

MRO-TEK LIMITED

**TWENTIETH
ANNUAL REPORT
2003 - 2004**

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Contents

Board of Directors.....	1
LEGAL SECTION	
Notice.....	2
Report of Directors and Management Discussion & Analysis.....	4
Corporate Governance.....	9
FINANCIALS	
Auditors' Report.....	16
Balance Sheet.....	20
Profit & Loss Account.....	21
Schedules.....	22
Notes & Accounting Policies.....	29
Cash Flow Statement	39
Balance Sheet Abstract and Company's General Business Profile.....	40

ANNUAL REPORT 2003 - 2004**BOARD OF DIRECTORS**

S. NARAYANAN	<i>Chairman & Managing Director</i>
H. NANDI	<i>Managing Director</i>
R. RAJAGOPALAN	<i>Director</i>
N. SIVARAM	<i>Director</i>
A. MOHAN RAO	<i>Director</i>
R. RAMASWAMY	<i>CFO & Company Secretary</i>

REGISTERED OFFICE

"MRO House"
14, 1st 'D' Main Road
Ganganagar
Bangalore - 560032
Ph : (91)(80) 23332951

MANUFACTURING UNIT

29-B, Electronics City
Hosur Road, Bangalore - 560100
Ph : (91)(80) 28520544

MARKETING OFFICES

Lovlesh Court
Off Turner Road
CTS, No.F/1412
Bandra, Mumbai - 400 050
Ph : (91)(22) 26407311

Flat #310 - 311
International Trade Tower
Nehruplace, New Delhi - 110 019
Ph : (91)(11) 26449164/65

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) 23343014

INTERNAL AUDITORS

Tambakad and Goil
Chartered Accountants
3, Classique Mansion
6th Cross, HAL 2nd Stage
Off Airport Road
Bangalore - 560008
Ph : (91)(80) 25211427

REGISTRARS &**SHARE TRANSFER AGENTS**

Karvy Computershare Pvt. Ltd.,
TKN Complex, No.51/2
Vanivilas Road
Opp : National College
Basavanagudi
Bangalore - 560 004
Ph : (91)(80) 26621192

MRO-TEK LIMITED

NOTICE

The Members
MRO-TEK LIMITED

NOTICE is hereby given that the Twentieth Annual General Meeting of the Company will be held on Wednesday, 16 June 2004, at 11.00 hours at Hotel Ajantha, Rohini Hall, 22-A, M.G. Road, Bangalore - 560 001, to transact the following business :

1. To receive, consider and adopt the audited Balance Sheet as at 31 March 2004, 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. R. Rajagopalan, who retires by rotation and who, being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED that subject to the provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956 and the rules framed there under, Listing Agreements, and all other applicable Laws, Rules, Regulations and Guidelines and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modification(s) as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which the Board of Directors of the Company (hereinafter referred to as "the Board"), be and is hereby authorized to accept, the consent of the Company be and is hereby accorded to the Board to De-list the Equity Shares of the Company from the Stock Exchange at Bangalore".

Explanatory statement in respect of Special Business

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

Item 5: Withdrawal from Listing of shares in Bangalore Stock Exchange:

Your company's shares are now enlisted on the following Stock Exchanges:

1. Bangalore Stock Exchange Limited, Bangalore;
2. The Stock Exchange, Mumbai;
3. National Stock Exchange of India Limited, Mumbai

Ever since the day of listing, the statistics establishes that your company's shares are mostly traded only in the The Stock Exchange, Mumbai, and The National Stock Exchange of India Limited, Mumbai, with negligible transactions in the Bangalore Stock Exchange Limited.

In this setting, it is felt desirable to de-list your company's shares from the Bangalore Stock Exchange, as the proposed de-listing is not likely to cause any hardships to any investors, with the wide network facilities and convenient accessibility available to the investors to connect to the The Stock Exchange, Mumbai and the National Stock Exchange of India Limited, from anywhere.

Approval of the Members is hence sought, by way of a Special Resolution, to enable the Board to de-list your Company's equity shares from the Bangalore Stock Exchange Limited, such de-listing to take effect after all approvals, permissions and sanctions are obtained.

ANNUAL REPORT 2003 - 2004

Your Company's shares shall continue to be listed on the The Stock Exchange, Mumbai and the National Stock Exchange of India Limited, Mumbai.

None of the Directors of the Company is in any way concerned or interested in the resolution.

