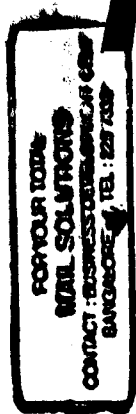


MRO-TEK LIMITED



ANNUAL REPORT

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2002-2003



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ANNUAL REPORT 2002 - 2003**BOARD OF DIRECTORS**

S. NARAYANAN	<i>Chairman & Managing Director</i>
H. NANDI	<i>Managing Director</i>
RAJ B. VATTIKUTI	<i>Director</i>
R. RAJAGOPALAN	<i>Director</i>
N. SIVARAM	<i>Director</i>
A. MOHAN RAO	<i>Director</i>
K. SUBRAHMANYAM	<i>Alternate Director to Raj B. Vattikuti</i>
R. RAMASWAMY	<i>CFO & Company Secretary</i>

REGISTERED OFFICE

"MRO House"
14, 1st 'D' Main Road
Ganganagar
Bangalore - 560032
Ph : (91)(80) 3332951

MANUFACTURING UNIT

29-B, Electronics City
Hosur Road, Bangalore - 560100
Ph : (91)(80) 8520544

MARKETING OFFICES

Lovlesh Court
Off Turner Road
CTS, No.F/1412
Bandra, Mumbai - 400 050
Ph : (91)(22) 6407311

Flat #711A
International Trade Tower
Nehruplace, New Delhi - 110 009
Ph : (91)(11) 6449164

BANKERS

State Bank of India
Canara Bank

STATUTORY AUDITORS

Narayanan, Patil & Ramesh
Chartered Accountants
103, 1st Floor, Brigade Links
54/1, I Main Road
Seshadripuram
Bangalore - 560020
Ph : (91)(80) 3343014

INTERNAL AUDITORS

Tambakad and Goil
Chartered Accountants
3, Classique Mansion
6th Cross, HAL 2nd Stage
Off Airport Road
Bangalore - 560008
Ph : (91)(80) 5211427

**REGISTRARS & SHARE
TRANSFER AGENTS**

Karvy Consultants Limited
TKN Complex, No.51/2
Vanivilas Road
Opp : National College
Basavanagudi
Bangalore - 560 004
Ph : (91)(80) 6621192

MRO-TEK LIMITED

NOTICE

The Members
MRO-TEK LIMITED

NOTICE is hereby given that the Nineteenth Annual General Meeting of the Company will be held on Wednesday, 6 August 2003, at Hotel Woodlands, Chandini Hall, Rajaram Mohan Roy Road, Bangalore- 560 025, at 16.00 hours, to transact the following business :

1. To receive, consider and adopt the audited Balance Sheet as at 31 March 2003, and the Profit and Loss account for the year ended that date, along with the report of Directors and Auditors thereon.
2. To declare Dividend.
3. To appoint a Director in place of Mr. A. Mohan Rao, who retires by rotation and who, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. N. Sivaram, who retires by rotation and who, being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution** :

"RESOLVED hereby that, pursuant to Sections 198, 269 and 309 of the Companies Act, 1956, and in terms of Schedule XIII thereto and other applicable provisions thereof, approval of the Company is hereby accorded for the re-appointment of Mr. S. Narayanan as Chairman & Managing Director of the Company, for a period of five years with effect from 1 April 2003, on such terms, conditions as set out below."

"RESOLVED further that, out of the total tenure of five years, Remuneration as detailed below be paid for the first three years commencing from 1 April 2003, and ending with 31 March 2006, and for the balance two years commencing from 1 April 2006 and ending with 31 March 2008, a suitable remuneration be fixed at an appropriate time later.

