

BOARD OF DIRECTORS

Syamal Gupta	<i>Chairman</i>
S Ramadorai	<i>Vice Chairman</i>
F C Kohli	
Brig. K Balasubramaniam	
K M Chinnappa	
E A K Faizullahbhoj	
Sujit Gupta	
H H Malgham	
P McGoldrick	
C P Mistry	
S Sadagopan	
Madhukar Dev	<i>Executive Director & CEO</i>

STATUTORY COMMITTEES

AUDIT COMMITTEE

H H Malgham	<i>Chairman</i>
E A K Faizullahbhoj	
C P Mistry	
S Ramadorai	

REMUNERATION COMMITTEE

F C Kohli	<i>Chairman</i>
S Ramadorai	
Syamal Gupta	

INVESTOR GRIEVANCE COMMITTEE

E A K Faizullahbhoj	<i>Chairman</i>
H H Malgham	
C P Mistry	

Vijay Krishnamurthy	<i>Chief Financial Officer & Company Secretary</i>
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Registrars & Share

Transfer Agents

Tata Consultancy Services
'Lotus House'
6, Sir Vithaldas Thackersey Marg
Mumbai - 400 020

Auditors

M/s. RSM & Co.
Chartered Accountants

Registered Office

123, Richmond Road
Bangalore - 560 025

Corporate Office

ITPL Road, Whitefield
Bangalore - 560 048

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NOTICE

Notice of Annual General Meeting

Notice is hereby given that the FOURTEENTH ANNUAL GENERAL MEETING of TATA ELXSI LIMITED will be held on Monday 28th July 2003, at 12.00 Noon at J.N. Tata Auditorium Indian Institute of Science, Bangalore - 560012, to transact the following business :

1. To receive and adopt the Directors' Report and the Audited Profit and Loss Account for the year ended March 31, 2003 and the Balance Sheet as at that date and the Auditor's Report thereon.
2. To declare dividend for the year ended 31st March 2003.
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 Chinnappa who retires by rotation and is eligible for reappointment.
5. To appoint a Director in place of Mr. Sujit Gupta who retires by rotation and is eligible for reappointment.
6. To appoint a Director in place of Mr. S Ramadorai who retires by rotation and is eligible for reappointment.
7. To appoint a Director in the place of Prof. S Sadagopan who was appointed as an Additional Director of the Company by the Board of Directors with effect from 30th October 2002 and who holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 and Article 151 of the Articles of Association of the Company, but who is eligible for re-appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Act from a shareholder proposing his candidature for the office of Director.
8. 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.

By Order of the Board of Directors
For TATAELXSILIMITED

VIJAY KRISHNAMURTHY
Chief Financial Officer
& Company Secretary

Mumbai, 29th April 2003,

Registered Office:

123, Richmond Road,

Bangalore 560 025.

NOTES:

- a) The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the business under item No. 7 and the relevant details in respect of item Nos. 3 to 6 above pursuant to Clause 49 of the Listing Agreement are annexed hereto.
- b) **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.**
- c) 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.
- d) Members / Proxies attending the Meeting are requested to bring their copy of the Annual Report for reference at the Meeting as also the Attendance Slip duly filled in for attending the Meeting.
- e) The dividend on shares as recommended by the Board of Directors of the Company, if declared at the Meeting, will be payable to those shareholders whose names stand in the Register of Members of the Company as on In respect of shares held in the electronic form, the dividend will be payable to the beneficial owners of these shares as on closing hours of business on, as per details furnished by the Depositories for this purpose.
- f) Members holding shares in electronic form may please note that as per the regulations of National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd (CDSL), the Company is obliged to print the bank details on the dividend warrants as furnished by these Depositories to the Company and the Company cannot entertain any request for deletion/change of bank details already printed on dividend warrants as per information received from the concerned Depositories. In this regard, Members should contact their Depository Participant (DP) and furnish particulars of any changes desired by them.

