

TATA

ELXS I

Engineering the Information Revolution

Report  junction.com

1998 - 99 Tenth Annual Report



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TATA ELXSI LIMITED

Directors

F.C. KOHLI

Chairman

K.M. CHINNAPPA

Additional Director

SYAMAL GUPTA

S. RAMADORAI

Additional Director

D.S. PENDSE

S. GUPTA

BRIG. K BALASUBRAMANIAM

P. McGOLDRICK

S.D. PRADHAN

E.A.K FAIZULLABHOY

C.P. MISTRY

S. DEVARAJAN

Executive Director
**General Manager (Finance)
& Company Secretary**

V RAMAKRISHNAN

Auditors

M/s. RSM & Co.

Chartered Accountants

Registered Office

123, RICHMOND ROAD

BANGALORE - 560 025

Bankers

CANARA BANK

GLOBAL TRUST BANK LIMITED

THE VYSYA BANK LIMITED

Legal Advisors

M/s. MULLA & MULLA AND CRAIGIE, BLUNT & CAROE

S.R. VAKIL

**Registrars & Share
Transfer Agents**

TATA CONSULTANCY SERVICES

Lotus House, 6, Sir Vithaldas Thackersey Marg

Mumbai - 400 020

1998-99

TATA ELXSI LIMITED

Business Overview

Tata Elxsi is a customer driven IT company offering system integration solutions in the Indian market, and design and development services in the international market. Established in 1989 and headquartered in Bangalore, Tata Elxsi has an employee strength of over 600 professionals working out of 16 sales and support offices countrywide, representative offices in USA and Japan, and 4 Design & Development Centres in Bangalore.

System integration solutions are offered mainly in :

- * CAD/CAM
- * Film, Video & Broadcast
- * Visual Computing
- * Commercial Computing
- * Networking Design & Implementation

Strategic alliances with acknowledged leaders in above areas such as SGI, Compaq, Alias|Wavefront, SDRC, Discreet Logic, MacNeal Schwendler, Multigen, Molecular Simulations, Nortel Networks, Lucent Technologies, Cambridge Animation Systems etc. enables Tata Elxsi to provide the latest technologies to its customers.

CAD/CAM Solutions

Tata Elxsi has emerged as the undisputed leader in this segment with its installation base of over 750 systems. Tata Elxsi's in-depth analysis of customer's requirements, coupled with experience and knowledge of CAD/CAM assists in configuration of an optimal solution. Training and support ensures proper implementation. This leads to better productivity, a fact testified to by several satisfied customers in engineering and automotive industries.

Tata Elxsi also offers Design, Engineering and Consultancy services in the areas of documentation and detailing, 3 dimensional modelling, engineering analysis, requirements sizing, technology evaluation and selection.

Film, Video & Broadcast

Tata Elxsi has achieved market leader status in the segment, by helping the Indian Entertainment Industry create 3 dimensional characters for incorporation in commercials, films, multimedia promotions, campaigns, broadcast interactive graphic images, maps & charts and also provide tools to aid real-time on-line digital production. Tata Elxsi's expertise in system integration, backed by a panel of experienced specialists ensure better return on investment in a short span.

Visual & Technical Computing

Tata Elxsi's experience in integrating Multi-vendor Systems to adapt heterogeneous systems and software to user needs makes it an ideal partner for research centres and educational institutions.

Solutions are offered in:

- * Visual Simulation and Virtual Reality encompassing systems, software and peripherals that enable the creation of a digital world that resembles closely with reality.
- * Supercomputing Applications for leading edge applications in Weather Forecasting, Computational Physics, Fluid Dynamics, Astrophysics etc.
- * Pharmaceutical research to evolve new drugs and bulk formulations.

Commercial Computing

Tata Elxsi's experience in system integration, extensive reach and alliances with strategic partners, gives it an edge to satisfy the most demanding computational needs of customers that include banks, organisations in hospitality, power generation and distribution, telecom sectors, Internet Service Providers etc.

Network Design & Implementation

Tata Elxsi offers end-to-end networking and communication solutions that encompasses study of user requirements, network design and implementation, including laying of cables, adapters etc., and training & certification. Optical and scalable solutions that completely meet current requirements are made available.

Design & Development Services are offered to clients in the international market in:

- * Visual computing
- * Networking & Communications
- * Embedded Systems & Storage Management
- * Intranet, Internet & Groupware.