- a. Basic Remuneration : Rs. 3,50,000 per month(Rupees Three Lacs Fifty Thousand Only);
- b. Provident Fund & Superannuation : At such percentage as is applicable from time to time under the Statute and, paid in respect of other senior executives of the Company.
- c. Commission on Net Profit : Commission on Net Profits not exceeding an amount equivalent to five percent of Net Profit of the Company for that financial year, as reduced by the yearly remuneration by way of basic salary stipulated above, and that, such Commission be computed as provided under Sections. 349, 350, 351, and any other provisions as may be applicable under any other Section/s of the Companies Act, 1956.
- d. Gratuity : Not exceeding 15 days salary for each completed year of service.
- e. Casual & Earned Leave : As per rules applicable to other executives of the Company with a provision that, unavailed leave can be encashed at the end of every tenure.
- f. Car & Telephone : Free use of Car on Company's business and telephone at residence, except that personal use of car and long distance personal calls shall be charged to the Chairman & Managing Director.
- g. Minimum Remuneration : Notwithstanding anything to the contrary herein contained, during the currency of the first three years of the tenure of the Chairman & Managing Director viz., the three year period commencing from 1 April 2003 and ending with 31 March 2006, where, in any financial year, the Company has no profits or its profits are inadequate, remuneration as provided above, except Commission on Net Profit stated under (c) above, be paid as Minimum Remuneration, subject to approval of the Central Government, if required. "

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7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special** Resolution.

"RESOLVED hereby that, pursuant to Sections 198, 269 and 309 of the Companies Act, 1956, and in terms of Schedule XIII thereto and other applicable provisions thereof, approval of the Company is hereby accorded for the re-appointment of Mr. H. Nandi, Managing Director of the Company, for a period of five years with effect from 1 April 2003, on such terms, conditions as set out below."

"RESOLVED further that, out of the total tenure of five years, Remuneration as detailed below be paid for the first three years commencing from 1 April 2003, and ending with 31 March 2006, and for the balance two years commencing from 1 April 2006 and ending with 31 March 2008, a suitable remuneration be fixed at an appropriate time later.

- a. Basic Remuneration : Rs. 350,000 per month(Rupees Three Lacs Fifty Thousand Only);
- b. Provident Fund & Superannuation : At such percentage as is applicable from time to time under the Statute and, paid in respect of other senior executives of the Company.
- c. Commission on Net Profit : Commission on Net Profits not exceeding an amount equivalent to five percent of Net Profit of the Company for that financial year, as reduced by the yearly remuneration by way of basic salary stipulated above, and that, such Commission be computed as provided under Sections 349, 350, 351, and any other provisions as may be applicable under any other Section/s of the Companies Act, 1956.
- d. Gratuity : Not exceeding 15 Days salary for each completed year of service.
- e. Casual & Earned Leave : As per rules applicable to other executives of the Company with a provision that, unavailed leave can be encashed at the end of every tenure.
- f. Car & Telephone : Free use of Car on Company's business and telephone at residence, except that personal use of car and long distance personal calls shall be charged to the Managing Director.
- g. Minimum Remuneration : Notwithstanding anything to the contrary herein contained, during the currency of the first three years of the tenure of the Managing Director viz., the three year period commencing from 1 April 2003 and ending with 31 March 2006, where, in any financial year, the Company has no profits or its profits are inadequate, remuneration as provided above, except Commission on Net Profit stated under (c) above, be paid as Minimum Remuneration, subject to approval of the Central Government, if required. "

By Order of the Board of Directors

Place : Bangalore
Date : 23 June 2003

R. Ramaswamy
CFO & Company Secretary

Notes :

1. A member entitled to attend and vote at the meeting, is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member.
2. The proxy-form, in order to be effective, should be received at the Registered Office of the Company, not less than forty-eight hours before the Annual General Meeting.
3. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, relating to the Special Business is annexed hereto.
4. The Register of Members and Share transfer books of the Company will remain closed from 25 July 2003 to 6 August 2003 (both days inclusive) in connection with the dividend being considered for approval in this Annual General Meeting.
5. Subject to the provisions of Section 206A of the Companies Act, 1956, Dividend as recommended by the Board of Directors, if declared at the meeting, will be disbursed on or after 6 August 2003, to the members whose names appear in the register of members of Company as on the date of this Annual General Meeting i.e. 6 August 2003.

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6. Under Section 205A of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of payment is required to be transferred to the Investor Education and Protection Fund of the Central Government.
7. Members who have not encashed the dividend warrant(s) so far for any of the dividends declared earlier, viz., dividend(s) for 1996 or any subsequent dividend payment(s) are requested to make their claims to the Company immediately. Please note that as per Section 205-C of the Companies Act, 1956, no claim shall lie against the Company or the said Fund, in respect of individual amounts which remain unclaimed or unpaid for a period of seven years from the date of payment, and no payment shall be made in respect of any such claims.
8. Members are requested to intimate all changes with respect to their bank details, nomination, power of attorney, change of address, change in name etc. to their depository participant (DP) and / or the Registrars & Share Transfer Agents (RTA) of the Company.

