

TVS ELECTRONICS LIMITED

18th ANNUAL REPORT 2012 - 2013

Touching Lives through Product Innovations



Make the *right* move, not just the *next* move.

Built for the road ahead, backed by trust. Tough on the outside, yet sensitive to your business needs. When you buy a TVS-E product, you don't just get cutting-edge technology – you receive good business psychology.



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Board of Directors

Gopal Srinivasan	Chairman
Srilalitha Gopal	
H Lakshmanan	
D Sundaram	
R Ramaraj	
Balu Doraisamy	
Kenneth Tai	
Praveen Chakravarty	

Committees of the Board

Audit Committee

D Sundaram	Chairman
H Lakshmanan	
R Ramaraj	
Praveen Chakravarty	

Investors' Grievance Committee

R Ramaraj	Chairman
H Lakshmanan	
D Sundaram	

Remuneration/Compensation Committee

Balu Doraisamy	Chairman
Gopal Srinivasan	
H Lakshmanan	
R Ramaraj	
D Sundaram	

Company Secretary & Compliance Officer

S Nagalakshmi

Auditors

Sundaram & Srinivasan
Chartered Accountants,
New No. 4, C.P. Ramaswamy Road
Alwarpet, Chennai - 600 018

President & CEO

J N Sastry

Bankers

State Bank of Mysore
State Bank of Travancore
Canara Bank
Development Credit Bank Limited

Registered Office

"Jayalakshmi Estates"
29, Haddows Road
Chennai - 600 006
Tel: 91-44-28277155

Administrative Office

South Phase-7A, Second Floor
Industrial Estate, Guindy
Chennai - 600 032
Tel:91-44-4200 5200
Fax No: 91-44-2225 7577
Website: www.tvs-e.in

Plant

Uttarkhand - Plant I & II
No.E-12 & F-92, F-93,
Selaqui Industrial Estate
Selaqui, Dehradun, Uttarkhand
Tel: 0135 - 2698662/3

Oragadam
Plot No OZ-11/2, SIPCOT Hi-Tech SEZ,
Oragadam – 602 105.
Sriperumpudur Taluk,
Kancheepuram District,
Tamilnadu State

Share Transfer Agents

Sundaram - Clayton Limited,
"Jayalakshmi Estates" I floor
29, Haddows Road
Chennai 600 006
Tel: 91-44-28284959 / 28307700
Fax No. 91-44-2825 7121
E-mail: investorservices@tvs-e.in

