

Annual Report



VXL Instruments Limited

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1998 - 99

BOARD OF DIRECTORS

A V Kasargod
M V Nagaraj
Kumar Shyam
M V Shetty
Moti Jangani
Ajit Shelat
Laxmi J Mundkur

Chairman and Managing Director
Whole Time Director
Whole Time Director
Whole Time Director
Director
Director
Director

BANKERS

State Bank of India

FINANCIAL INSTITUTIONS

Industrial Development Bank of India

MANAGEMENT TEAM

A V Kasargod
M V Nagaraj
Kumar Shyam
M V Shetty
Latha L
Rajasekharan N K

Managing Director
Director (Production)
Director (R & D)
Director (Quality Assurance)
President (Software Group)
Vice President (Marketing)

LEGAL ADVISOR

Mr. N Jayaraman

COMPANY SECRETARY

B S K Swamy

REGISTERED OFFICE AND R&D CENTRE

House of Excellence
17, Electronics City, Hosur Road
Bangalore 561 229
Tel : 852 0046 / 852 1048 / 852 1069 / 852 2168
Fax : 852 0095
Email : info@vxl.co.in
World Wide Web Site : <http://www.vxl.net>

AUDITORS

S Madhavan & Co.
Chartered Accountants
Bangalore

FACTORY

86, 4TH Cross, Electronics City
Hosur Road, Hebbagodi Post
Bangalore - 561 229

ELECTRONIC HARDWARE TECHNOLOGY

PARK (EHTP) 100% EOU UNIT

20, Veerasandra Industrial Area,
19th KM, Hosur Road, Hebbagodi Post,
Bangalore 562 158

REGISTRARS AND SHARE

TRANSFER AGENTS

Sheshanka Financial Services (P) Ltd.,
S 702, Manipal Centre, Dickenson Road,
Bangalore 560 042

Tel : 5597755
Fax : 5597055

VXL Instruments Limited

Contents	Page No.
Directors' Report	2
Auditors' Report	7
Balance Sheet	9
Profit & Loss Account	10
Schedules to the Accounts	11
Accounts of the Subsidiary Companies	
- Xlnet Software Systems Limited	25
- VXL Instruments Limited (U.K.)	36
Performance at a Glance	42

Thirteenth Annual General Meeting

On Wednesday, the 25th August, 1999

at

Woodlands Hotel Pvt. Ltd.

No.5, Raja Rammohan Roy Road

Bangalore - 25

At 4.00 p.m.

DIRECTORS' REPORT

To
The Members

Your Directors have pleasure in presenting their report on the business and operations of your Company for the year ended March 31, 1999.

FINANCIAL RESULTS

	(Rs. Lakhs)	
	1998-99	1997-98
Gross Profit	607.80	631.95
Interest	230.94	349.88
Depreciation	139.55	151.35
Appropriations :		
Proposed Dividend	105.78	63.47
Corporate tax on Dividend	11.64	6.35
General Reserve	119.00	46.00
Balance C/F	0.94	0.05

TURNOVER AND PROFITS

Although the turnover of the company fell by about 3.6% as compared to that of the previous year, the profits after tax rose by nearly 105% of that of the previous year.

Your Company's financial performance is tabulated below :

	(Rs. Lakhs)	
	1998-99	1997-98
Total revenue	4401.54	4568.13
Net worth	2046.75	1926.86
Profit available for appropriation	237.36	115.87
EPS (Rs.)	5.58	2.72
Return on net worth (%)	11.60	6.01

DIVIDEND

Your Directors recommend a dividend of Rs.2.50 per fully paid-up share as against Re.1.50 per share paid last year and seek the approval of the Members at the Annual General Meeting.

RESEARCH AND DEVELOPMENT AND NEW PRODUCTS

The outlay on R&D this year, at Rs.207.23 lakhs, was 39% higher than that of the previous year and constituted 4.7% of the income.

The R&D has added variants of Winlinx thin clients to the Company's product range. It is also working on a superior version of Winlinx and Terminal Server.

The R&D has also developed a unified hardware version of ASCII terminal which will replace the large variety of models.

SUBSIDIARY COMPANIES

The performance of XLnet Software Systems Ltd. has been satisfactory during the year under review. It increased the sales turnover by 6% to Rs.50.55 Lakh. The profit for the year was Rs.8.25 Lakh.

VXL Instruments Ltd., UK doubled its sales turnover to reach GBP 788,115 and made a profit of GBP 65,425.

MILESTONES

Your Company received an award for outstanding exports. The award was presented by Shri A.B.Vajpayee, Hon.Prime Minister of India.

VXL Instruments Limited**FUTURE PROSPECTS**

Your Directors are pleased to announce that your Company has started a Business Applications Software Division in January 1999. This Division will specialise in Web based total solutions for Supply Chain Management. The Division has started receiving business from several well-known companies.

The Thin Client Technology, introduced first by your Company in India, now finds growing acceptance in private and public sector enterprises due to its advantages in terms of performance and cost of ownership. Your Company offers this product with various operating systems e.g. WindowsNT, WindowsCE, Linux. VXL's EaziTC add-on card, which makes legacy PCs work like latest PCs and makes them Y2K compliant, and is expected to do well.