Explanatory statement

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

Item No.6 & 7:

The present five-year tenure of Mr S.Narayanan as Chairman & Managing Director and Mr H.Nandi, as Managing Director of the Company, having been appointed on 1 April 1998, ended on 31 March 2003.

During this tenure, the last drawn remuneration of said Mr S.Narayanan and Mr H.Nandi was:

- a) Basic Salary: Rs 175,000 (Rupees One Lac Seventy Five Thousand only) per person, per month;
- b) Provident Fund & Superannuation : At 12 % and 15% respectively of Basic Salary, as was applicable to other executives of the Company;
- c) Commission on Net Profit : Amount equivalent of 5%, per person, of Net Profit of the Company, as reduced by the basic salary aforesaid calculated for that year, such commission to be computed as provided under Secs. 349, 350,351 and other applicable provisions under the Companies Act, 1956, within the limits of five percent per person, and ten percent total, stipulated under Sec.198, and any other Section/s as may be applicable under the Companies Act, 1956.
- d) Gratuity : Not exceeding half a month's salary for each completed year of service.
- e) Casual & Earned Leave : As per rules applicable to the executives of the Company with a provision that, unavailed leave can be encashed at the end every tenure.
- f) Car & Telephone: Free use of Car on Company's business and telephone at residence, with a provision that personal use of car and personal long distance calls shall be billed to the said whole-time Directors.
- g) Minimum Remuneration: Where in any financial year, the Company had no profits, or its profits were inadequate, remuneration as provided above, except Commission on Net Profit stated under (c) above, be paid as Minimum Remuneration, subject to approval of the Central Government, if required.

The above were in accordance with a resolution passed by the members of the Company at their Extra-ordinary General Meeting held on 20 May 1998, read with another resolution passed by the members at an Extra-ordinary General Meeting held on 29 April 1999, based on the then prevailing guidelines and stipulations under the Companies Act, 1956.

Duly recognising the contributions made by said Mr. S Narayanan and Mr H.Nandi, to the Company right from the date of incorporation of the Company and, duly acknowledging the fact that, but for their sustained and dedicated efforts, the Company could never have attained its present stature, and also considering the fact that their continued involvement is absolutely essential to achieve further growth and to sustain the present developmental activities in taking your Company to the global markets, your Directors strongly recommend re-appointment of Mr. S.Narayanan and Mr H.Nandi as Chairman & Managing Director and Managing Director respectively, for a further period of five years effective from 1 April 2003, ending with 31 March 2008.

The Remuneration Committee as well as the Directors recommend that, the remuneration payable to the said Mr S.Narayanan and Mr H.Nandi during the presently proposed five year tenure commencing 1 April 2003, and ending with 31 March 2008, be fixed in accordance with the presently applicable guidelines and notification dated 16 January 2002 issued by Ministry of Law, Justice and Company Affairs, read with the other relevant provisions in the Companies Act, 1956, relating to Managerial Remuneration payable to Managerial persons.

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Though the present re-appointment is for a period of five years commencing 1 April 2003, the Remuneration Committee and the Directors recommend that the resolutions for remuneration payable be limited to the initial three year period, commencing 1 April 2003 and ending 31 March 2006 in line with Para 1 – Part B - CI (iii) of the said Notification and detailed in the respective resolutions contained in the Notice.

None of the Directors of the Company, except Mr. S. Narayanan and Mr H.Nandi are concerned or interested in these Resolutions.

Statement to Members pursuant to notification no. G.S.R. 36(E) dated 16 January 2002, of Government of India

A. General information

- a. Nature of Industry : Manufacture and dealing in products relating to 'Networking and Access Solutions'
- b. Commencement of Business : April 1984
- c. Financial performance for the year : 2002-03

	Amount in Rupees
Total Revenue	870,153,383
Profit Before Depreciation	57,563,745
Profit Before Taxation	46,439,560
Profit After Taxation	32,426,284

- d. Export performance

Exports for the year	36,060,729
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- e. Foreign investments

Foreign Company	Investment in Rupees
Afintra MRO Sdn Bhd, Malaysia	158,910
MRO-TEK (Singapore) Pte. Ltd.	1,066,600

B. Information about the appointees

Mr S.Narayanan, presently aged 51 years, is an Engineering Graduate in Electronics, from the prestigious Institution of 'Engineering College, Guindy, Madras' having graduated in the year 1974. Thereafter in order to enrich his knowledge in electronic field and various facets of management, he underwent hands-on training by working in reputed companies in various capacities and departments, including R&D and Marketing, in which phase he acquired requisite skills in setting-up an industrial enterprise and successfully running the same.

