importantly a preferred employer of knowledge professionals. In all, it is Danlaw's plethora of powerful and innovative next-generation products that transcend global boundaries and help clients worldwide harness the power of technology to a greater advantage.



INFORMATION TECHNOLOGY DIVISION

IT division was founded with a mission to deliver effective real time business solutions and specialized products through customized softwares. The division's total product realization services encompass hardware and software design, development, implementation, testing, maintenance, and support.

It has a state-of-the-art infrastructure and alliances. This enables it to offer optimum value to the company's esteemed clientele. Portfolio of support solutions include Product Management Services, Application Management Services, Consulting, Enterprise Application Solutions Practice and eGovernance.

With a wide-ranging expertise in the most advanced and high-powered integrated enterprise solutions, the division has successfully executed the projects relating to ERP Implementation, Resource Tracking Systems etc., The division has also made Strategic Alliances for promoting Municipal Administration System in the State Government of West Bengal.

Various other software modules in the development scope are Financial and Accounting System, Property Tax Management System, Trade License System, Building Plan approval system, Ward Wise Management Information System, Birth & Death Registration System, Infrastructure Management System, Integration with GIS, Public Grievance & Redressal Module, Health System, ULB Infrastructure, Water Work Management systems, E-education system, MIS (Management Information System), City Web Portal etc.,

ESAP, the company's web-based application software for the public schools in complying with the federal laws of United States of America relating to the disabled is being extensively used in Colorado school districts.

The newly developed products ESAPsp and ESAPpc have been enhanced further based on the real life experience of users. These have been made much simpler and easier. Based on this success, these products are being demonstrated to other billing companies also for their use. The team is also exploring the RTI (Response To Intervention) process and is planning to develop additional product to provide solution for the same.

INTELLIGENT SECURITY SOLUTIONS DIVISION

ISS division supplies, installs & maintains a wide range of products and security solutions ranging from simple stand alone automation systems to high-end Biometric, Card and RFID systems with complete integration with the enterprise applications.

Following gives you a glimpse of the products & solution wherein the division provides customized solutions:

Biometric (Fingerprint) & Cards based Systems for Access Control and Time and Attendance

DanTAS is a Web Enabled Time & Attendance Software, which provides Employee Attendance Data in various formats to the concerned Departments or Individuals of an Organization, which would help in analyzing the data and take appropriate steps to improve Employee Efficiency and thus increase overall Productivity. The same can also be intergraded with Doors, Turnstiles and Booms to provide Access Control and to prevent Un-authorized access

CCTV & Surveillance

ISS supplies all ranges of CCTV systems from Analog to Digital. Danlaw being a systems integrator has the expertise to supply and design solutions from simple stand-alone to complex multiplex.

Canteen Management System

This system provides a fully integrated, networkable Canteen Point of Sale Management System designed to simplify and enhance canteen management. This card-based system, utilizing existing employee attendance or access cards or separate canteen cards that are linked to valid employee accounts, offers a reliable method of payment while the resulting cashless environment ensures increased security

Fire Alarm & Fire Fighting System

As a systems integrator and supplier of all kinds of fire alarm systems both conventional and analog type. DTIL also undertakes Fire Fighting contract on Sprinkler and Gas Based Technologies.

Systems based on Radio Frequency Identification Technology

Radio Frequency Identification (RFID) is a technology used in identifying and tracking stationary and moving objects automatically, with no contact or viewing required with them, basically avoiding line of sight. It is a more reliable replacement to many Automatic Data Capture (ADC) based applications. The products herein are:

- Employee Identification Tracking System (EITS)
- Visitor Tracking System
- Asset Tracking & Inventory System

The others include Biometric based Guard Monitoring System, Finger Print Door Locks, Electronic Article Surveillance (EAS) Library Security System, Locking devices, fire alarms, fire detection / fire suspension systems, PA Systems etc.,

ISS division offers holistic, reliable, cost effective Intelligent Security Solutions to a diverse customer base. Cutting edge technologies are being used by the division by forging partnerships and alliances with world leaders.