Shares Listed at

BSE Limited
National Stock Exchange of India Limited

Financial Highlights - Ten Years at a glance

₹ in lakhs

Sl. No	Particulars	2003	2004-2005 #	2005-2006	2006-2007	2007-2008 @	2008-2009	2009-2010	2010-2011	2011-2012 §	2012-2013
1.	PROFIT AND LOSS ACCOUNT										
	Revenue from operations	26,151	31,574	25,950	27,242	20,764	19,067	19,040	18,162	21,661	23,525
	Other Income	400	166	623	472	765	473	407	199	375	250
	Total Income	26,551	31,740	26,573	27,714	21,529	19,540	19,447	18,361	22,036	23,775
	Earnings before interest Depreciation and Tax (EBITDA)	1,515	1,773	1,631	1,652	2,615	439	666	1,083	1,303	1,080
	Depreciation	521	754	743	702	522	476	449	396	504	619
	Profit before Interest and Tax (EBIT)	994	1,019	888	950	2,093	(37)	217	686	799	461
	Finance costs	508	470	600	764	603	522	721	623	659	965
	PBT	486	549	288	186	1,490	(559)	(504)	64	141	(504)
	Tax Expense	121	121	(27)	-	380	211	(161)	(90)	1	297
	PAT	365	428	315	186	1,110	(770)	(343)	154	140	(801)
2.	BALANCE SHEET										
	Share Capital	1,767	1,767	1,767	1,767	1,767	1,767	1,767	1,767	1,787	1,787
	Reserves & Surplus	1,935	2,196	2,354	2,371	3,296	2,523	2,176	2,324	2,464	1,664
	Networth	3,702	3,963	4,121	4,138	5,063	4,290	3,943	4,091	4,251	3,451
	Loan Funds	6,994	6,538	8,860	8,909	4,538	5,738	6,133	4,498	6,608	6,518
	Capital Employed	10,696	10,501	12,981	13,047	9,601	10,028	10,076	8,589	10,859	9,969
	Deferred Tax Liability	370	452	298	197	158	202	184	81	48	345
	Total	11,066	10,953	13,279	13,244	9,759	10,230	10,260	8,670	10,907	10,314
	Net Fixed Assets	5,036	5,518	3,864	3,397	2,393	2,422	2,135	1,685	4,929	4,651
	Investments	1,636	1,637	1,642	1,692	626	1,501	1,501	2,551	811	214
	Current Assets	12,422	11,000	12,815	13,090	10,596	10,828	9,827	7,526	9,445	9,261
	Current Liability & Provision	8,028	7,202	5,042	4,935	3,856	4,521	3,203	3,091	4,278	3,812
	Net Current Assets	4,394	3,798	7,773	8,155	6,740	6,307	6,624	4,434	5,167	5,449
	Total	11,066	10,953	13,279	13,244	9,759	10,230	10,260	8,670	10,907	10,314
3.	RATIOS										
a)	EPS (Rs)	2.1	2.4	1.8	1.1	6.3	(4.4)	(2.0)	0.9	0.8	(4.5)
b)	Dividend (%)	7.5	9.0	7.5	7.5	10.0	-	-	-	-	-
c)	Book Value per Share (Rs)	21	22	23	23	29	24	22	23	24	19
d)	Return on Capital Employed (ROCE %)	9.3%	9.7%	6.8%	7.3%	21.8%	(0.4)%	2.2%	8.0%	7.4%	4.6%
e)	Return on networth (RONW %)	9.9%	10.8%	7.7%	4.5%	21.9%	(18)%	(8.7)%	3.8%	3.3%	-23.2%
f)	Fixed Asset Turnover Ratio	5.4	6.0	5.5	7.5	7.2	7.9	8.4	9.5	6.6	4.9
g)	Working Capital Turnover Ratio	5.6	7.7	4.5	3.4	2.8	2.9	2.9	3.3	4.5	4.4
h)	Debt Equity Ratio	1.9	1.6	2.1	2.2	0.9	1.3	1.6	1.1	1.6	1.9
i)	EBITDA as % of Sales	5.8%	5.6%	6.3%	6.1%	12.6%	2.3%	3.5%	6.0%	6.0%	4.6%
j)	EBIT as % of Sales	3.8%	3.2%	3.4%	3.5%	10.1%	(0.2)%	1.1%	3.8%	3.7%	2.0%
k)	Net profit as % of Total Income	1.4%	1.3%	1.2%	0.7%	5.2%	(3.9)%	(1.8)%	0.8%	0.6%	-3.4%
l)	R&D (Revenue and Capital) Expenditure as a % of Total Income	1.3%	1.8%	1.7%	1.3%	1.5%	1.9%	1.1%	0.7%	0.5%	0.4%

ROCE is Profit before Interest and Tax divided by Capital Employed.

RONW is Profit after Tax divided by Networth.

Movements in Reserves and Surplus represents changes in PAT net of dividend and dividend tax, movement in cost of ESOP and Investment Allowance. Fixed Assets Turnover Ratio is Sales divided by Average Net Fixed Assets as at the end of the year.

Working Capital Turnover Ratio is Sales divided by Average Net Current Assets as at the end of the year.

Figures of 2004-05 are for the period of 15 months due to change of Accounting Year from December to March.

@ EBITDA for 2007-08 includes Extraordinary income of Rs 1,560 lakhs arising out of sale of business and sale of property.

§ PBT is after exceptional item of expenditure for the FY 2011-12 - Rs.20.61 Lakhs (Previous Year - Rs.62.25 Lakhs) and Loss from discontinuing operation for FY 2011-12 NIL (Previous Year - Rs.25 Lakhs).