The approval of the members for the resolution is recommended.

By Order of the Board of Directors

Place : Bangalore
Date : 7 May 2004

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 Register of Members and Share transfer books of the Company will remain closed from 2 June 2004 to 16 June 2004 (both days inclusive) in connection with the dividend being considered for approval in the Annual General Meeting.
4. Subject to the Provisions of Section 206A of the Companies Act, 1956, Dividend as recommended by the Board of Directors, if declared at the Annual General Meeting, will be disbursed on or after 16 June 2004.

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MRO-TEK LIMITED**REPORT OF DIRECTORS
AND MANAGEMENT DISCUSSION & ANALYSIS**

Your Directors have pleasure in presenting herewith their Twentieth Annual Report on the activities of your Company during the year ended 31 March 2004.

FINANCIAL RESULTS

	2003-2004 (Rs. Millions)	2002-2003 (Rs. Millions)
Total Revenue	1,105.01	965.28
Profit before Depreciation	84.25	57.56
Depreciation	12.95	11.12
Profit before Taxation	71.30	46.44
Provision for Taxation	19.03	14.01
Profit after Taxation	52.27	32.43
Prior years expenses & Exceptional Items	15.48	5.41
Balance for appropriations	36.79	27.02

APPROPRIATIONS

To General Reserve	10.00	3.00
To Dividend - 20% (previous year-16%)	20.43	16.34
To Dividend Tax – 12.81%	2.62	2.10
To carry-over to future year	3.74	5.58

DIVIDEND

Duly recognizing the increase in Sales Revenue, and the consequent increase in Profit Before Taxes, as well as the Profit After Taxation, your Directors are pleased to recommend a dividend of 20% (previous year 16%) thereby registering commensurate increase in the dividend too.

PERFORMANCE

During the year under review,

- unabated endeavour to further consolidate the existing strong customer base, built purely on the strength of unmatched quality and service, paid results by receiving their continued patronage for your company's products and services;
- new prestigious customers and markets were added, and efforts continued to retain every single customer in their utmost satisfied status;
- in this backdrop, your Company achieved a gross revenue of Rs. 1,105 millions, registering an increase of 14% over that of the previous year;
- export earnings grew further, giving more confidence on capability of your company's products to successfully compete in the international markets too;
- with pressure on the selling prices faced during the previous year, easing considerably in the light of encouraging global market trend, the average operating profit, registered an increase by three percentage points;
- consistent efforts to reduce inventory levels resulted in reduction of Inventory by over 25% than the previous year;

ANNUAL REPORT 2003 - 2004

- the consequent generation of liquidity helped to further ease the liquidity position of your Company and also register a decline in Bank Charges by 60%;
- the R&D section of your Company is in advanced stage of rolling-out new products, set to be done in phases, the fruits of which may be expected to be reaped in the current and coming years,
- however, all the overhead expenses incurred in R&D activities have duly been absorbed, in accordance with the attending accounting standards;
- additionally, resetting of a portion of inventory and debtors was done again this year, in order to reflect more accurate state of affairs;
- Even after absorbing all the above, the Profit Before Taxes, at Rs. 71.30 million, registered a 54% increase, as compared to that of the previous year;
- The Profit After Taxation, at Rs. 52.27 million, also registered a 61% increase over that of the previous year;

Your Directors wish to reassure, all actions shall be taken to sustain such satisfactory margins, and to further consolidate retained earnings.

PROSPECTS & OUTLOOK

The importance of networking and data communication has now garnered so much of importance that, this activity is now regarded and accepted as an absolute necessity and no more a luxury. Your Company's products being directly linked to this activity, the market for the same is assured. However, the need is to continue retaining the satisfied customers which can be achieved only by maintaining the superiority of your Company's products, in terms of technology, quality and timely service.

With the global market showing encouraging signs, and the market trend and Technological advancements registering a positive upward posture, demand for your Company's products falling under Networking and Access activity can only be on the increase, particularly in service sectors such as Banking, Finance, Communication and other infra-structure.

In this satisfactory scenario, constant market prowl, consistent upgrading of technology and shortest response time – the three principles very strongly being applied by your Company, shall ensure retaining its rightfully deserved position of 'the market leader'.

The products now in final stage of development by the R&D section of your Company would further augment the product-line, market and the revenue of your company.

Your Directors are hopeful that, a combination of adequate scope and untiring efforts shall result in more satisfying financial results during the current and coming years.