For the second consecutive time the division received "Best Performer Award in Asia for 2006" from Keico Hightech Inc. of Korea for achieving the highest sales of its products. The turnover of the division rose by 73% when compared to the previous fiscal. During the year the division has added over 40 new customers. It has also added three new System Integrators (system integrators) in Bangalore, Chennai and Hyderabad.

The division has also launched its own website www.danlaw-iss.com which provides more information to its prospects, partners, and clients.

DIRECTORS' REPORT

The Directors take pleasure in presenting the financials of your company for the year ended 31st March 2007.

FINANCIAL PERFORMANCE

Key aspects of your company's financial performance for the year 2006-07 are tabulated below :

in Rs. Lakhs

Particulars	2006-07			2005-06		
	DTIL	WOS	Cons.	DTIL	WOS	Cons.
Net sales/Income from operations	887.29	372.56	1259.85	870.20	332.59	1202.79
Other Income	62.63	-	62.63	59.40	-	59.40
Total Income	949.92	372.56	1322.48	929.60	332.59	1262.19
Direct cost	651.49	248.58	900.07	563.86	167.58	731.44
Gross Profit / (Loss)	298.43	123.98	422.41	365.74	165.01	530.75
Selling expenses	57.79	148.58	206.37	53.33	140.68	194.01
General & Admin expenses	187.74	26.96	214.70	199.94	20.05	219.99
Profit (Loss) before Interest, Depreciation and Tax	52.90	(51.56)	1.34	112.47	4.28	116.75
Interest	1.34	-	1.34	0.49	-	0.49
Depreciation	39.44	1.45	40.89	49.51	0.55	50.06
Net Profit / (Loss) before tax	12.12	(53.01)	(40.89)	62.47	3.73	66.20
Income tax	3.56	-	3.56	8.99	-	8.99
Deferred taxes	2.92	(23.04)	(20.12)	22.55	-	22.55
Profit / (Loss) after tax	5.64	(29.97)	(24.33)	30.93	3.73	34.66
Paid up equity share capital	372.03	295.66	372.03	372.03	295.66	372.03
Reserves and Surplus (excl. revaluation reserve)	2795.40	(174.73)	2620.67	2757.26	(131.99)	2625.27
Earnings per share	0.15	-	(0.65)	0.89	-	0.99

The total sales of the company have marginally gone up by 4.74% thereby posting total sales of Rs.1259.85 Lakhs. The increased costs had a bearing on the total profits of the company thereby resulting in a Net loss of Rs.24.33 Lakhs. The company has allotted Five Lakh convertible warrants in September 2005. The up front money paid by the applicants has been forfeited as they have not availed the option of conversion. The same has been transferred to reserves.

CORPORATE GOVERNANCE

We believe corporate governance is at the heart of shareholder value creation. Our governance practices are described separately in page no. 11 of this Annual Report. We have obtained a certification from the statutory auditors 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. 17.

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 2007.

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.

JOINT VENTURES

The company has entered into a Joint Venture with M/s.CNA Group Ltd. of Singapore. The JV company is named as Danlaw CNA Systems Limited. It will be principally engaged in the business of providing enterprise level management software and services to real estate, airports, healthcare, industrial and various infrastructure and facilities management sectors in the Indian and North American markets.

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 2007, 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 of the financial statements have been selected and applied consistently, and judgments and estimates that are reasonable and prudent were made so as to give a true and fair view of the state of affairs of the company for the financial year ended 31st March 2007 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 2006-2007 have been prepared on a going concern basis.

DIRECTORS

Mr. D S N Raju who was re-appointed as an Executive Director in the previous AGM resigned to the said position. However, he continues to be on the Board as a Non-Executive Director. The said change in the designation has been approved by the Board.

Mr. Lloyd R Lawrence retires by rotation and being eligible offers himself for re-appointment. His profile is given in page no. 4

AUDITORS

M/s. A M Reddy & Co., Chartered Accountants, Statutory Auditors retire at the conclusion of the ensuing annual general meeting. They have confirmed their eligibility and willingness to accept the office for another term i.e., till the conclusion of the next annual general meeting. The Audit committee of the Board recommended their re-appointment.

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