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MRO-TEK LIMITED
ANNUAL REPORT 2007-2008

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BOARD OF DIRECTORS

S. Narayanan	Chairman & Managing Director
H. Nandi	Managing Director
R. Rajagopalan	Director
A. Mohan Rao	Director
N. Sivaram	Director
A. Murali	Director
R. Ramaswamy	CFO & Company Secretary

Registered office

Bellary Road
Hebbal
Bangalore - 560 024
Ph : (91) (80) 23332951

Manufacturing Unit

29-B, Electronic City
Hosur Road, Bangalore - 560 100
Ph : (91) (80) 28520544

Marketing Offices

1st Floor
Lavlesh Court
Varde Marg, Bandra (West)
Mumbai - 400 050
Ph : (91) (22) 26407311

No. 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 - 560 020

Internal auditors

Tambakad and Goil
Chartered Accountants
3, Classique Mansion
6th Cross, HAL 2nd Stage
Off Airport Road
Bangalore - 560 008

Registrars &

Share transfer agents

Karvy Computershare Pvt Ltd
Plot No.17-24
Vittalrao Nagar, Madhapur
Hyderabad- 500 081
Ph : 040-23420815
Fax : 040-23420812
e-mail: mailmanager@karvy.com

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ANNUAL REPORT 2007-08**NOTICE**

The Members
MRO-TEK LIMITED

NOTICE is hereby given that the Twenty Fourth Annual General Meeting of the Company will be held at 11.00 hours on Wednesday, 25 June 2008, at Hotel Woodlands, The Krishna Hall, Rajaram Mohan Roy Road, Bangalore - 560 025, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31 March 2008, 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 N.Sivaram, who retires by rotation and who, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of A. Murali, 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 that in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended from time to time, and any other laws for the time being in force, consent of the members of the Company be and is hereby accorded for amendment, in Employee Stock Option Scheme (ESOS Scheme) for employees of the Company, by incorporating the following clause, relating to tax liability:

Tax Deduction at Source / Fringe Benefit Tax / other taxes and obligations:

Notwithstanding anything contained in this Scheme, or any other agreement or scheme under which Options have been granted or to be granted, on or after 1 April 2007, to an Employee, the Company shall have the right to deduct and/or recover, relating to or in connection with all Awards, any and all taxes required by law to be deducted at source or otherwise, and shall also recover any taxes, whether direct or indirect tax, or any other cess, levy and other governmental charges, duties, impositions and liabilities, by whatever name called including, without limitation, fringe benefit tax, leviable or whether directly or indirectly payable by the Company, at the time of the grant or vesting or exercise or allotment of the options or the shares, or at any different point of time."

"RESOLVED FURTHER that, for the purpose of giving effect to the above resolution, the Board (including any committee thereof) be and is hereby authorized

to do all such acts, deeds, matters and things as may be necessary or expedient in this regard."

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 Section 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 be and is hereby accorded, for the re-appointment of S Narayanan as Chairman & Managing Director, of the Company, for a period of five years with effect from 1 April 2008, on 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 two years commencing from 1 April 2008, and ending with 31 March 2010, and for the balance three years commencing from 1 April 2010 and ending with 31 March 2013, a suitable remuneration be fixed at an appropriate time later.

- a. Basic Salary: Rs. 5,00,000 per month (Rupees Five Lacs 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, and that the periodicity and quantum of disbursement of the same, be finalized by the Compensation Committee and the Board of Directors;
- 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.

Minimum Remuneration: Notwithstanding anything to the contrary herein contained, during the period of two years, commencing from 1 April 2008, and ending with 31 March 2010, where, in any financial year, the Company has no profits or its profits are inadequate, remuneration as provided above, be paid as Minimum Remuneration, excepting that, the Basic Salary stated under (a) above, be restricted at Rs 3,50,000 (Rupees Three Lacs Fifty

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Thousand only), as provided under the presently applicable Notification dated 16 January 2002, relating to Section II of Part II of Schedule XIII to the Companies Act, 1956, issued by the Ministry of Law, Justice & Company Affairs, Government of India, or a higher amount which may be prescribed under a future amendment, if any, and that Commission on Net Profit stated under (c) above shall not be applicable”.

8. 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 Section 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 be and is hereby accorded, for the re-appointment of H.Nandi, as Managing Director, of the Company, for a period of five years with effect from 1 April 2008, on 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 two years commencing from 1 April 2008, and ending with 31 March 2010, and for the balance three years commencing from 1 April 2010 and ending with 31 March 2013, a suitable remuneration be fixed at an appropriate time later.