FINANCE

During the year under review, your company succeeded in further reducing the level of inventory. This, coupled with reduction in level of receivables, further improved the liquidity position of your company, resulting in considerable saving in finance charges.

Close monitoring of finances and receivables added to further easing of liquidity and successfully achieving considerable reduction in finance charges. Rupee's gainful march, against the dollar, provided that additional edge this year too.

Your Directors place on record their sincere appreciation for continuing assistance and whole-hearted support from your company's bankers.

CLAIMS AGAINST THE COMPANY

The proceedings pertaining to the application made by your company before the respective Appropriate Authorities relating to the department's claim for differential customs duty allegedly short-paid on certain imports made by your company, in the normal course of business, pertaining to software component of equipments so imported during the period 1 April 1998 to 31 March 2000, reported to you last year, is still pending final disposal.

MRO-TEK LIMITED

However, out of the Department's total claim of Rs. 64.30 million on this account, relief claimed by your company being only to an extent of Rs. 47.79 million, the balance of Rs 16.51 million has duly been accounted in these accounts under the head 'exceptional expenses'.

The appeal preferred by your company before the Appropriate Authorities relating to demand from the Income-Tax Department for a sum of Rs. 30.70 million as tax payable for the Assessment Year 2000-01, reported to you last year, is also pending final disposal.

During the year under review, similar applications have been preferred by your company, in respect of demands since received from the Department for the two previous assessment years, for amounts totaling Rs. 6.66 million, and these appeals are also pending final disposal.

Requisite details pertaining to these have been furnished, under Note 22 dealing with 'Contingent Liabilities'.

JOINT VENTURES

- a) RAD-MRO Manufacturing Pvt. Ltd., the Joint Venture Company at Bangalore, India, with 51% equity participation by RAD Data Communications Ltd., Israel, and balance 49% by your Company, continued to deliver the intended benefits such as delivery efficiency, access to latest technological developments, and reasonable profits.

During the year under review, this company achieved, as per provisional figures pending audit finalization, a total revenue of Rs. 228.80 million, with a PBT of Rs. 11.06 million and PAT of Rs. 8.64 million.

- b) Afiintra-MRO Sdn Bhd, the Joint Venture Company at Kuala Lumpur, Malaysia, with 51% equity participation by Afiintra Group of Companies, Malaysia, and balance 49% by your Company, has registered a total revenue of Rs. 0.60 million, and Net Profit of Rs. 0.40 million, during the year under review.

With the above, the resultant loss carried-over stood at a meagre Rs. 0.05 million, which is expected to be wiped-out during the current year.

The impact of these financial results have duly been considered and reflected in these accounts, under 'diminution in value of investment' as detailed in Note 26 of NOTES to Accounts attached hereto.

- c) The Joint Venture Company at Singapore viz., MRO-TEK Singapore Pte Ltd, with 50% equity participation by Benchmark Group of Companies, Singapore, and balance 50% by your Company, registered its maiden commercial transaction during the year under review. As reported in the last year, the gestation period for this company, which is in 'service activity' is bound to be longer. Every effort is being taken to expeditiously obtain a few contracts, and commence commercialisation.

During the year under review, this company registered an income of Rs. 0.40 million and, being in its infancy period, a Net Loss of Rs. 1.04 million, proportionate amount of which loss has been provided for, under 'diminution in value of investment' as detailed in Note 26 of NOTES to Accounts attached hereto.

HUMAN RESOURCES & INDUSTRIAL RELATIONS

Your company values and regards the human power as its best and most valuable asset, whose contribution in the good financial standing of the company is deeply appreciated. Every effort is being taken in providing the employees with the best of working ambience, and all assistance is rendered for their achieving the best in leadership qualities, technical knowledge and entrepreneurship.

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all the members excluding the statement containing the particulars of employees to be provided under Section 217(2A) of the Companies Act, 1956. Any member interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Company Secretary for a copy.

ANNUAL REPORT 2003 - 2004**INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY**

Your company remains committed to maintain high standards of internal control designed to provide adequate assurance on the efficiency of operations and security of its assets. The adequacy and effectiveness of the internal control across the various activities, as well as compliance with laid-down systems and policies are comprehensively and frequently monitored by your Company's management at all levels of the organization. The Audit Committee of the Board, which meets at-least four times a year, actively reviews internal control systems as well as financial disclosures.