Tata Elxsi offers development work in core technology areas, including system design services, software development services and integration support. Projects involve expertise in multi-disciplinary technologies that span Real Time O/S, Graphics, Network protocols, hardware designs and device drivers. Several projects have been successfully executed for prestigious customers in USA, Japan, UK, Germany and India.

Visual Computing

Tata Elxsi's Visual Computing Group has extensively worked on 3-D graphics application development in the areas of Medical Imaging, Visual simulation, Data Visualisation and Core Graphics API Implementation.

Networking & Communication

With growing popularity of Internet, the need to make internet pervasive has created a growing demand for standards-based products and peripherals. The Networking & Communications group with core expertise in product and protocol stack development in ATM, ISDN, TCP/IP, SNMP and Internet Security has the necessary experience to assist companies that need such development work.

Embedded Systems & Storage Management

The Embedded Systems & Storage group designs and customises solutions to integrate the needs of the customers, which are the key drivers of the information revolution. The group has developed critical expertise in hardware, firmware, systems software design and development to create such solutions. Projects executed range from designing intelligent I/O controllers to real time embedded systems.

Intranet, Internet and Groupware

Competition being intense, all companies are looking at an effective and cost beneficial way of sharing information across the globe cutting across communication media. The Internet, Intranet and Groupware Group specialises in Web based programming on a number of platforms, and uses Web-aware tools to seamlessly integrate Web and Database access, Graphics and distributed processing.

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WHAT SOME OF OUR ESTEEMED CUSTOMERS SAY...**Hitachi Ltd., Japan**

"I'm writing to express our appreciation for your software development efforts rendered for our various divisions and subsidiaries. It's been over three years since our joint efforts started and you have been impressing us with your responsiveness and knowledge in cutting edge technologies.

We ask that you continue to provide your utmost services for us over the future."

Jun Nakaigawa
Deputy General Manager
Procurement Dept.
Hitachi Ltd.

Alias|Wavefront, Canada

"We are really happy about the passion and commitment shown by the dedicated Tata Elxsi software developers working on our projects. Their specific skill sets that we required for our projects have made a big difference in completing our milestones on time. Overall, it has been a win win situation for both Alias | Wavefront and Tata Elxsi, and we look forward to a more rewarding relationship in the future."

John Gibson
Director, Design Systems
Alias|Wavefront - a division of
Silicon Graphics Ltd.

Fujitsu Europe Telecom R&D Centre Ltd., U.K.

"Tata Elxsi Ltd has a good mix of skills and capabilities, which met all our expectations. The Company has flexible, friendly and customer oriented approach."

Sunil Vadgama
Manager
Advanced Wireless Communications Section
Fujitsu Europe Telecom R&D Centre Ltd.

WHAT SOME OF OUR ESTEEMED CUSTOMERS SAY...**Multigen-Paradigm Inc., U.S.A.**

"We have had excellent contributions from Tata Elxsi in building some key functionality to our product. We are really happy about the quality of work & the responsiveness Tata Elxsi has continued to demonstrate. It has been very helpful. I look forward to their support in the future."

David Rolston
President & CEO
Multigen-Paradigm Inc.

Interphase Corporation, U.S.A.

"We are quite excited at the quality of work at our dedicated software development center in Tata Elxsi Bangalore. Their competence in WAN technologies have helped us make our technology available on more platforms. We look forward to Tata Elxsi's continued support in future."

Felix Díaz
Chief Technology Officer
Interphase Corporation

Texas Instruments India Ltd., India

"We commend Tata Elxsi Limited, Bangalore for the excellent technical partnership and systematic execution of the projects outsourced to them during 1998-99. The quality was impeccable, competence and commitment commendable and the delivery on time. It's been a win - win partnership and we look forward to continuing and growing this relationship in the years to come".

Johann Andrew Bhagyanathan
Controller & Company Secretary
Texas Instruments India Ltd.

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DIRECTORS' REPORT TO THE SHAREHOLDERS

1. Your directors are pleased to present the Tenth Annual Report together with the audited Statements of Accounts of the Company for the year ended March 31, 1999.

2. **Financial Highlights**

During the financial year 1998-99, the operations of the company resulted in the following:

	(Rs. Lakhs)	
	1998-99	1997-98
Sales and services	9422.26	8080.49
Other income	93.23	97.81
Total income	9515.49	8178.30
Profit before financial expenses and depreciation	1047.73	978.87
Less : Financial expenses	338.53	360.58
Depreciation	399.39	386.96
Net profit for the year	309.81	231.33
Less : Provision for Income tax	32.53	24.29
Profit after tax	277.28	207.04
Add : Debenture redemption reserve	50.00	-
Less : Loss brought forward	(299.93)	(506.97)
Balance of Profit/(Loss) carried to Balance Sheet	27.35	(299.93)

3. **Operations**

Your Company's operations can be broadly grouped into two areas of business :

- Distribution, value-added reselling and provision of system integration solutions built around Unix and NT environments, for the domestic market.
- Software and hardware design and development services, for the overseas markets.