- g) **Members who have not received their dividend paid by the Company in respect of earlier years are requested to check with the Company's Registrars & Transfer Agents i.e M/s. Tata Consultancy Services, 'Lotus House', 6 Sir Vithaldas Thackersey Marg, New Marine Lines, Mumbai – 400 020. Members are requested to note that in terms of Section 205C of the Companies Act, 1956 any dividend unpaid / unclaimed for a period of 7 years from the date these first became due for payment are required to be transferred to the Central Government to the credit of the Investor Protection Fund. Thereafter, no claim shall be entertained in respect of the dividend transferred to the Fund.**

Explanatory Statement Pursuant to Section 173 of the Companies Act, 1956

Item No. 7

At their Meeting held on 30th October 2002, your Board appointed Prof. S Sadagopan as an Additional Director of your Company pursuant to the provisions of Article 151 of the Articles of Association of your Company and Section 260 of the Companies Act, 1956. Accordingly, in terms of the said Article and Section, Prof. S Sadagopan holds office upto the date of this Annual General Meeting and being eligible, is proposed to be appointed at this Annual General Meeting as a Director liable to retire by rotation.

Your Board considers that in view of the experience and expertise possessed by Prof. Sadagopan, it would be in the interest of your Company to appoint Prof. Sadagopan as a Director of your Company.

Notice as required under Section 257 of the Companies Act, 1956 has been received from a member proposing the candidature of Prof. Sadagopan as a Director of your Company.

The Directors commend the resolution for acceptance by the shareholders.

By Order of the Board of Directors
For **TATAELXSILIMITED**



VIJAY KRISHNAMURTHY
Chief Financial Officer
& Company Secretary

Mumbai, 29th April 2003,

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

ANNEXURE TO THE AGM NOTICE

Information pursuant to Clause 49 of the Listing Agreement regarding appointment of a new Director or reappointment of a Director

Name of the Director	Brig. K Balasubramaniam	K M Chinnappa	Sujit Gupta	S Ramadorai	Prof. S Sadagopan
Date of Birth	August 14, 1928	February 15, 1914	September 25, 1937	October 6, 1944	April 2, 1951
Date of appointment	March 30, 1989	August 20, 1991	October 18, 1989	June 26, 1995	30th October 2002
Specialised Expertise	General Management	Technical Management	General Management	Software Industry & General Management	Academician
Qualifications	PTSc (Eq to ME) {Army}, FIETE	B.E (Elec. Engg.) P G from Technical Institute, TISCO,JSPR	B.A (Eco. Hons); B.Sc (Eco.) from London School of Economics	B.Sc (Physics); B.E (Electronics & Telecommunication) M.S (Computer Science)	B.E; M.S; Ph.D
Directorships of the Companies as on 31st March 2003	Gujarat Poly-AVX Ltd	Elpro International Ltd Namtech Electronic Devices Ltd	Tinplate Co. of India Ltd Tata Petrodyne Ltd Tata Advance Materials Ltd North Delhi Power Ltd	Tata Industries Ltd Tata Infotech Ltd Tata Internet Services Ltd Aviation Software Development Consultancy India Ltd Tata Technologies Ltd CMC Limited WTI Advanced Technology Ltd Hindustan Lever Ltd Nicholas Piramal India Ltd	KEONICS Bank of India
Chairman/Member of the Committees of the Companies in which he is a Director as on 31st March 2003			<i>Chairman - Audit Committee</i> Tata Petrodyne Ltd <i>Member - Remuneration Committee</i> Tata Advance Materials Ltd	<i>Member - Remuneration Committee</i> Tata Infotech Ltd <i>Chairman - Remuneration Committee</i> Tata Technologies Ltd	
			<i>Chairman - Investor Grievances Committee</i> Tinplate Company of India Ltd <i>Member - Remuneration Committee</i> Tinplate Company of India Ltd	<i>Chairman - Audit Committee</i> Tata Technologies Ltd	

DIRECTORS' REPORT TO THE MEMBERS

1. Your Directors present the Fourteenth Annual Report together with the audited Statements of Accounts of your Company for the year ended March 31, 2003.