- a. Basic Salary: Rs. 5,00,000 per month (Rupees Five Lacs 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,

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 14 June 2008 to 25 June 2008 (both days inclusive) in connection with the final dividend being considered for approval in the Annual General Meeting.
4. Subject to the provisions of Sec 206 A of the Companies Act, 1956, dividend as recommended by the Board of Directors, if declared at the Annual General Meeting,

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, and that the periodicity and quantum of disbursement of the same, be finalized by the Compensation Committee and the Board of Directors;

- 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.

Minimum Remuneration: Notwithstanding anything to the contrary herein contained, during the period of two years, commencing from 1 April 2008, and ending with 31 March 2010, where, in any financial year, the Company has no profits or its profits are inadequate, remuneration as provided above, be paid as Minimum Remuneration, excepting that, the Basic Salary stated under (a) above, be restricted at Rs 3,50,000 (Rupees Three Lacs Fifty Thousand only), as provided under the presently applicable Notification dated 16 January 2002, relating to Section II of Part II of Schedule XIII to the Companies Act, 1956, issued by the Ministry of Law, Justice & Company Affairs, Government of India, or a higher amount which may be prescribed under a future amendment, if any, and that Commission on Net Profit stated under (c) above shall not be applicable”.

by Order of the Board of Directors

Place : Bangalore
Date : 14 May 2008

R. Ramaswamy
Company Secretary

shall be disbursed on or after 25 June 2008, and before 24 July 2008.

5. 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 and under Section 205-C, of the Companies Act, 1956, no claim shall lie against the Company or the said Fund, in respect of individual amount/s 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.
6. In view of the above, members who have not encashed the dividend warrant(s) so far for any of the dividends declared for the year 2000-2001, or for any subsequent

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year/s, are requested to make their claims immediately to the Company.

7. Members may address all their communications relating to dividend or any other grievance/s, directly to the Shares Department to the company's Registered Office or send e-mail to the dedicated e-mail ID grd@mro-tek.com.

8. The Company proposes to continue ECS mode for disbursal of final dividend now proposed. Hence, **members are requested to** update their bank account details and also to **intimate all changes** with respect to their nomination, power of attorney, change of address, change in name, etc. **to their respective DP.**

Explanatory statement in respect of Special Business

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

Item 6

Amendment to ESOS Scheme

The Shareholders of the company at the Annual General Meeting held on 10 August 2005, approved the proposal for issue of stock options to eligible employees and directors of the company, by earmarking 10,00,000 equity shares for the purpose of Employees Stock Options Scheme, (ESOS Scheme).

In the 2007-08 Budget, Government of India have levied Fringe Benefit Tax (FBT) on Employee Stock Options (ESOPs) under the Income Tax Act, 1961. Section 115WA of the Act provides that, in respect of stock options which are granted, or vested in, or exercised by, the eligible employees on or after 1st April 2007, FBT is to be paid by the Company. Section 115WKA further provides that the amount so paid/ payable by the Company can be recovered from the employees, by amending the ESOS Schemes to this effect.

Therefore, to amend the ESOS scheme of our Company, to provide, among others, for recovery of such FBT and any other tax, cess and similar levies from the employees of the Company, in respect of any grant, vesting or exercise of stock options on or after 1 April 2007, your Directors now seek the approval of the shareholders by way of this special resolution.

The Directors of the Company may be deemed to be interested/concerned, to the extent of their shareholding in the Company and to the extent they may be covered by the Employee Stock Option Scheme.

Items 7 & 8

Re-appointment of, and remuneration payable to, whole-time Directors

By a resolution passed by the members of the Company at their Annual General Meeting held on 6 August 2003, S.Narayanan and H.Nandi, were appointed as Chairman & Managing Director, and Managing Director, respectively of the Company, for a period of five years effective from 1 April 2003, which tenure ended on 31 March 2008.

During this tenure, the remuneration payable to said S.Narayanan and H.Nandi, based on prevailing guidelines and stipulations under the Companies Act, 1956, and in accordance with resolutions passed by the members at their Annual General Meeting held on 6 August 2003 (for the first three years –viz., 1 April 2003 to 31 March 2006) and on 28 June 2006 (for the remainder two years –viz., 1 April 2006 to 31 March 2008), was approved at an amount, equivalent to five percent of Net Profit of the Company for each of the financial years, computed as provided under Sec. 349, 350, 351, and any other provisions as may be applicable under any other Section/s of the Companies Act, 1956, with a provision to pay, within the aforesaid limit of five percent of Net Profit, an amount of Rs 5,00,000 per month as Basic Salary (which was enhanced for the last two years of the tenure from Rs 3,50,000 during the first three years), and to pay the incremental amount such five percent of Net Profit bears over and above the Basic Salary, as Commission on Net Profit.