CONSERVATION OF ENERGY

During the year under review, efforts continued to conserve and avoid wastage of energy in every possible way.

RESEARCH & DEVELOPMENT

Renewal of recognition by Department of Scientific and Industrial Research, Ministry of Science & Technology, Government of India, has been obtained to the in-house R&D section of your Company and its activities.

Efforts continue to globally commercialize the products already developed by this Division, as also to expeditiously complete developmental activity on certain other products now in advanced stage. Market as well as Technological Research & Development activities continue for other, additional, allied products.

Your Directors are hopeful that, with their concerted efforts, adequate market shall be expeditiously be established for these Metro Access Products, even in developed countries such as USA, Japan, Europe and Asia Pac where considerable scope exists.

Steps have already been initiated for adequately protecting the patent rights & the Trademark, pertaining to these products.

A Marketing Office/Branch has also been established in the USA, through which considerable product awareness in the relevant markets has been propagated. The initial feed-back from this area is encouraging. Your Directors are hopeful of reaping the operational and financial benefits of these products in the coming years.

During the year under review, an additional amount of Rs.12.63 million (Prev. year- Rs.12.58 million) has been invested in equipments required for this Division. Apart from the same, an amount of Rs. 24.24 million (Prev. year- Rs.11.27 million) has been defrayed towards Revenue Expenses, which has been absorbed in these accounts, in accordance with the attending accounting standards.

TECHNOLOGY ABSORPTION

Constant endeavour continues to assimilate globally-latest technological trends, through online updation by the principals, training of technical staff of your Company at various sites, also of the principals, and periodical visits by the technical executives of the principals exclusively for imparting training to the staff of your Company.

The activities pertaining to indigenisation of technology and components, as well as implementation of Value-engineering and cost saving methods, are now assigned to a dedicated Engineering cell.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year under review, the export earnings registered considerable growth, confirming your company's confidence in their capabilities to compete internationally. With commercialization of products now under development by the R&D division of your Company, the scope, potential and market for your company's products are expected to enlarge and yield higher results in the coming years. Efforts also continue to minimize foreign exchange outflow by the process of indigenisation.

Full details of foreign exchange earnings and expenditure are furnished under note no. 20 and 21 of NOTES on Accounts.

CORPORATE GOVERNANCE

A detailed compliance note on Corporate Governance, as required under the provisions in the listing agreement with the Stock Exchanges, together with the certificate of Statutory Auditors thereon, is attached to this report.

MANAGEMENT DISCUSSION AND ANALYSIS

As requisite and appropriate Management Discussion & Analysis is covered under this Report itself, a separate note on the same is not being furnished.

MRO-TEK LIMITED**DIRECTORS**

Mr. Raj B.Vattikuti, resigned with effect from 6 August 2003, due to personal reasons. Consequent upon his resignation, the term of directorship of Mr. K. Subrahmaniam- the nominee and alternate director for Mr. Raj B. Vattikuti, also ended on 6 August 2003. Your Directors place on record the laudable services rendered by Mr. Raj B.Vattikuti and Mr. K. Subrahmaniam during their tenure of directorship.

Mr. R. Rajagopalan, retires by rotation at this meeting, and being eligible, offers himself for re-appointment. This resolution is commended for shareholders approval.

AUDITORS

M/s. Narayanan, Patil & Ramesh, Chartered Accountants, Bangalore, retire as Statutory Auditors with the conclusion of this Annual General Meeting. Being eligible for re-appointment, the Directors recommend their re-appointment.

ACKNOWLEDGEMENTS

Your Directors place on record their sincere gratitude to the continuing patronage of our valued Customers, who have sustained their support and encouragement to your Company.

Your Directors also place on record, their sincere appreciation of the dedication and commitment of the Company staff at all levels, who have together been responsible for the growth of the Company.

Your Directors wish to register their acknowledgement and appreciation for the timely support and co-operation being extended by the Banks and all their Executives.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of Companies Act, 1956, your Directors hereby confirm that

- in the preparation of these annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
- they have selected such accounting policies and applied them consistently and made 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 at the end of the financial year and of the profits for that period;
- they have taken proper and sufficient care 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;
- they have prepared annual accounts on a 'going concern' basis.

For & on behalf of the Board of Directors

Place : Bangalore
Date : 7 May 2004

S. Narayanan
Chairman & Managing Director