2 Financial Highlights

During the financial year 2002-03, the operations of the Company resulted in the following :

	(Rs. Crores)	
	2002-2003	2001-2002
Sales and Service	109.60	129.81
Other income	1.68	2.15
Total Income	111.28	131.96
Profit before financial expenses and depreciation	19.68	24.80
Less : Financial expenses	1.21	1.53
Depreciation	3.41	3.05
Net profit for the year	15.06	20.22
Less : Provision for Income tax	3.37	3.47
Profit after tax	11.69	16.75
Add: Profit brought forward (net of transitional cumulative deferred tax liability)	6.81	2.96
Balance available for appropriation which has been appropriated as under:	18.50	19.71
Dividend	7.78	10.90
Dividend Tax thereon	1.00	—
Transfer to General Reserve	2.00	2.00
Balance of Profit carried to Balance Sheet	7.72	6.81
Total Appropriations	18.50	19.71

3. Dividend

Your Directors recommend for your approval a dividend of 25% (i.e. Rs. 2.50 per share) for the year ended 31st March 2003, which alongwith Dividend Tax and Surcharge thereon, will involve a total outgo of Rs. 8.78 crores out of the profits of the year.

4. Review of Operations

Overall the business environment continued to be sluggish due to recessionary conditions prevailing globally which affected your Company's markets. Spending decisions were postponed or reduced by your Company's customers who were themselves facing difficult market conditions. In this scenario, there was considerable downward pressure on prices that customers were willing to pay for your Company's software services. The weak international economy also caused global mergers and acquisitions amongst several of your Company's principals whom it represents in India in its systems integration business. With revenue growth slow, your Company sought to increase its profits with a tight control on costs and operations.

A business-wise analysis of your Company's two main segments viz. Systems Integration & Support and Software Development & Services, follows hereunder.

Systems Integration & Support

Under Systems Integration and Support, your Company engages in value-added reselling and provides turnkey solutions to various Indian customers i.e. configuration, procurement, integration, installation, commissioning, training, maintenance and upgradation of high end products – both hardware and software – from principals who are world leaders. Your Company took a conscious decision not to undertake high-value orders which had extended payment terms. This alongwith general recessionary trends in the economy, resulted in this business segment registering an overall decline from Rs. 67.18 crores in 2001-02 to Rs. 33.12 crores in 2002-03.

Software Development & Services :

Despite difficult business conditions, your Company was able to increase revenues in this segment from Rs. 64.58 crores in 2001-02 to Rs. 77.57 crores in 2002-03. The businesses constituting this segment are Design & Development, Software and Design Engineering Services and Visual Computing Labs Services.

Design & Development : This business spans four separate domains catering to technology driven customers in Japan, US, UK, Germany etc..

During the year, your Company commenced work with several prestigious and major customers engaged in the automotive and communication domains. Your Company possesses advanced skills in these domain areas enabling it to execute projects with emerging and converging technologies for its global customers. The development centre at Technopark, Trivandrum, set up last year to focus on embedded software for the automotive sector is emerging as a separate technology group with distinct capabilities matching customer requirements. While breakthroughs in several new accounts have been made during the year, your Company's ability to ramp up deployment of larger engineers within the customer specified schedules has been the constraining factor.

During the year, your Company opened marketing offices in Canada and Germany taking the total number of its overseas marketing offices for this business to six. Your Company was assessed against the most recent CMM-I model of the SEI and awarded the highest level, (Level 5) certification by quality assessors KPMG, making it one amongst the first 10 companies world-wide to qualify for this distinction.

Software, Design Engineering and Visual Computing Labs Services : In this business, your Company provides software services for application based project work and design engineering services for industrial and automotive design.

The increasing worldwide use of computer graphics for animation and special effects in the entertainment industry presents a great opportunity to your Company, which has familiarity with this business. Seeing this opportunity, a new division was set up in your Company to address this market. Considerable progress has been made in the year and the prospects for the business look good for the current year.

5. Finance

As a result of treasury operations, financial expenses reduced during the year from Rs.1.53 crores in 2001-02 to Rs.1.21 crores in 2002-03.

6. Directors

At the Board Meeting on 30th October 2002, your Board appointed Prof. S. Sadagopan as an Additional Director. Prof. Sadagopan is the Director of the Indian Institute of Information Technology, Bangalore, and has rich academic and technical knowledge which will be helpful to your Company in charting its growth. In accordance with Section 260 of the Companies Act, 1956 and Article 151 of the Articles of Association of the Company, Prof. Sadagopan holds office upto the ensuing Annual General Meeting of the Company and will be eligible for appointment at this Meeting. Notice alongwith the requisite deposit, as required under Section 257 has been received from a member proposing the appointment of Prof. Sadagopan at the said Meeting.

Brig. K Balasubramaniam, Mr. K M Chinnappa, Mr. Sujit Gupta and Mr. S Ramadorai retire by rotation and being eligible, offer themselves for reappointment.