The said resolution/s also approved payment / provision of the following, as was applicable to other executives of the Company:

- a) Provident Fund & Superannuation contributions, at 12 % and 15% respectively of Basic Salary;
- b) Gratuity at half a month's salary for each completed year of service;
- c) Casual & Earned Leave : As per rules of the Company applicable to the other executives, with a provision that, unavailed leave can be encashed at the end every tenure;
- d) 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;
- e) Minimum Remuneration: Where in any financial year, the Company had no profits, or its profits were inadequate, remuneration as provided above, but with Basic Salary restricted at Rs 3,50,000 per month, except Commission on Net Profit, be paid as Minimum Remuneration, subject to approval of the Central Government, if required.

Duly recognizing the contributions continuing to be made to the Company and its activities, by S Narayanan and H.Nandi and duly acknowledging their sustained and dedicated efforts and role in steering the Company to its present stature, and also considering the fact that their continued involvement is absolutely essential to sustain and achieve further growth, your Directors strongly recommend re-appointment of S.Narayanan and H.Nandi as Chairman & Managing Director and Managing Director, respectively, for a further period of five years from 1 April 2008, ending with 31 March 2013.

The Remuneration Committee as well as the Directors recommend that, the remuneration payable to the said S. Narayanan and H.Nandi during the presently proposed five year tenure commencing 1 April 2008, and ending with 31 March 2013, be fixed in accordance with the presently applicable guidelines and notification dated 16 January 2002

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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, and detailed in the respective resolutions contained in the Notice.

Though the present re-appointment is for a period of five years commencing 1 April 2008, the Remuneration Committee and the Directors recommend that the resolutions for remuneration payable be limited to the initial two year period, commencing 1 April 2008 and ending 31 March 2010, within the parameter of three years stipulated under Para 1 – Part B - Cl (iii) of the said Notification.

None of the Directors of the Company, except S. Narayanan and 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

- Nature of Industry : Manufacture and dealing in products relating to 'Access and Networking Solutions'
- Commencement of Business: **April 1984**
- Financial performance for the year : **2007-08**

	Amount in Rupees
Total Revenue	1,39,52,95,075
Profit Before Depreciation	24,02,91,096
Profit Before Taxation	21,43,31,438
Profit After Taxation	15,58,07,484

d. Export performance

Exports for the year	7,87,95,084
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e. Foreign investments

Foreign Company	Investment in Rupees
Nil	N/A

B. Information about the appointees

S.Narayanan, presently aged around 55 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.

H.Nandi, presently aged around 54 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.

S. Narayanan and 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.

S.Narayanan looks after technology, marketing, business development and customer-related activities, while H.Nandi looks after finance and all factory/ manufacturing related affairs, and have jointly been responsible for the Company's growth over the years, to its current coveted stature of sound technical and financial standing, 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 your company is poised and positioned to go and grow global.

Remuneration paid in 2007-08 (in Rs)

Details	S.Narayanan	H.Nandi
Salary	60,00,000	60,00,000
Commission	60,67,586	60,67,586
Contributions to PF & Super-annuation Fund	16,20,000	16,20,000
Total	1,36,87,586	1,36,87,586

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 two year period, commencing 1 April 2008 and ending 31 March 2010 within the parameter of 'three-year-period' stipulated under 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 2008.

The requisite resolution/s for fixing remuneration during the remainder period of three years – viz., 1 April 2010 and ending 31 March 2013, shall be taken-up at an appropriate later period.

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

ANNUAL REPORT 2007-08**C. Other information**

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

With the thrust, shown and demonstrated by the Government and the Industry, on development of infra-structure facilities, the backbone of which lies with, and in, the field/s of Networking & Communication, the market for your Company's products is committed to swell continuously, thrusting upon the Management, the need to continually keep a vigil on such growing market, technology and scope, to maximize and excel, more particularly in quality of products, quality of supply and quality of services, in order to keep at bay, the growing competition, and achieve the best for your Company, even under most trying conditions. Your

company having already earned impeccable laurels in terms of technology, quality, supply and services, the ongoing endeavor, is not only to sustain such reputation, but also to further improve the same.

With continuous efforts in the above directions, and continuing ability to develop and offer new products periodically required by the Customers and the Industry, your Company is very confident and hopeful of sustaining the achieved increase in productivity and profits, in the coming years too.