The financial results for the year 2011-12 include the effects of "Customer Support Service" business acquired from TVS-E Servicetec Limited, Chennai effective from 1st October, 2011.

The financial results have been regrouped/reclassified wherever necessary as per the requirements of revised Schedule VI.



Notice to the Shareholders

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Company will be held at Sri Thyaga Brahma Gana Sabha (Vani Mahal), No. 103, G N Chetty Road, T Nagar, Chennai - 600 017 on Friday, the 23rd August, 2013 at 10:15 AM to transact the following business.

ORDINARY BUSINESS

1. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

“RESOLVED THAT the Audited Balance Sheet as at 31st March, 2013, the Statement of Profit and Loss and Cash Flow Statement of the Company for the year ended on that date, together with the Directors’ Report and the Auditors’ Report thereon as presented to the meeting be and the same are hereby approved and adopted”.

2. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

“RESOLVED THAT Mr. R. Ramaraj who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a Director of the Company”.

3. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

“RESOLVED THAT Mr. Kenneth Tai who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a Director of the Company”.

4. To consider and if thought fit to pass, with or without modification, the following resolution as an Ordinary Resolution:

“RESOLVED THAT the retiring Auditors, M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai, (Firm Registration No.004207S) be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company on such remuneration as may be fixed in this behalf by the Board of Directors of the Company”.

By Order of the Board

Registered Office:
“Jayalakshmi Estates”
29, Haddows Road,
Chennai - 600 006.
20th May, 2013

**S. Nagalakshmi
Company Secretary**

NOTES

1. A Member entitled to attend and vote at the meeting is entitled to appoint one or more Proxies to attend and vote instead of himself and the Proxy or Proxies so appointed need not be a Member or Members as the case may be of the Company. The instrument appointing the Proxy and the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that Power of Attorney or other authority shall be deposited at the Registered Office of the Company not later than 48 hours before the time fixed for holding the meeting.

2. The Register of Members and the share transfer books of the Company will remain closed from Monday, 19th August, 2013 to Friday, 23rd August, 2013, both days inclusive.

3. In terms of Section 205A read with Section 205C of the Companies Act, 1956, the dividends declared by the Company, which remain unclaimed for a period of seven years will be transferred on due dates to the Investor Education and Protection Fund (IEPF), established by the Central Government. The particulars of due dates for transfer of such unclaimed dividends to IEPF are furnished in the Report on Corporate Governance, forming part of the Annual Report.

Members who have not encashed their dividend warrants are requested to make their claim(s) to the Company by surrendering the unencashed warrants immediately.

4. Members holding shares in physical form, in their own interest, are requested to dematerialise the shares to avail the benefits of electronic holding and trading.

5. Members holding shares in physical form are requested to notify immediately any change in their address/e-mail address to the Company/its Share Transfer Agents. Members holding shares in electronic form are requested to advice change of address/e-mail address to their Depository Participants.

6. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting.

7. Members are requested to sign at the space provided on the attendance slip and hand over the same at the entrance of the meeting hall.

8. The Ministry of Corporate Affairs (vide circular nos. 17/2011 and 18/2011 dated April 21 and April 29, 2011 respectively), has undertaken a ‘Green Initiative in Corporate Governance’ and allowed companies to serve documents on its shareholders through electronic mode. Members are requested to support this green initiative by

Notice to the Shareholders (Contd.)

registering/updating their e-mail addresses, in respect of shares held in dematerialised form with their respective Depository Participants and in respect of shares held in physical form with Company/its Share Transfer Agents.

9. In terms of Clause 49 of the Listing Agreement with the Stock Exchanges, a brief resume of Directors who are proposed to be appointed/re-appointed at this meeting, nature of their expertise in specific functional areas, their other Directorships and Committee Memberships, (only Audit Committee and Shareholders'/Investors' Grievances Committee) their shareholding in the Company and relationships between directors inter-se are given below:

Mr. R. RAMARAJ

Mr. R Ramaraj, 63 years old, is a B.Tech in Chemical Engineering from the University of Madras and an MBA from the IIM, Calcutta. Beginning his career in Sales and Marketing, he went on to pioneer the retail marketing of computers in India by establishing Computer Point in 1984. He was a Founder Director of Microland Ltd before a stint in cellular telephony as Director, Sterling Cellular up to 1996. He was the Co-Founder and CEO of Sify and was the first Indian Internet Company from India to list on NASDAQ National Market in the US (NASDAQ –SIFY).

