

Eleventh Annual Report 1999 - 2000

TATA
ELXSI

An SEI - CMM Level 5 Company

REPORT ON INFORMATION

Engineering the Information Revolution

Directors

Syamal Gupta

Chairman

S Ramadorai

Vice Chairman

F C Kohli

Brig. K Balasubramaniam

K M Chinnappa

E A K Faizullahoy

Sujit Gupta

P McGoldrick

C P Mistry

D S Pendse

S Devarajan

Managing Director

V Krishnamurthy

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& Company Secretary****Overseas Offices****In USA-**

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Tata Consultancy Services
Lotus House, 6,
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Mumbai – 400 020**Registrars & Share
Transfer Agents**M/s RSM & Co
Chartered Accountants**Auditors**123, Richmond Road
Bangalore – 560 025**Registered Office****Table of Contents****Page Nos.**

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About Tata Elxsi



Inauguration of new Corporate Office on January 21st, 2000 at Whitefield, Bangalore, India

Tata Elxsi Limited is a customer driven IT company offering System Integration solutions in the Indian market, and Design and Development services in the Indian and International markets.

Established in 1989 and headquartered in Bangalore, Tata Elxsi has an employee strength of over 700 professionals working out of twelve sales and support offices countrywide, representative offices in USA and Japan, and four Design & Development Centers in Bangalore.

Tata Elxsi's real edge is its talented professionals who have the skills to understand a system, integrate or redesign it, and if need be, develop new systems from scratch. In other words, Tata Elxsi is a company helping to engineer the revolution in Information Technology.



Our five-acre facility at Whitefield, Bangalore, India

Tata Elxsi has gained a reputation both in India and abroad, for expertise in System Integration, Design and Development in technologically advanced niche areas. It has executed pioneering projects in diverse fields such as fundamental science, medicine manufacturing, entertainment, and many more. Clients, many of whom are global leaders in their fields, recognize in Tata Elxsi a kindred philosophy of excellence.

Tata Elxsi has been assessed at SEI-CMM Level 5 by KPMG on June 2nd, 2000 for implementation of Quality Management Systems and Software Engineering Practices. The Company has joined the select band of twenty companies in the world to be assessed at this level.

OUR MISSION

To attain leadership in selected information technology markets by providing comprehensive technology products, solutions and services, while increasing returns through satisfied customers, motivated employees and ethical practices.

Systems Integration Solutions

Tata Elxsi is one of India's largest single source provider for High-end Technology Software and Hardware solutions and related services. Tata Elxsi offers Systems Integration in the domestic market through twelve offices located throughout India, providing unparalleled support and service to Indian customers.

System Integration solutions are offered in the areas of:

- CAD/CAM/CAE & Services
- Scientific Computing
- Film/Video/Broadcast
- Commercial Computing & Networking

CAD/CAM/CAE & SERVICES

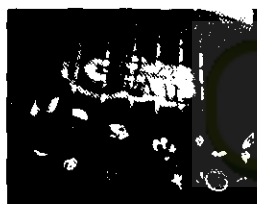
The CAD/CAM/CAE group caters to a comprehensive range of solutions from Concept Design to Engineering, Analysis to Manufacturing. It addresses the needs of the Automotive, Aerospace, Defence, Tooling and Engineering industries.

The group also offers complete Product Development services for both Automotive and Product design. It offers Engineering and Design services through its offices in India, Japan, Europe and the USA.

Strategic alliances with acknowledged leaders in above areas such as SGI, Compaq, Alias | Wavefront, SDRC, Mac-Neal Schwendler, Molecular Simulations, enables Tata Elxsi to provide the latest technologies to its customers.



FILM/VIDEO/BROADCAST



The Film/Video/Broadcast group provides complete, integrated and technically proven solutions for Post-Production and Broadcast houses in the areas of Editing, Compositing, 2D and 3D Animations. The group has technically trained personnel for integration, implementation and support services.

Tata Elxsi has strategic alliances for hardware with SGI and Compaq, and for software with Alias | Wavefront, Discreet (a division of Autodesk) and Cambridge Animation Systems.

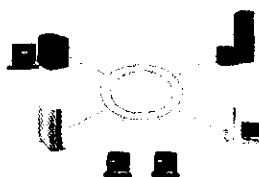
SCIENTIFIC COMPUTING

The Scientific Computing group offers high-end Technical Computing systems to Academic Institutes, Research Labs and other users engaged in Visual Computing, Number Crunching and Simulation.

This group also provides advanced software tools from Molecular Simulations Inc. (MSI) for Basic Chemical Research in Molecular Modeling and Reaction Simulation in the areas of Life Science and Materials Science. Tata Elxsi has strategic alliances with Compaq and SGI to provide the hardware platform.



COMMERCIAL COMPUTING & NETWORKING



The Commercial Computing group addresses the Business Computing market. The group offers solutions to Large Enterprises, Internet Service Providers, Banks and Financial Institutions.

The Networking group offers end-to-end Networking and Communications solutions that encompass Study of User Requirements, Network Design, Intranet Development, Network Implementation, Training and Certification.

The company has strategic tie-ups with Compaq, SGI, Nortel Networks and Bull Soft to provide these solutions.

Design & Development Services

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.

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's Visual Computing Group has developed competencies in five key areas viz. Visual Simulation, Computer Aided Geometry Design, Data & Information Visualization, Image Processing and Scientific Computing. The group has developed reusable components and products and executed projects for established names in the Visual Computing arena. The reusable components developed include Collision Detection, Scientific Image Analyzer (Image Processing Library), Data Visualization Library, Triangular Mesh Generation and Quake Model Viewer.



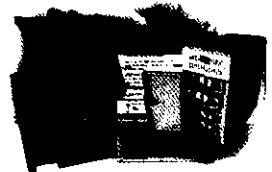
Networking & Communication



The Networking & Communication team offers complete design and development services ranging from architectural design to implementation of high-speed networking products. With the growing popularity of the Internet, the need to make it all-pervasive has created a growing demand for standard-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 customizes solutions to integrate the needs of 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. The services offered include device driver development for File Systems, Storage Devices, Computer Peripherals and other components. Projects executed range from designing intelligent I/O controllers to real time embedded systems.



Internet & 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 specializes 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.

“What some of our most valuable assets say”



Adithyan Shayan
Marketing Executive
Film and Video Segment

“Tata Elxsi is a great place for learning every aspect of the job. I was a fresh management graduate when I joined about a year back. Today, I am already responsible for one of our business lines. I have been exposed to sales, marketing, support, logistics, finance, our principals, top-management and to our customers in this short span. I love this place”

“It is scary initially when you join this company because it is so big. But in my case, the guidance and support from my colleagues and seniors helped me to settle down quickly. In-house training and user-groups ensure that freshers learn their jobs faster and feel wanted in the company”



Keshav S
Sr. Marketing Executive
CAD/CAM Segment



Rajesh Ananth
Business Development Manager
Networking Segment

“I am proud to be a part of the Network Solutions Group which has executed some of the most prestigious networking projects in the country. The country's largest FDDI N/W; the first ATM N/W in India; Wide Area Network connection of national and international branches of a prestigious hotel in India..... so good to work here”

“Tata Elxsi has a challenging work environment. The Quality department is one of the highly respected departments in the company and it gives me immense pride and pleasure to be a part of this team. The company has grown at a tremendous rate and I am very sure of the same in the years ahead”



Bindu Narayan
Sr. Specialist
Quality Control



D. Sravan Kumar
Specialist
Visual Computing Group

“The Visual Computing Group encompasses the state-of-art technologies and consistently focusses on providing solutions to key challenges. The ‘cool’, ‘pepped-up’ and casual atmosphere inspires everyone of us to do our best”

“Tata Elxsi is one of the leading IT companies in core Domain areas. The work is material-oriented and develops a sense of quality in the employees. It is a great pleasure to work in a company where you get to learn and implement all that you know”



Rashmi Prakash Kulkarni
Trainee Engineer
Software Development Group

Notice of Annual General Meeting

Notice is hereby given that the ELEVENTH ANNUAL GENERAL MEETING of TATA ELXSI LIMITED will be held on Friday, August 4, 2000 at 11.30 A.M. at J.N. Tata Auditorium, National Science Seminar Complex, Indian Institute of Science, Bangalore 560 012.

ORDINARY BUSINESS

1. To consider and adopt the Directors' Report, Auditors' Report and the Audited Profit and Loss Account for the year ended March 31, 2000 and the Balance Sheet as at March 31, 2000.
2. To confirm payment of Interim Dividend for 1999 - 2000.
3. To appoint a Director in place of Brig. K. Balasubramaniam who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr. K.M. Chinappa who retires by rotation and is eligible for reappointment.
5. To appoint a Director in place of Mr. C.P. Mistry who retires by rotation and is eligible for reappointment.
6. To appoint a Director in place of Mr. P. McGoldrick who retires by rotation and is eligible for reappointment.
7. To appoint Auditors to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting and to fix their remuneration.

NOTES:

- a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- b) Members desirous of getting any information in respect of Accounts of the Company are requested to send their queries in writing to the Company at the Registered Office so as to reach at least 7 days before the date of the meeting so that the required information can be made available at the meeting.
- c) Members/ Proxies should bring the Attendance Slip sent duly filled in for attending the Meeting.
- d) Members/ Proxies attending the Meeting are requested to bring their copy of the Annual Report for reference at the Meeting.

By Order of the Board of Directors
For and on behalf of
TATA ELXSI LIMITED

V Krishnamurthy
Chief Financial Officer
& Company Secretary

Mumbai, April 22, 2000

Registered Office:
123, Richmond Road,
Bangalore 560 025.

1999-2000

DIRECTORS' REPORT TO THE SHAREHOLDERS

1. Your Directors have pleasure in presenting the Eleventh Annual Report together with the audited Statements of Accounts of the Company for the year ended March 31, 2000.

2. **Financial Highlights**

During the financial year 1999-2000, the operations of the Company resulted in the following:

| | 1999-2000 | 1998-1999 |
|---|-----------|-----------|
| Sales and services | 12373.72 | 9422.26 |
| Other income | 48.69 | 93.23 |
| Total Income | 12423.41 | 9515.49 |
| Profit before financial expenses and depreciation | 1575.81 | 1047.73 |
| Less : Financial expenses | 365.87 | 338.53 |
| Depreciation | 452.05 | 399.39 |
| Net profit for the year | 757.89 | 309.81 |
| Less : Provision for Income tax | 87.39 | 32.53 |
| Profit after tax | 670.50 | 277.28 |
| Add : Debenture redemption reserve | | 50.00 |
| Add/Less : Profit/(Loss) brought forward | 27.35 | (299.93) |
| Balance available for appropriation | 697.85 | 27.35 |
| Less: Interim Dividend (@ 15% for 1999-2000) | 467.07 | — |
| Less: Dividend Tax thereon | 51.38 | — |
| Less: Transfer to General Reserve | 50.00 | — |
| Balance of Profit carried to Balance Sheet | 129.40 | 27.35 |
| Total Appropriations | 697.85 | 27.35 |

Members will be pleased to note that a maiden Interim Dividend at 15% for 1999-2000 has been declared by your Board.

3. **Operations**

DOMESTIC OPERATIONS:

For the first time in your Company's history, the total orders booked during the year under review crossed the Rs. 100 crores mark, lead by strong growth in the Film & Video segment and modest growth in the other segments of CAD/CAM, Education and Research and Commercial & Networking.

Film & Video: Your company leveraged on the buoyant conditions prevailing in the entertainment sector and recorded strong sales growth of Rs. 24 crores comprising mainly of sale of 2-D / 3-D animation software and related hardware workstations. It is expected that the strong sales growth would continue to be maintained in the next year also.

CAD/CAM: The main market comprising the automobile and industrial design sectors saw a reversal of the recessionary conditions prevalent in the previous year. However, no major investment spending on CAD/CAM products took place. Your Company was able to achieve a sales growth of Rs. 20 crores in this segment and is well poised to service the upturn in this segment when it occurs.

Education & Research: For a large part of the year, restrictive market conditions continued to prevail as a result of the ban imposed by the United States of America on supplies by American corporations to specified critical Indian organisations. Although the ban was partially lifted (i.e. 50 Indian entities were removed from the list of 300 - odd entities) during the latter part of the year, the business potential of this market could not be realised. Your