D. Disclosures

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



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REPORT OF DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS

Your Directors have pleasure in presenting herewith their Twenty Fourth Annual Report on the activities of your Company during the year ended 31 March 2008.

FINANCIAL RESULTS

	2007-2008 (Rs. Lacs)	2006-2007 (Rs. Lacs)
Net Revenue	13,952.95	11,554.18
Profit before Depreciation	2,402.91	1,803.83
Depreciation	259.60	297.14
Profit before Taxation	2,143.31	1,506.69
Provision for Taxation	585.24	434.88
Profit after Taxation	1,558.07	1,071.81
Prior year income / (expenditure)	8.29	(21.62)
Balance for appropriations	1,566.36	1,050.19

APPROPRIATIONS

To General Reserve	160.00	150.00
To Interim Dividend paid - 20% (previous year - 20%)	189.86	204.30
To Dividend Tax (on interim dividend)	32.27	28.65
To Final Dividend - 40% (previous year-20%)	379.72	207.42
To Dividend Tax (on final dividend)	64.53	35.25
To carry-over to Balance Sheet	739.98	424.57

DIVIDEND

Higher revenue and profits during the year, provide adequate scope for your Directors to recommend a final dividend at a higher percentage of 40 (Re 2 per share), in addition to the Interim dividend of 20% (Re 1 per share) disbursed in February 2008, thereby aggregating to a total dividend of 60% for the year, amounting to Rs 3 per share of face value Rs 5 each.

PERFORMANCE

During the year under review,

- steady boom in the telecom sector, resulting in need by the service-providers to enlarge their capacity and infrastructure, provided the much-needed scope for your company, to increase its sales – both by volume and value;
- unswerving trust, by the customers, in products of your company, was accomplished by strict adherence, by your company, to quality, cost-control & prompt service, which also facilitated combating the persisting competition & pressing market situations;

- with the above, your company achieved a Net Sale Revenue of Rs. 13,227 lacs, higher by 20% approx as compared to that of the previous year;
- Total Revenue increased from Rs 11,554 lacs to Rs. 13,953 lacs resulting in PBT of Rs.2,143 lacs and PAT of Rs.1,558 lacs, higher by 42% and 45% respectively, compared to that of previous year;
- plant capacity was augmented to adequately meet the growing demand and the technology changes, with addition of requisite equipment, re-orientation of production activity/line and implanting certain manufacturing process controls and improvisations.

PROSPECTS & OUTLOOK

- Thrust for development in communication sector, present and projected growth in mobile telephony infrastructure, 3G, Internet, IPTV and Broadband, together with ever-growing awareness and demand by Banking, Finance, Insurance and Corporate sectors, and developing requirement of State Wide Area Network (SWAN) ensure incessantly increasing market demand for the products of your company;
- staunch thrust in In-house R&D activity provides added scope for increasing the product-spread;
- in this setting, your directors are confident that your Company would sustain the accomplished growth in Revenue, and Profits, in the coming years.

FINANCE

During the year under review,

- the buyback scheme was implemented, with 17,55,554 equity shares bought-back and extinguished, resulting in cash outflow of Rs 825 lacs;
- consequently, the Paid-up Capital reduced from Rs 1,037.08 lacs to Rs 949.30 lacs comprising of 189,85,974 equity shares of Rs 5 each;
- Deposits with the Bank increased from Rs 3,000 lacs to Rs.3,950 lacs;
- all the above being financed out of internal generations, your company continued to sustain DEBT-FREE status;
- book value per share as at 31 March 2008 stood at Rs. 49.24 as compared to Rs.44.44.

Your Directors place on record their sincere appreciation for the assistance, guidance, co-operation and whole-hearted support from your company's bankers.

JOINT VENTURE

In the process of re-structuring its operations, to reap the best benefit/s and to minimize operational and administrative time, as well as expenditure, the activities in RAD-MRO Manufacturing Pvt. Ltd., the Joint Venture Company, have been suspended effective from November 2007. Further actions for (voluntary) winding-up of the company have been initiated.

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As has already been conveyed through a communique issued to/through the Stock Exchanges, such closure of the JV company shall not affect the activities and the business or commercial interests of your Company, as adequate arrangements have already been made for availing supply of the components, directly from RAD Data communications Limited, Israel, the overseas partner in the Joint Venture Company.

For the year ended 31 March 2008, as per provisional figures pending audit finalization, this JV company has achieved a total revenue of Rs. 1,675 lacs, with a PBT of Rs.118 lacs and PAT of Rs. 86 lacs.

