

# ALUMINUM, REEPORT 2007-08

Driving Technology  
Annual Report 2007 - 2008

REPORTJUNCTION.COM

## From the CEO's desk.....



Dear friends,

I take pleasure in presenting the 15<sup>th</sup> Annual Report of your Company.

Danlaw has been instrumental in providing world-class products, services and solutions in the areas of automotive embedded electronics, security and surveillance solutions, and information technology focused on education, health, banking, and e-governance. According to a recent NASSCOM - McKinsey report on India's IT industry, annual revenue projections for India's IT industry in 2008 are US \$ 87 billion and market openings are emerging across four broad sectors, IT services, software products, IT enabled services, and e-businesses thus creating a number of opportunities for Indian Companies. In addition to India's continued growth expectations, rapid globalisation and privatisation plans of government owned entities in Asia and Central and Eastern Europe has allowed for expanded opportunities for Danlaw's expertise in the areas of automotive and consumer electronics.

In an attempt to capture revenue-generating opportunities from these expanding markets, your Company strives to build quality into its products and services to achieve the highest degree of customer and shareholder satisfaction. The turnover of Danlaw's ISS Division rose to 45 % when compared to the previous fiscal year. The ISS division has worked diligently to add over 40 new customers and five system integrators during the year. The division also has geographically widened its scope of operations in various parts of the country. These efforts are aimed at expanding growth and revenue potential well into future. Danlaw's Engineering Division, with significant strengths in embedded software, is focused on development of automotive software, particularly in the areas of vehicle message bus protocol development, diagnostics and testing. The Engineering Division continues to maintain its reputation for providing high-quality solutions and services to the global automotive OEM and Tier-1 community. Over the course of the past year, Danlaw has seen an increase in R&D related projects from major OEMs in rapidly growing areas including connected vehicle technology development and vehicle-to-consumer product integrated solutions. Danlaw's combined strengths in Automotive Electronics and IT solutions has created a unique opportunity for Danlaw to attack the ever-

expanding need to communicate critical vehicle data to back office server applications. Over the course of 2007, Danlaw has leveraged its unique know-how of automotive network communications and IT network data exchange, to create a platform for products and services that will lead the way to even greater opportunities in the coming years. Meanwhile, the IT division continues its ongoing efforts toward delivering effective, real-time business solutions and specialized products to meet the specific demand of Danlaw's clients. Future growth initiatives have been spurred by increased sales activity, specifically in the states of Kerala and Maharashtra, for Danlaw's eMAS product.

In 2007, Danlaw's Board agreed to dissolve its Joint Venture, M/s. Danlaw CNA Systems Ltd and has divested its stake of 40% equity shares held in it at their face value. This was a need-based decision, which allowed Danlaw, to redefine its focus of its resources, on the Company's core competencies.

The year 2007-2008, as we all know, has been truly a testing time for an industry managing the difficulties of increased inflation, a softening of the US economy and rupee value appreciation. Your Company has managed to control the administrative expenses but the exchange loss of more than Rs.25 lakhs has affected the earnings of this fiscal.

The key challenge for your Company will be to realize and tap the emerging opportunities in the global market and to leverage its unique combination of Embedded Electronics and Information Technology expertise to create sustained revenue generating solutions to an ever-increasing technology driven market. Committed to delivering innovation, Danlaw works with its clients to help them achieve optimal solution performance. We, at Danlaw, strongly believe that only those who can optimize on speed, cost, quality and expertise are equipped to meet the challenges faced in today's highly competitive markets. Our professionals leverage leading-edge technologies and tools to identify new opportunities to optimize business process improvements.

I take this opportunity to express my thanks to all the shareholders for their continued trust in the Board and management of the Company.

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

DSN Raju  
Director

## **REGISTERED OFFICE**

Plot 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**

Sindhu M S

## **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.

## **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

## **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,  
Punjagutta, Hyderabad 500 082.  
Phones: 040-23356507, 23350586  
E-mail: sta@sathguru.com

---

## CONTENTS

	Pages
Notice .....	4
Directors' Report (DTIL).....	5
Report on Corporate Governance .....	8
General Shareholders Information .....	11
Corporate Governance Certificate .....	14
Management Discussion & Analysis Report .....	15
 <u>Financials of DTIL as on March 31, 2008</u>	
Auditors' Report .....	17
Balance Sheet .....	21
Profit and Loss Account .....	22
Schedules .....	23
Significant Accounting Policies .....	26
Statement of Cash Flows .....	31
Balance Sheet Abstract And Company's General Business Profile .....	32
Directors' Report (DTI) .....	33
 <u>Financials of DTI as on March 31, 2008</u>	
Auditors' Certificate .....	34
Balance Sheet .....	35
Statement of Operations .....	36
Statement of Stockholders' Equity and Cash flows .....	37
Notes on financial statement .....	38
 <u>Consolidated Financials as on March 31, 2008</u>	
Auditors' Report .....	42
Balance Sheet .....	43
Profit and Loss Account .....	44
Schedules .....	45
Significant Accounting Policies .....	48
 <i>Attendance Slip and Proxy Form</i> .....	 51



## NOTICE

Notice is hereby given that the Fifteenth Annual General Meeting of the Company will be held on Saturday, the 27<sup>th</sup> day of September, 2008 at 11.00 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 31<sup>st</sup> March, 2008 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. 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.