7. Directors Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors, based on the representations received from the Operating Management, confirm that –

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- (ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and have 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 profit of the Company for that year;
- (iii) they have taken proper and sufficient care, to the best of their knowledge and ability, 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;
- (iv) they have prepared the annual accounts on a going concern basis.

8. Personnel

Your Company conducts periodic training programmes to enable employees to remain contemporary with latest developments in relevant technological areas. During the year, a further batch of employees enrolled for the two-year software engineering and microelectronics courses subsidised by your Company in arrangement with BITS Pilani, which enables the selected employees to pursue higher educational qualifications while continuing to work.

9. Disclosure of Particulars

Particulars required to be furnished under the Companies (Particular of Employees) Rules, 1975 and Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, to the extent applicable to the Company are given in the Annexure.

10. Acknowledgements

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

On behalf of the Board of Directors

SYAMAL GUPTA

Chairman

Mumbai, 29th April 2003



ANNEXURE TO DIRECTORS' REPORT

Particulars pursuant to Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of directors) Rules, 1988

1. Conservation of Energy

The operations of your Company are not energy intensive. Nonetheless, energy optimization measures continue to be pursued during the year e.g design of air-conditioning plant, false ceiling structures to reduce the air-conditioning load, etc.

2. Technology Absorption

a. Research & Development

Your Company continues to test and work with emerging and covering technologies and engage in research and development relating to high performance computing and graphical solutions, networking and communication protocols, DSP, ASIC, VLSI and storage solutions.

b. Benefits derived out of the above R & D

The above R & D activities have resulted in development of in-house expertise and IP rights. Besides expanding markets for its services, it has also enabled speedier time-to-market deliveries to customers.

c. Future plan of action

To continue to build and accelerate the existing competencies and expand the range of related skill sets with your Company.

d. Expenditure on R & D during the year

i. Capital	:	Rs. 32.40 Lakhs
ii. Recurring	:	Rs. 30.90 Lakhs
iii. Total	:	Rs. 63.30 Lakhs
iv. Total R & D expenditure as a percentage total turnover	:	0.57%

3. Technology absorption, adaptation and innovation

Your Company's quality systems are certified at the highest level of ISO 9001 and CMM I Level 5 obtained during the year, which reflects a high degree of technology absorption, adaptation and innovation. There is continuous ongoing efforts to refine techniques and technologies resulting in enhancement of overall quality and productivity.

4. Foreign Exchange earnings and outgo

Your Company's growing Software Design & Development operations and also an increasing proportion of agency business with overseas principals in the Systems Integration business ensure a continued export thrust. The particulars of foreign exchange earnings and outgo are given in Item Nos. 16, 17 and 18 of Schedule 17 to the Accounts

ANNEXURE "A" TO DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2003.

Sl No.	Name	Designation	Remuneration (Rs.)	Qualification	Experience (Yrs)	Commencement of Employment	Age (Yrs)	Particulars of Last Employment/Employer/Last Post & Period for which post held
1	Madhukar Dev	Executive Director & C.E.O	4,053,670	M.Sc, M.B.A	25	03.06.91	48	Bennet Coleman & Co. Ltd- Chief Manager (RMD) - 1year

Notes :

1. Nature of employment is contractual. Other terms and conditions are as per the Company's Rules.
2. The above employee is not related to any of the Director of the Company.
3. Remuneration received includes Salary, Commission and Bonus (including for previous year), House Rent Allowance, Privilege Leave Encashment, Contribution to Provident Fund, Superannuation, Gratuity, Leave Travel Assistance, Medical Assistance, Company's Car Perquisites and other Perquisites evaluated in accordance with the Income-Tax Rules as applicable.

On behalf of the Board of Directors

SYAMAL GUPTA
Chairman

Mumbai, 29th April 2003

COMPLIANCE REPORT ON CORPORATE GOVERNANCE

Mandatory Requirements:

- A brief statement on the Company's philosophy on code of governance.** Your Company believes in conducting its affairs with the highest levels of integrity, with proper authorisations, accountability and transparency. The business operations of your Company are conducted not to benefit any particular interest group but for the benefit of all stakeholders.