Mr H.Nandi, presently aged 50 years, is a Post- Graduate in science & Degree in Management from the prestigious Institution of 'St Joseph College, Bangalore', passed in the year of 1975. In order to acquire technical exposure and excellence, he joined reputed organizations, and underwent rigorous training in various fields which gave him adequate knowledge and confidence, not only to specialize in the art of techno-commercial marketing, but also in widening his horizon into other arenas of management specializing, particularly, in administration and finance.

Mr S. Narayanan and Mr H.Nandi jointly founded this Company in the year 1984 and have been instrumental in identifying the activity of data communications and networking, and the products currently manufactured and dealt-with.

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With Mr S.Narayanan looking after Technology, Marketing, Business Development and Customer-related activities, Mr H.Nandi looking after Finance and all factory-related affairs, the Company has grown over the years to its current stature of world-renowned reputation, technological-excellence and enviable delivery, quality & service efficiency, not to mention 'sound financial standing', all of which have been achieved purely with their whole-time involvement and dedication.

Your Directors are fully convinced that the concerted and continued guidance of these two directors is essentially warranted for achieving sustained growth, and successfully going global, particularly at this juncture when technology industries are facing a crisis situation and, your company is poised & positioned to go & grow global, with Branch office of your company now established in the USA, and Joint Ventures established in Malaysia & Singapore.

Remuneration paid in 2002-03

	S. Narayanan	H. Nandi
Salaries	2,100,000	2,100,000
Commission	483,975	483,975
Contributions to PF & Super-annuation	567,000	567,000
Total	3,150,975	3,150,975

Remuneration Proposed & Remuneration Profile :

Remuneration proposed is in accordance with the presently applicable Notification dated 16 January 2002 issued by Ministry of Law, Justice and Company Affairs, read with the other relevant provisions in the Companies Act, 1956, relating to Managerial Remuneration payable to Managerial persons.

The remuneration now proposed is restricted to initial three year period, commencing 1 April 2003 and ending 31 March 2006 in line with Para 1 – Part B - Cl (iii) of the said Notification, though the present re-appointment is for a period of five years commencing 1 April 2003.

The appointees have no pecuniary relationship with Company or Relationship with other Managerial Personnel.

C. Other information

- Reasons for inadequate profits : Not Applicable
- Steps taken or proposed for improvement : Not Applicable
- Expected increase in productivity and profits :

The market for your Company's products – i.e., Networking & Access Equipments always exists. The only need here is to augment such scope to maximum levels and excel particularly in quality of products, quality of supply and quality of services in all of which your company has already earned impeccable laurels and still strives to better. With more thrust on R&D, your company is also rigorously continuing its efforts to develop new products which will have a global market.

The Joint Ventures abroad and the Branch in USA, established recently, should start contributing to enlarging the market and augmenting the revenue of your Company in the coming years. In this setting, despite the general unsatisfactory market condition prevailing in this industry, your Company is very confident and hopeful of increasing productivity and profits in the coming years.

D. Disclosures

- Details of remuneration package to Whole-time directors is furnished in the proposed resolution contained in the Notice.
- Requisite disclosures on other matters are furnished under 'Corporate Governance' forming part of this Report.

REPORT OF DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS

Your Directors have pleasure in presenting herewith their Nineteenth Annual Report on the activities of your Company during the year ended 31 March 2003.