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

Place: Hyderabad  
Date: 11<sup>th</sup> July, 2008

Sindhu M S  
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 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 along 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 Wednesday, the 24<sup>th</sup> of September 2008 to Saturday, the 27<sup>th</sup> of September 2008 (both days inclusive).
4. Members seeking any additional information on the accounts of the Company should write to the Company Secretary on or before 24<sup>th</sup> September 2008, 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) 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
6. Information about the re-appointing director:

Mr. DSN Raju is the Non- Executive Director of the Company.

He graduated in Science and Law. He has also completed MBA (Marketing) and M.Phil (Management). Mr. DSN Raju has been associated with industrial sectors like Chemical, Construction, Real Estate, Engineering Trade, Food Processing etc., in various capacities as founder, director and operating chief. Currently, he is also on the board of Sugam Agro-Tech Limited.

He has been associated with our Company right from its inception. Mr. DSN Raju holds NIL equity shares in the Company.



## DIRECTORS' REPORT

To,  
The Members,

Your Directors take pleasure in presenting the 15<sup>th</sup> Annual Report and the Audited Statement of Accounts for the year ended 31<sup>st</sup> March 2008.

### FINANCIAL PERFORMANCE

Key aspects of your Company's financial performance for the year 2007-08 are tabulated below:

*Rs. in Lakhs*

Particulars	2007-08			2006-07		
	DTIL	WOS	Cons.	DTIL	WOS	Cons.
Net sales/Income from operations	825.12	152.38	977.50	887.29	372.56	1259.85
Other Income	55.97	-	55.97	62.63	-	62.63
Total Income	881.09	152.38	1033.47	949.92	372.56	1322.48
Direct cost	572.45	114.35	686.80	651.49	248.58	900.07
Gross Profit / (Loss)	308.64	38.03	346.67	298.43	123.98	422.41
Selling expenses	57.12	53.11	110.23	57.79	148.58	206.37
General & Admin expenses	210.29	24.51	234.80	187.74	26.96	214.70
Profit (Loss) before Interest, Depreciation and Tax	41.23	(39.59)	1.64	52.90	(51.56)	1.34
Interest	5.80	-	5.80	1.34	-	1.34
Depreciation	32.70	1.32	34.02	39.44	1.45	40.89
Net Profit / (Loss) before tax	2.73	(40.91)	(38.18)	12.12	(53.01)	(40.89)
Income tax	2.11	-	2.11	3.56	-	3.56
Deferred taxes	13.96	(13.56)	0.40	2.92	(23.04)	(20.12)
Profit / (Loss) after tax	(13.34)	(27.35)	(40.69)	5.64	(29.97)	(24.33)
Paid up equity share capital	372.03	295.66	372.03	372.03	295.66	372.03
Reserves and Surplus (excl. revaluation reserve)	2782.06	(165.36)	2616.70	2795.40	(174.73)	2620.67
Earnings per share	(0.36)	-	(1.09)	0.15	-	(0.65)

The total sales of the Company have come down by 22.4 %, mainly on the account of 60% drop in the sales of Danlaw Technologies Inc., the WOS. In spite of losses caused by dollar fluctuations, the net loss before tax has been reduced by 6.6%.

### CORPORATE GOVERNANCE

The Corporate governance practices are described separately in page no.8 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.14

### 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 31<sup>st</sup> March 2008.



### **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.

### **DISSOLUTION OF JOINT VENTURE**

The Company has dissolved its Joint Venture, M/s. Danlaw CNA Systems Ltd (entered into by the Company with M/s. CNA Group Ltd & Mr. G V Subba Rao), and has divested its stake of 40% equity shares held in it at their face value.

### **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 31<sup>st</sup> March 2008, 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 31<sup>st</sup> March 2008 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 2007-2008 have been prepared on a going concern basis.