In the Systems solutions business, for domestic customers, your Company offers solutions with hardware products from Silicon Graphics, Compaq, and suite of software products for different applications from leading international companies.

In the CAD/CAM segment, the slowdown in the automobile industry and consequent deferment of their investment plans, which continued for most part of the year, affected growth in this area for the Company. The Company augmented its portfolio of applications with products for stress and finite element analysis, plant design and piping etc. The Company also achieved reasonable success in industrial design and modeling applications and continued to be a dominant player in this area.

In the Education and Research segment, the imposition of sanctions by the U.S. Govt. in May '98, on supplies to certain Indian entities, considerably affected business expansion for the Company in these accounts during the current year. However, in the areas of molecular modeling and drug design, the Company succeeded in enhancing its business with pharmaceutical research laboratories.

In the commercial segment, the Company was successful in executing several large orders for servers, desktops and other peripherals, from Government departments engaged in transport, power generation and distribution, municipal administration, forestry and communication sectors. The company also received large orders from corporates in hospitality, financial services and information technology sectors. Complex Wide Area Networking contracts were executed for prestigious customers during the year. Orders were also executed from Internet service providers (ISPs) for establishing their required infrastructure.

The software design and development business of your Company has been growing steadily. The Company would further expand its marketing reach during the ensuing financial year, to enable rapid business expansion. Over 10 new customers, mainly from US, Japan and Germany have been added during the year. The company is constantly striving to improve productivity and quality of project execution.

4. **Finance**

During the year, Non-convertible debentures of Rs. 690 lakhs, issued in 1991-92, were fully redeemed. Redemption-cum-interest warrants/demand drafts were despatched to all debentureholders in January 1999. As on date, warrants amounting to Rs. 24.67 lakhs remain unencashed. Consequent to redemption of debentures, debenture redemption reserve of Rs. 50 lakhs no longer required, has been transferred to profit and loss account.

The Board wishes to place on record its appreciation of the support received from the Company's bankers.

The company has not accepted deposits from the public during the financial year.

5. **Year 2000 (Y2K) preparedness**

Y2K problem could adversely affect the company, in the areas of non-compliant hardware / software for internal use; products and services supplied by the company and communication facilities. Steps have already been taken to achieve Y2K readiness by August 31, 1999. Total cost of replacement has been estimated at Rs. 26 Lakhs. Contingency plans have been put in place to avoid Y2K related breakdowns.

6. **Directors**

Mr. E.A.K. Faizullahoy, Mr. Sujit Gupta and Mr. S. D. Pradhan, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, have offered themselves for reappointment.

Mr. S. Devarajan was appointed as Executive Director for a period of 5 years with effect from March 1, 1996. The Board of Directors has, subject to the approval of the shareholders, decided to promote him as Managing Director of your Company. The approval of shareholders is now sought for the appointment and remuneration of Mr. S. Devarajan, for the period up to February 28, 2001, on the terms and conditions mentioned in the Notice of this Annual General Meeting read with the Explanatory Statement annexed thereto.

Mr. D.S. Pendse and Mr. Syamal Gupta, Additional Directors appointed by the Board, effective May 21, 1999 and June 23, 1999 respectively, hold office upto the ensuing annual General Meeting under section 260 of the Companies Act. Being eligible, they offer themselves for appointment as Directors of the Company.

7. **Personnel**

Your Company places emphasis on enhancement of skills and capabilities of its people, their technological competence and its utilisation towards meeting customers' requirements.

The particulars of employees required to be furnished under Section 217 (2A) of the Companies Act, 1956, are annexed to the Directors' Report. However, as per the provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956, the report and particulars are sent to all the shareholders of the Company, excluding the above information.

Any shareholder interested in obtaining such information may write to the Company Secretary at the Registered Office of the Company.

8. **Disclosure of Particulars**

Particulars required to be furnished under The Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, to the extent applicable to the Company are given in the Annexure.

9. **Acknowledgements**

The Directors wish to thank the Company's esteemed customers, partners, suppliers, employees and above all, its shareholders and investors for their continued support and encouragement.

On behalf of the Board of Directors

F.C. KOHLI
Chairman

Mumbai, June 23, 1999