FINANCIAL RESULTS

	2002-2003 (Rs.Millions)	2001-2002 (Rs. Millions)
Total Revenue	965.28	848.68
Profit before Depreciation	57.56	105.73
Depreciation	11.12	8.60
Profit before Taxation	46.44	97.13
Provision for Taxation	14.01	27.69
Profit after Taxation	32.43	69.44
Prior years expenses & Exceptional Items	5.41	11.56
Balance for appropriations	27.02	57.88

APPROPRIATIONS

To General Reserve	3.00	11.10
To Dividend - 16% (previous year-30%)	16.34	30.64
To Dividend Tax – 12.81%	2.10	-
To carry-over to future years	5.58	16.14

DIVIDEND

Considering the strong & comfortable liquidity position of the Company, the requirement of funds relating to projects on hand, and the satisfactory operations during the first quarter of the current year, coupled with comfortable operating margins, your Directors are convinced that, despite considerable reduction in Profit after Taxation, and the consequent reduction in Disbursable Surplus, in upholding the commitment of your Company to maximize returns to the shareholders, dividend at 16% may be considered this year and, accordingly, recommend a dividend of 16% (previous year 30%) on paid-up equity, to be paid to the members whose names stand registered in the Register of Members, as on the date of this Annual General Meeting.

Your Directors are confident that the members would appreciate the circumstances under which your Company is constrained to recommend this dividend at 16%, which is lower than that of the previous year.

PERFORMANCE

During the year under review,

- your Company achieved a gross revenue of Rs.965.28 millions, registering an increase of 14% over that of the previous year;
- actions initiated by your company during the previous year to further strengthen its manufacturing, technical and service skills, yielded results;
- more products were added to the manufacturing base;
- the strong customer base continued to patronize your Company's products, riding purely on the strength of peerless quality and service;
- export earnings grew considerably, giving the fillip and confidence to your Company's capability to successfully compete in the international markets;

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- the selling prices continued to be under pressure due to declining global trend, reducing the operating margins;
- by further streamlining and re-structuring the procurements, and procurement costs, the average operating margin was maintained at 24%;
- however, certain compelling circumstances inevitably constrained your Company to adopt a few fire-fighting measures such as, liquidation of a portion of inventory at salvage value, in order to arrest further erosion in their value and saleability, which resulted in reduced 'contribution' consequently resulting in reduced PBT;
- additionally, absorption of overhead expenses incurred in R&D activities, resetting of a portion of inventory and debtors, as well as statutory write-off due to prevailing accounting standards, had their impact on the PBT.

As a result of all the above, the Profit Before Taxation, at Rs. 46.44 millions, registered a 52% decline as compared to that of the previous year.

Your Directors wish to reassure, that every action shall be taken to arrest such erosions and wish to add that such reduction in profits should not be of concern, since most of the above are of one-time / non-repetitive nature.

PROSPECTS & OUTLOOK

Technological advancements being implemented in the Country, particularly in service sectors such as Banking, Finance, Communication and other infra-structure, assure a never-ceasing demand for your Company's products-viz., Networking and Access products.

In this setting, efficiency lies in positioning of the products at the opportune time & place, coupled with an efficient and constant market prowl.

With the present economic turbulence showing definite signs of cessation, your Directors are hopeful of the global market adequately opening up. Additionally, the products being developed by the R&D section of your Company would positively add, not only flavour but also find favour with the enlightened customers, who are convinced about the superiority of your Company's consistent performance in terms of quality and service.

Exploring export potential, also for services such as Network Design, should deliver better results during the current and coming years.

With all out efforts in maximizing revenues and minimizing expenditure, your Directors are hopeful of presenting more cheerful annual reports in the years to come.

FINANCE

During the year under review, your company made considerable savings in Finance Charges. This was possible by close monitoring of finances, and also successfully achieving

- considerable reduction in interest rates and bank charges;
- swapping Rupee Loans with Foreign Currency Loans, to take advantage of most economical lending rates;
- reduced cycle time on collection of debtors.

The strengthening of Rupee gave that additional edge in import financing.

Your Directors place on record their sincere appreciation for continuing assistance and whole-hearted support from State Bank of India and Canara Bank.

Pending hearing and disposal of the requisite application/s made before the respective Appropriate Authorities, no provision has been made in respect of demand for

- 'short-payment of customs duty' amounting to Rs 64.63 millions, on certain imports made by your company, in the normal course of business, pertaining to software component of equipments so imported and
- 'differential Income-Tax' pertaining to Assessment year 2000-01, amounting to Rs 30.70 millions.

Requisite details pertaining to these have been furnished, under Schedule-17, Notes to Accounts, under Note 22 dealing with 'Contingent Liabilities'.