### **DIRECTORS**

Mr. D S N Raju 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 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) **Research & Development :** Your Company has a team of persons working on R&D. The Company incurred a deferred revenue expenditure of Rs. 41,51,523 on R & D during the year under review as compared to Rs.1, 31,82,407 during the previous year.
- (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	2007-2008 INR	2006-2007 INR
Earnings	3,97,18,129	3,80,22,031
Outgo	1,28,36,687	72,44,220

**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  
 11<sup>th</sup> July, 2008

Raju S Dandu  
 Chairman & Managing Director





## REPORT ON CORPORATE GOVERNANCE

### 1. The Philosophy and the Policy

At Danlaw, we strongly believe that the core value of corporate governance truly does rest in the principles of integrity, fairness, equality, transparency and accountability. Corporate Governance is, for us, the means by which the values, principles and policies of the Company are manifested.

The Company recognizes the importance of good Corporate Governance to ensure sustainable returns to all shareholders of the Company.

### 2. The Board and its Meetings

The Board consists of five directors of whom three are Independent Non-Executive directors. The Board has appointed Mr. M A Ashok Kumar as alternate director to Mr. Lloyd R Lawrence.

Four meetings of the Board of Directors were held during the financial year 2007-2008 on 30<sup>th</sup> April '07, 30<sup>th</sup> July '07, 26<sup>th</sup> October '07 and on 30<sup>th</sup> January '08.

The particulars of directors, their attendance and other directorships, memberships / chairmanships of committees for the financial year 2007-2008 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	1	Nil	Nil
DSN Raju	Promoter Non-Executive	4	Yes	1	Nil	Nil
V. K. Menon	Independent Non-executive	3	Yes	-	-	-
Prakash Kenjale	Independent Non-executive	4	No	1	Nil	Nil
Lloyd R Lawrence	Independent Non-executive	-	-	-	-	-
M. A. Ashok Kumar*	Independent Non-executive	4	Yes	2	Nil	Nil

\*Mr. M A Ashok Kumar, being the alternate director to Mr. Lloyd R Lawrence, attended the meetings.

### 3. The Committees of the Board

#### a) Audit Committee

The Audit Committee consists of three directors as its members, out of whom two are independent non-executive directors and one is promoter-managing director.

The composition of the Audit Committee as on date is given below:

Name of the Member	Category
Mr. V K Menon (Chairman)	Independent, Non-Executive
Mr. Raju S Dandu	Promoter, Executive
Mr. Prakash S Kenjale	Independent, Non-Executive
Ms. Sindhu M S	Secretary

The Audit Committee met 4 times during the year and the gap between two meetings did not exceed four months. The dates on which the Audit Committee Meetings were held were as follows: 30<sup>th</sup> April '07, 30<sup>th</sup> July '07, 26<sup>th</sup> October '07 and on 30<sup>th</sup> January '08.

The Chairman of the Audit Committee, Mr. V K Menon was present at the Annual General Meeting of the Company held on 29<sup>th</sup> September, 2007.

The terms of reference to the Audit Committee are in line with the powers, duties and responsibilities stipulated in the 'Audit Committee Charter' drafted as per Clause 49 of the Listing Agreement and adopted by the Board.

**b) Remuneration Committee**

The Company has a Remuneration Committee comprising the Non-Executive Directors Mr. M A Ashok Kumar [Chairman], Mr. V K Menon and Mr. Prakash S Kenjale. The terms of reference are review of the compensation policy for the Executive Directors. Accordingly, they are authorised to negotiate, finalise and approve the terms of appointment for Managing Director/Whole-time Directors on behalf of the Company.

**Details of remuneration to Directors**

The Managing Director is paid monthly remuneration by way of salary as approved by the committee, board and the members. The following is the remuneration paid to the Board Members during the financial year 2007-2008:

Name	Salary	Contribution To PF	Perks	Sitting Fee	TOTAL
Raju S Dandu	1080000	129600	598	-	1210198
D S N Raju	-	-	-	-	-
V K Menon	-	-	-	-	-
Prakash S Kenjale	-	-	-	40000	-
M A Ashok Kumar	-	-	-	-	-

**c) Share Transfer and Investors' Grievance Committee**

Mr. M A Ashok Kumar chairs the Committee; with the other member being Mr. Raju S Dandu. Mr. A Bhaskara Rao, Company Secretary was the Compliance Officer and was responsible for the share transfers / demat and remat requests. M/s. Sathguru Management Consultants Pvt. Ltd., the Registrars and Share Transfer Agents, maintains the share accounting package and upgrades the data on weekly basis, as per the information received from NSDL / CDSL. Only one investor complaint was received during the entire financial year, which was duly resolved.

Mr. A Bhaskara Rao, resigned from the post of Company Secretary w.e.f. 11<sup>th</sup> March, 2008. The Company Secretary Ms. Sindhu M S is appointed as the Compliance Officer w.e.f. 4<sup>th</sup> April, 2008.