HUMAN RESOURCES & INDUSTRIAL RELATIONS

Your company endeavors to attract the best available talents in the industry, recognize, register and retain the most-valuable human power.

Information relating to the implementation of the Employee Stock Option Scheme has been detailed elsewhere in this report.

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.

EMPLOYEE STOCK OPTION SCHEME (2005)

Under approval for grant of 10,00,000 equity shares under the ESOS scheme cleared by the members at their Annual General Meeting held on 10 August 2005, read with amendments approved on 28 June 2006, your company had granted and allotted, in the first tranche, a total of 3,11,400 equity shares. Out of the balance of 6,88,600 shares, options equaling 5,50,000 shares have been granted, in October 2007, to the employees of the Company, carrying a vesting period of 12 months.

No options have lapsed or have been exercised, during the year under review. The exercise price being payable only at the time of exercising the options, during the year under review, no money has been realized on this account.

In respect of 5,50,000 options granted during the year, in order to recover, in addition to exercise price, the incidence of applicable FBT from the grantees, your Directors have proposed a resolution for suitably amending the Scheme, and commend the same for your consideration.

No employee has been granted 5% or more of the options during the year and / or options equal to exceeding 1% of issued capital of the company at the time of grant. Total options granted includes, grants to senior management personnel, viz., CFO of the Company, at 1,00,000 options.

The exercise price has been fixed at approximately 46% of the market value, and other relevant details pertaining to ESOS have been furnished also under Notes to accounts.

The total amount considered for charging to 'employee compensation cost' using intrinsic value method, is higher by Rs 1,14,23,129 as compared to computation under the 'the fair method' under Black & Scholes Method. As such, the amount charged to the Profit & Loss account of this year would have been lower by Rs 50,08,663 & the EPS would have been higher by Rs 0.25.

In computation of 'fair-value', following assumptions have been made:

Risk-free interest rate	7.50%
Expected life of the options	12 months
Expected volatility	22.91%
Expected Dividend	60.00%
Price of share in the market at the time of option grant	Rs 43.20
Weighted average exercise price per share	Rs 20.00
Weighted average fair value per share	Rs 22.43

BUY BACK

The buyback scheme reported in the previous Annual Report was completed on 17 October 2007, the requisite details pertaining to which, are furnished under Schedule 18 – Notes to accounts.

Your Directors are happy to intimate you that the intended benefits, to the remainder shareholders, envisaged under the said Buy Back Scheme, have duly been accomplished even in this year now under review, and further benefits would accrue in the coming years.

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 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, 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

The products developed in this division and commercialized by your company registered a higher contribution to the Net Sale Revenue during the year.

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Your Company continues its intensified thrust on the R&D activities, duly taking cognizance of the need for increasing product-spread in the ever-increasing demand scenario. Efforts are maintained in developing niche products for niche markets, to meet the demand envisage to arise from the onset of IPTV and Broad Band activities.

During the year under review, an amount of Rs. 63.94 lacs (Prev. year- Rs. 14.15 lacs) has been invested in equipment and an amount of Rs 505.13 lacs (Prev. year- Rs. 449.95 lacs) has been defrayed towards Revenue Expenses, which has been absorbed in these accounts, in accordance with the attending accounting standards.

TECHNOLOGY ABSORPTION

The in-house technical and commercial teams consistently engage themselves in their endeavor to indigenize technology and components, as well as implementation of value-engineering and cost-saving methods.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Development of overseas market for the products of your Company, as also development of products required for the overseas market, are progressing satisfactorily. Efforts also continue to minimize foreign exchange outflow by the process of indigenization.

Full details of foreign exchange earnings and expenditure are furnished under note no. 19 and 20 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.

DIRECTORS

The present five-year tenure of S.Narayanan and H.Nandi, as Chairman & Managing Director, and Managing Director, respectively of the Company, ended on 31 March 2008.

Based on the recommendations of the Remuneration Committee and the Board of Directors, approval of the members is now sought for re-appointment of S.Narayanan and H.Nandi, as Chairman & Managing Director, and Managing Director, respectively of the Company, for a period of five

years effective from 1 April 2008 to 31 March 2013, on terms and conditions detailed in the Notice.

N Sivaram and A.Murali retire by rotation at this meeting, and being eligible, offers themselves for re-appointment.

Your Directors commend the above for your approval.

AUDITORS

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

ACKNOWLEDGEMENTS

Your Directors place on record their sincere gratitude to the steadfast patronage of the valued Customers. Your Directors also place on record, their sincere appreciation of the dedication and commitment of the employees 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 officials.

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 judgements 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 : 14 May 2008

S. Narayanan
Chairman & Managing Director