- Board of Directors**

The Company has a Non-Executive Chairman and the number of Independent Directors exceeds one-third of the total number of Directors. The number of Non-Executive Directors (NEDs) exceeds 50% of the total number of Directors. None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49 of the Listing Agreement with Stock Exchanges), across all the companies in which they are Directors. The necessary disclosures regarding Committee positions have been made by the Directors.

Five Board Meetings were held during the year 2002-03 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held were 23rd April, 2002, 21st June, 2002, 25th July, 2002, 30th October, 2002, & 15th January, 2003.

The names and categories of the Directors on the Board, their attendance at Board Meetings during the year and at the last Annual General Meeting, as also the number of Directorships held by them in other companies are given below:

Name	Category	No. of Board Meetings attended during 2002-03	Whether attended AGM held on 21st June, 2002	No. of Directorships in other companies	
				Chairman	Member
Mr. Syamal Gupta (Chairman)	Not Independent/ Non-executive	5	Yes	4	7
Mr. S. Ramadorai (Vice Chairman)	Not Independent/ Non-executive	3	Yes	2	7
Dr. F. C. Kohli	Independent/ Non-executive	3	Yes	1	4
Brig. K. Balasubramaniam	Independent/ Non-executive	5	Yes	—	2
Mr. K. M. Chinnappa	Independent/ Non-executive	—	No	—	2
Mr. E. A. K. Faizullahoy	Independent/ Non-executive	5	Yes	—	3
Mr. Sujit Gupta	Not Independent/ Non-executive	2	No	—	4
Mr. H. H. Malgham	Independent/ Non-executive	5	Yes	—	3
Mr. P. McGoldrick	Not Independent/ Non-executive	3	Yes	—	1
Mr. C. P. Mistry	Independent/ Non-executive	5	Yes	—	8
Prof. S. Sadagopan (Appointed on 30.10.2002)	Independent/ Non-executive	1	N.A.	—	1
Mr. Madhukar Dev	Not Independent/ Executive Director	5	Yes	—	—

The information as required under Annexure 1 to Clause 49 is being made available to the Board.

3. Audit Committee

The terms of reference of the Audit Committee mandated by your Board of Directors, which is also in line with the statutory and regulatory requirements, are:

- a. Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- c. Reviewing with management the annual financial statements before submission to the board.
- d. Reviewing with management, external and internal auditors, the adequacy of internal control systems.
- e. Reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- f. Discussion with internal auditors on any significant findings and follow up thereon.
- g. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- h. Discussion with external auditors before the audit commences, nature and scope of audit as well as have post-audit discussions to ascertain any area of concern.
- i. Reviewing the company's financial and risk management policies.
- j. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

The Audit Committee reviewed the reports of the internal auditors, the reports of the statutory auditors arising out of the half-yearly and annual review of the accounts, considered significant financial issues affecting the Company and held discussions with the internal and statutory auditors and the Company management, during the year.

During the year, the Audit Committee held its Meetings on the following dates i.e. 23rd April 2002, 25th July 2002, 29th October 2002 & 15th January 2003.

The composition, names of the members, chairperson, particulars of the Meetings and attendance of the members during the year are as follows:

Sl. No.	Names of Members	Category	No. of Meetings attended during the year 2002-2003
1.	Mr. H H Malgham, Chairman	Independent/Non-executive	4
2.	Mr. S Ramadorai	Not Independent/Non-executive	2
3.	Mr. E A K Faizullahoy	Independent/Non-executive	4
4.	Mr. C P Mistry	Independent/Non-executive	3

4. Remuneration Committee

The terms of reference mandated by your Board, which are also in line with the statutory and regulatory requirements, are:

- To decide the policy on specific remuneration packages for Executive Directors including pension rights and any compensation payments;
- To approve the terms of any Employee Stock Option Scheme or Plan as may be issued from time to time by the Company;

All Non-Executive Directors of your Company receive sitting fees for each meeting of the Board or Committee thereof attended by them. The net profits of the Company, not exceeding 1%, are distributable, as commission, amongst the Non-Executive Directors considering the special services rendered.

Other than sitting fees and commission on the net profits of the Company, no other remuneration is payable to the Non-Executive Directors for 2002-2003.

During the year, the Remuneration Committee held its Meeting on 16th April 2002.

The composition, names of the members, chairperson, particulars of the Meetings and attendance of the members during the year are as follows: