

# TVS ELECTRONICS LIMITED

18<sup>th</sup> 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.     | <b>PROFIT AND LOSS ACCOUNT</b>                               |               |               |               |               |               |               |               |               |               |               |
|        | 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           |
|        | <b>Total Income</b>  | <b>26,551</b> | <b>31,740</b> | <b>26,573</b> | <b>27,714</b> | <b>21,529</b> | <b>19,540</b> | <b>19,447</b> | <b>18,361</b> | <b>22,036</b> | <b>23,775</b> |
|        | Earnings before interest                                     |               |               |               |               |               |               |               |               |               |               |
|        | Depreciation and Tax (EBITDA)                                | <b>1,515</b>  | <b>1,773</b>  | <b>1,631</b>  | <b>1,652</b>  | <b>2,615</b>  | <b>439</b>    | <b>666</b>    | <b>1,083</b>  | <b>1,303</b>  | <b>1,080</b>  |
|        | Depreciation   | 521           | 754           | 743           | 702           | 522           | 476           | 449           | 396           | 504           | 619           |
|        | <b>Profit before Interest and Tax (EBIT)</b>                 | <b>994</b>    | <b>1,019</b>  | <b>888</b>    | <b>950</b>    | <b>2,093</b>  | <b>(37)</b>   | <b>217</b>    | <b>686</b>    | <b>799</b>    | <b>461</b>    |
|        | Finance costs  | 508           | 470           | 600           | 764           | 603           | 522           | 721           | 623           | 659           | 965           |
|        | <b>PBT</b>   | <b>486</b>    | <b>549</b>    | <b>288</b>    | <b>186</b>    | <b>1,490</b>  | <b>(559)</b>  | <b>(504)</b>  | <b>64</b>     | <b>141</b>    | <b>(504)</b>  |
|        | Tax Expense  | 121           | 121           | (27)          | -             | 380           | 211           | (161)         | (90)          | 1             | 297           |
|        | <b>PAT</b>   | <b>365</b>    | <b>428</b>    | <b>315</b>    | <b>186</b>    | <b>1,110</b>  | <b>(770)</b>  | <b>(343)</b>  | <b>154</b>    | <b>140</b>    | <b>(801)</b>  |
| 2.     | <b>BALANCE SHEET</b>   |               |               |               |               |               |               |               |               |               |               |
|        | 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         |
|        | <b>Networth</b>  | <b>3,702</b>  | <b>3,963</b>  | <b>4,121</b>  | <b>4,138</b>  | <b>5,063</b>  | <b>4,290</b>  | <b>3,943</b>  | <b>4,091</b>  | <b>4,251</b>  | <b>3,451</b>  |
|        | Loan Funds   | 6,994         | 6,538         | 8,860         | 8,909         | 4,538         | 5,738         | 6,133         | 4,498         | 6,608         | 6,518         |
|        | <b>Capital Employed</b>                                      | <b>10,696</b> | <b>10,501</b> | <b>12,981</b> | <b>13,047</b> | <b>9,601</b>  | <b>10,028</b> | <b>10,076</b> | <b>8,589</b>  | <b>10,859</b> | <b>9,969</b>  |
|        | Deferred Tax Liability                                       | 370           | 452           | 298           | 197           | 158           | 202           | 184           | 81            | 48            | 345           |
|        | <b>Total</b>   | <b>11,066</b> | <b>10,953</b> | <b>13,279</b> | <b>13,244</b> | <b>9,759</b>  | <b>10,230</b> | <b>10,260</b> | <b>8,670</b>  | <b>10,907</b> | <b>10,314</b> |
|        | <b>Net Fixed Assets</b>                                      | <b>5,036</b>  | <b>5,518</b>  | <b>3,864</b>  | <b>3,397</b>  | <b>2,393</b>  | <b>2,422</b>  | <b>2,135</b>  | <b>1,685</b>  | <b>4,929</b>  | <b>4,651</b>  |
|        | <b>Investments</b>   | <b>1,636</b>  | <b>1,637</b>  | <b>1,642</b>  | <b>1,692</b>  | <b>626</b>    | <b>1,501</b>  | <b>1,501</b>  | <b>2,551</b>  | <b>811</b>    | <b>214</b>    |
|        | 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         |
|        | <b>Net Current Assets</b>                                    | <b>4,394</b>  | <b>3,798</b>  | <b>7,773</b>  | <b>8,155</b>  | <b>6,740</b>  | <b>6,307</b>  | <b>6,624</b>  | <b>4,434</b>  | <b>5,167</b>  | <b>5,449</b>  |
|        | <b>Total</b>   | <b>11,066</b> | <b>10,953</b> | <b>13,279</b> | <b>13,244</b> | <b>9,759</b>  | <b>10,230</b> | <b>10,260</b> | <b>8,670</b>  | <b>10,907</b> | <b>10,314</b> |
| 3.     | <b>RATIOS</b>  |               |               |               |               |               |               |               |               |               |               |
| 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 23<sup>rd</sup> 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 31<sup>st</sup> 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.  
20<sup>th</sup> 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, 19<sup>th</sup> August, 2013 to Friday, 23<sup>rd</sup> 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:-

| SI 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.  
20<sup>th</sup> 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 31<sup>st</sup> March, 2013.

### Financial Results

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

(Rs. in Lakhs)

| Particulars   | Year ended<br>31 <sup>st</sup> March,<br>2013 | Year ended<br>31 <sup>st</sup> March,<br>2012 |
|---|---|---|
| Sales and other income                                      | 23775   | 22036   |
| Earnings Before Interest & Tax (EBIT)                       | 461   | 820   |
| Profit/ (Loss) Before Tax (PBT)<br>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<br>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 31<sup>st</sup> March, 2013, the Company reported Sales Revenue and Other Income of Rs.237.75 Cr as 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 2<sup>nd</sup> 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. 2/3<sup>rd</sup> 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.