He was on the Board of Directors of ICANN (Internet Corporation for Assigned Names and Numbers) for two terms. He was a member of the Global Board of Trustees of TIE (The Indus Entrepreneurs).

He was recognized as the 'Evangelist of the Year' at the India Internet World Convention in September, 2000. In October 2000, Sify was voted the 'Company of the Year' at the Silicon India Annual Technology and Entrepreneurship Conference in San Jose, California, USA. In 2001, in a CNET.com poll in India, he was voted the IT Person of the Year 2000. He was invited by the UN General Secretary, Mr. Kofi Annan to be a member of UN's Working group on Internet Governance (WGIG). Under his leadership, the Company was voted 'ISP of the Year' at the second annual Internet World Asia Industry Awards, 2001 from among nominees such as NTT DoCoMo of Japan and Korea Thrunet. The nominations were for excellence based on strategic vision, innovation, customer service, bandwidth performance and connectivity.

In 2010, CII recognized him with a Life Time Achievement Award for nurturing the Spirit of Entrepreneurship and inspiring and mentoring numerous entrepreneurs. Currently

he is the Senior Advisor at Sequoia Capital. He is a Member of the Board of Governors of the Indian Institute of Management, Calcutta.

He is on the Board of Olympic Gold Quest (OGQ), a Not for Profit organization. OGQ is committed to bridging the gap between the best athletes in India and the best athletes in the world thus helping Indian athletes to win Olympic Gold medals. He is the Co-Founder and Director of Coaching Foundation of India, an organization that trains and certifies CEO Coaches.

He is a Member of the Audit Committee, Investors' Grievance Committee and Remuneration and Compensation Committee of the Company. He holds 35,000 Equity Shares in the Company. He is not related to any Director of the Company.

The other directorships and memberships of committees held by him are provided hereunder:-

Sl No	Name of the Companies	Position held	Committee Membership / Chairmanship
1	R S Software (India) Ltd	Director	Member - Audit Committee
2.	TVS-E Servicetec Limited	Director	Member - Audit Committee
3.	Universal Print Systems Ltd	Director	-
4.	Accel Frontline Limited	Director	Chairman - Audit Committee
5.	Madura Micro Finance Limited	Director	-
6.	Executive and Business Coaching Foundation of India Limited	Director	-
7.	Adiquity Technologies Pvt Ltd	Director	-
8.	iMerit Technology Services Pvt Ltd	Director	-
9.	Ideacts Innovations Private Limited	Nominee Director	-
10.	Kamani Oil Industries Pvt Ltd	Director	-
11.	MAPE Advisory Group Pvt Ltd	Director	-

The membership in Committee of other companies is also listed hereunder:

S. No.	Name of the Company	Committee Name	Position
1.	TVS-E Servicetec Limited	Audit Committee	Member
2	R S Software (India) Ltd	Audit Committee	Member
3	Accel Frontline Limited	Audit Committee	Chairman



Notice To The Shareholders (Contd.)

MR. KENNETH TAI

Mr. Kenneth Tai is the Chairman of InveStar Corp., DigiTimes Inc., and Richtek Technology Corp. In addition, Mr. Tai sits on the Board of various public-listed companies in Taiwan. Between 1976 and 1993, Mr. Tai co-founded and held senior positions in Acer Group where he was responsible for the sales and marketing strategy. Mr. Tai holds a Master's degree in Business Administration from Tamkang University, Taiwan and a Bachelor of Science degree in Electrical Engineering from National Chiao Tung University, Taiwan.

Mr. Kenneth Tai is not holding any shares in the Company. He is not related to any Director of the Company.

The other directorships and memberships of committees held by him are provided hereunder.

S. No.	Name of the Company	Position held
1.	Richtek Technology Corporation	Chairman
2.	Investar Capital Inc	Chairman
3.	Digitimes.Inc	Chairman
4.	Wafer Works Corporation	Director
5.	D-Link Corporation	Director
6.	Fullerton Technology Inc	Director
7.	Global Testing Corp. of Singapore	Director
8.	TVS Capital Funds Limited	Director

By Order of the Board

Registered Office:
"Jayalakshmi Estates"
29, Haddows Road,
Chennai - 600 006.
20th May, 2013

S. Nagalakshmi
Company Secretary

Directors' Report to the Shareholders

The Directors hereby present their Eighteenth Annual Report on the business and operations of the Company and the financial accounts for the year ended 31st March, 2013.

Financial Results

The highlights of the financial performance of the Company are as follows:

(Rs. in Lakhs)

Particulars	Year ended 31 st March, 2013	Year ended 31 st March, 2012
Sales and other income	23775	22036
Earnings Before Interest & Tax (EBIT)	461	820
Profit/ (Loss) Before Tax (PBT) before exceptional items	(504)	161
Exceptional/Discontinuing Operations	-	(21)
Profit / (Loss) Before Tax	(504)	141
Profit / (Loss) after Tax (PAT)	(801)	140
Add: Brought forward from previous year	729	589
Add (Less): Tax relating earlier years	-	-
Total available for appropriations	(72)	729
Surplus in Profit and Loss account	(72)	729

Business results and key highlights of operations

For the year ended 31st March, 2013, the Company reported Sales Revenue and Other Income of Rs.237.75 Cr against Rs.220.36 Cr in the previous year. Sales include Rs.44.75 Cr from Services business (previous year Rs.23.33 Cr for six months).

The Company continues to grow in the "Point of Sale and Transaction Management Products" business consisting of Receipt and Invoice Printers, Label Printers, Bar Code Scanners, and accessories. About 15% growth has been seen as compared to previous year in this category. In terms of Go-to-market approach, the Company has evolved more direct customer engagement to grow its business.

The overall Dot Matrix Printer (DMP) market shrunk by 23% year on year in terms of volume and 17% in value and the Company managed to gain market share from competitors and thus increased its market share from 34% to 39% even under difficult market conditions.

Services business has shown healthy growth of 19% in the current year over the previous year. It added 4 new clients to the customer base. It also expanded its operations for walk-in customers providing repair of Smart Phones, which resulted in increased volumes by more than 50% over the planned

volumes. Correspondingly, revenues from this business grew during the 2nd half of the financial year.

However, some of the healthy revenue generating brands are slowing down in business volumes and hence profitability is under pressure.

From the overall operational excellence perspective, the Company continues to drive aggressively the Total Quality and Cost Management initiatives with lean manufacturing principles to reduce variable and fixed costs continuously.

Growing the business

The Board of Directors of the Company in their Report for the Year 2011-12 had articulated the Industry Outlook, emerging trends in the Industry and key initiatives taken by the Company to move into a higher growth trajectory.

During the early part of 2013-14, the Company will be embarking on Sales Transformation and optimisation, Re-engineering Services Business and transforming its proven Manufacturing and Supply Chain capability into a business unit. In addition, the Company plans to build and evolve a Solutions Line of Business (LOB) under the Products Business Unit, which will be structured based on Industry verticals such as Banking and Financial Services, Hospitality, Healthcare and Retail areas. In approaching customers in these areas, Company will build partnerships with appropriate software vendors for each vertical.

Services business will continue its focus on acquiring new customers in the B2B, B2O and B2C spaces.

MANAGEMENT DISCUSSION AND ANALYSIS

As required under Clause 49 of the Listing Agreements, a detailed Report on Management Discussions and Analysis is given below:

A. The Industry and Trends - Macro Economic Environment

The year 2012-13 was difficult for the Industry in terms of continuously high inflation and also rupee depreciation by over 15% over the previous year. This resulted in deferment of the purchases by the enterprise customers and also the retail customers which had its effect on sales volume growth. This had its effect on pricing and consequently on the sales volume.

Significant allocation in the infrastructure budget in 2013-14 will drive further growth. Government of India aims to invest more than Rs.20,000 Crores in expanding broadband penetration. The Electronic chip making project, digitization of academic databases across educational institutions, vehicle databases,

driving license databases etc. are major focus areas. Increased allocation to education and banking facilities to all inhabitants are some positive drivers. Telecommunications will remain the largest spending area and expected to grow at annual 6.8% with more spending on enterprise network equipment.

Industry Outlook

The overall PC sales (Desktop + Notebook) in India grew by 3.5%. The tablet revolution is hitting this area. The overreliance on Windows 8 and under estimation of tablet market hit the PC market hard. The consumer notebook market is an area which has seen a growth in IT channel. The commercial PC market is seeing longer tech life cycles. The market for 7 inch tablet is growing today with number of first time buyers in this area.

Some key trends

- a. At retail level: The Indian retail industry experienced growth of 10.6% and expected to grow further. The organized retail constitutes to 8% of the total retail market and it is expected to gain higher market share in retail market.
- b. At business level: The Indian Small and Medium Sized Business (SMB) space today is largely dominated by micro scale businesses, contributing 95% of the SMB landscape followed by small scale businesses contributing 4.8% and rest 0.2% by medium scale businesses. 45% of SMBs are in the rural regions. 2/3rd of the SMBs are mobile and internet subscribers. The Government is spending in various IT projects such as unique identification project and National optical network fibre. The Government is expected to spend 10.5% over 2012 in IT including hardware, software, external IT services and telecommunications.

Stability in policy frame-work both at the Centre and the States is critical for sustenance and growth of business. Though overall sentiment for IT Hardware business remains slow & sluggish, with Tablet market taking the share of PC sales, sectors like Retail, Hospitality, Manufacturing, Logistics & Transportation, Health Care, Banking Financial Services & Insurance and e-Governance & Education are expected to accelerate their IT spends given their focus to increase their products and services penetration into Heart of India.

The Company visualizes increasing opportunities for the POS products and solutions in Banking and e-Governance spaces. The Government policy on FDI, will accelerate into the organized retail with multi brand and specialty stores. Dominance of unorganized retail, flexible credit options and convenient shopping locations will help traditional retail to continue dominance in retail sector. Smaller cities will witness growth and retail players would tap the potential in these cities.

The growing number of merchant establishments requiring digitization offers significant opportunities for the IT products. India is the fifth attractive emerging retail market. The Indian retail market contributes to 10% of the GDP. The retail market is growing @ CAGR of 25 - 20% annually. The Company is focusing on Point of sale business and leveraging the touch points of sales and service partners and positioning as "The touch points of India" and with the Company's theme of 'Taking IT to the Heart of India' the Company believes that customers prefer products that operate in humid and dusty environment with lowest cost of ownership and yet provide ease of operation and capability in Indian languages. The Company has witnessed growth in the POS business and growing consistently @ 15%.

With the expansion of economy and consequent expansion in the market for products like smart phones, ATMs etc., there is growing demand for warranty business and it is expected to grow significantly and as a national service provider with a country wide net work that we have and the expertise, there is potential for growing maintenance and repair services in the B2B and B2O and B2C areas.

B. Business Risks & Opportunities

The Government has taken various e-Governance projects which involves IT Automation. The UID projects and schemes of Government are disbursed through Direct cash transfers which requires lot of data processing, authentication and payments to the deeper pockets in India. The domestic demand and consumption is leading to a significant need for data capturing, authentication processing and disseminating information etc. In every area of the economy the above need is increasingly becoming critical for success of businesses. The banking sector with its Financial Inclusion objective, organized retail with a need to penetrate more markets, logistics and supply chain wanting to efficiently reach more products and many other businesses with similar objectives are keen to increase automation right from the point of capture of data. Consequently, demand for many types of digital devices and services are expected to dramatically expand.

C. Internal Control Systems and Risk Management

The Company has robust and adequate internal control systems to ensure that all the assets of the Company are safe-guarded and protected against any loss and all the transactions are properly authorized, recorded and reported. The key processes are aligned with ISO9001 : 2008 system and audited periodically for compliance.