PARTICULARS OF EMPLOYEES

Information pursuant to Section 217 (2A) of the Companies Act, 1956 is annexed hereto and forms a part of this Report.

DIRECTORS

Mr. J.R. Mundkur, one of the promoters of your Company, has moved to the United States to work as a full time Director of a United States based Marketing company, which handles, sales of your Company's products in the United States. As such, he has stepped down from the Board of your Company. Your Directors wish to place on record the yeoman services rendered by Mr. Mundkur to your Company right since its inception and wish his new venture in the United States a very bright future.

Ms. Laxmi J Mundkur has been appointed as a Director of the Company to fill up casual vacancy caused by the resignation of Mr. J R Mundkur. Your Directors welcome Ms. Mundkur.

Mr. M V Nagaraj and Mr. Moti Jiandani, Directors, retire by rotation and being eligible, offer themselves for re-election.

AUDITORS

Messrs. S. Madhavan and Co., Chartered Accountants, Bangalore being eligible, offer themselves for re-appointment.

AUDITORS' REPORT

Members' attention is drawn to Note No.5 of Schedule 20 dealing with Notes on Accounts, which have been dealt with in Point No.4 of the Auditors' Report and is self-explanatory.

FIXED DEPOSITS

Your Company has been accepting fixed deposits from the public and shareholders. The total amount of such fixed deposits as on 31st March, 1999 was Rs.16 lakhs. There were no unclaimed deposits as at that date.

DELISTING AND DEMATERILISATION

Your company's shares are listed on the Stock Exchanges at Bangalore, Mumbai, Ahmedabad and New Delhi from the date of Initial Public Offer. It has been noticed that over a period of time, the transactions of the shares at Ahmedabad and New Delhi have reduced substantially and the number of shareholders of your Company in the said regions is small. Further, proposal is already on to have your Company's shares listed formally on the NSE, where trading has been going on in the past.

With a view to reduce cost and paper work, your Board has decided to opt for "VOLUNTARY DELISTING" of the shares from the Stock Exchanges at Ahmedabad and New Delhi after fully complying with the procedures laid down by SEBI. This is not likely to cause any difficulties to investors in these areas since the shares can be traded at Mumbai, Bangalore and on the NSE. Further, steps have been initiated towards dematerialising of the shares into electronic form.

Y2K COMPLIANCE

Efforts were put in to ensure that the hardware and software used at all the establishments of your Company and its products are fully Y2K compliant. Action has also been initiated to check the readiness of various business associates of your Company about their Y2K compliance. A plan has been drawn to mitigate potential risk to business on this account. Therefore, no significant cost impact due to Y2K bugs is expected on the operations of your Company.

INDUSTRIAL RELATIONS

Industrial relations continued to be cordial during the year.

HUMAN RESOURCES

Your Company encourages employees to achieve their full potential, through continuous training.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information required to be furnished under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed hereto and forms part of this Report.

APPRECIATION

Your Directors wish to thank the customers, vendors, business associates and the investors for their continued support to your Company.

Your Directors also thank State Bank of India, IDBI, Union Bank of India and The Shamrao Vithal Co-operative Bank Ltd., for their unstinted support that this Company has always received from them.

Lastly, your Directors also thank the employees for their dedication and co-operation in your Company's efforts to improve its operations.

For and on behalf of the Board of Directors

Place : Bangalore
Date : July 1, 1999

A V KASARGOD
Chairman and Managing Director



VXL Instruments Limited

ANNEXURE TO DIRECTORS' REPORT

(A) CONSERVATION OF ENERGY

Your Company's operations consume minimal electricity and fuel. However, efforts are being put on a continuing basis for the optimal usage of electricity and fuel.

(B) TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT

1. The areas in which work has been carried out by the Company.
 - i) Thin Client variants
 - ii) Unified model of ASCII Terminal
 - iii) Remote Access Server
2. Benefits derived
 - i) Access to wider markets
 - ii) Improved performance and lower cost.
 - iii) Better performance.
3. Future Plan of Action
 - i) Upward integration products based on Thin Client Technology and Smart Card Applications.
 - ii) Development of Products for converging IT and Telecom Technologies.
4. The total expenditure on R & D was Rs.207.23 lakhs, which constitutes 4.7% of the sales turnover.

	(Rs. lakhs)
i) Revenue expenditure	203.34
ii) Capital expenditure	3.89
	<u>207.23</u>

TECHNOLOGY ABSORPTION, ADAPTATION, INNOVATION

1. Efforts made
 - i) Internet access through cable TV connections
2. Benefits expected
 - i) Use Cable TV Bandwidth to provide connectivity.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

	(in Rupees)
1. Exports	208,257,519
2. Imports :	
Capital Goods	5,334,898
Raw materials	142,433,629
Travel	3,703,965
Technology Transfer	
Others (includes refund of deposits)	6,422,552
Commission	4,059,827
	<u>160,001,226</u>
* Total *	<u>160,001,226</u>

(D) INFORMATION AS PER SECTION 217 (2A) OF THE COMPANIES ACT, 1956, FOR THE YEAR ENDED 31ST MARCH, 1999

SL NO	NAME	DESIGNATION	QUALIFICATION	AGE (YEARS)	DATE OF JOINING	EXPERIENCE (YEARS)	GROSS REMUNERATION (Rs.)	DETAILS OF PREVIOUS EMPLOYMENT NAME OF THE COMPANY	DESIGNATION
1	Kasargod A V	Chairman & Managing Director	B.Sc., B.Tech	60	01-07-1987	34	725,592.00	VXL Instruments	Partner
2	Kumar Shyam	Director (R&D)	B.Tech	46	01-07-1987	25	743,592.00	VXL Instruments	Partner
3	Mundkur J R	Director (Marketing)	B.Sc., Dip. A.E.	46	01-07-1987	26	743,593.00	VXL Instruments	Partner
4	Nagaraj M V	Director (Production)	B.Tech	47	01-07-1987	25	743,593.00	VXL Instruments	Partner
5	Shetty M V	Director (Quality Assurance)	M.Tech	47	01-07-1987	24	725,022.00	VXL Instruments	Partner
6	L Latha *	President - Software Group	MCA	40	01-01-1999	14	341,150.00	Kais Information Systems	Director
7	Rajasekharan *	Vice President - Marketing	B.E.	50	01-12-1998	27	202,689.00	Verifone Software Systems Pvt. Ltd.	Consultant

NOTE:

- 1 Gross remuneration includes salary, rent allowance, medical reimbursement, leave travel assistance, contribution to Provident Fund and taxable value of perquisites.
- 2 All appointments are contractual.
- * 3 Employed for part of the year.
- 4 None of the above employees is related to any Director.

For and on behalf of the Board of Directors

A V KASARGOD
Chairman and Managing Director

Place : Bangalore
Date : July 1, 1999



VXL Instruments Limited

AUDITORS' REPORT TO THE MEMBERS OF VXL INSTRUMENTS LIMITED

We have audited the attached Balance Sheet of VXL Instruments Limited as at 31st March, 1999 and also the annexed Profit and Loss Account for the year ended on that date and report that:

1. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
2. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
3. The Balance Sheet and the Profit and Loss Account dealt with by this Report are in agreement with the books of account;
4. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account together with the notes thereon, comply with Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 subject to :
Note 5 in Schedule 20 - Notes on Accounts - regarding investment and amount due of Rs.5,169,261/- and Rs.38,948,054/-, respectively, pertaining to a subsidiary company whose accumulated losses at the year end exceeded its paid-up capital continuing to be carried in the accounts at original book value.
and give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1999 and,
 - b. In the case of the Profit and Loss Account, of the profit for the year ended on that date.
5. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate, we further report that:
 - i. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management during the year under report and no material discrepancies were noticed on such verification.
 - ii. None of the fixed assets has been revalued during the year.
 - iii. Physical verification has been conducted by the management at reasonable intervals during the year in respect of finished goods, stores and raw materials.
 - iv. In our opinion, the procedure of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - v. We have been informed that no significant discrepancies were noticed on such verification as compared to books records.
 - vi. In our opinion, the valuation of these stocks has been fair and proper in accordance with normally accepted accounting principles and is on the same basis as in the preceding years.
 - vii. The rate of interest and terms and conditions on which unsecured loans have been taken from a party listed in the register maintained under Section 301 of the Companies Act 1956 are, prima facie, not prejudicial to the interests of the Company. No loans have been taken from companies under the same management as defined under Section 370 (1B) of the Companies Act, 1956.
 - viii. In our opinion, the rate of interest charged, where applicable and the terms and conditions on which unsecured loans have been granted to parties listed in the register maintained under section 301 of the Companies Act, 1956 are, prima facie, not prejudicial to the interests of the Company. No loans have been given to companies under the same management as defined under Section 370 (1B) of the Companies Act, 1956.
 - ix. In respect of loans or advances in the nature of loans given to parties and employees, where repayments have been stipulated, the parties and employees are repaying the principal amounts as stipulated except in a few cases of loans to employees where the repayment is not as per stipulation. In case the loans or advances carry interest, the same is being collected in accordance therewith.
 - x. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials, plant and machinery, equipment and other assets and for the sale of goods.

- xi. In our opinion and according to the information and explanations made available, transactions relating to purchase of goods and materials and sale of goods made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000/- or more in value in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices for such goods and materials or the prices at which transactions for similar goods and materials have been made with other parties.
- xii. As explained to us, unserviceable or damaged/deteriorated stores and raw materials are determined in accordance with the Company's procedures and adequate provision for loss arising thereon has been made in the accounts.
- xiii. In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A of the Companies Act, 1956 and the rules framed thereunder, where applicable, with regard to deposits accepted from the public.
- xiv. In our opinion, the Company has maintained reasonable records for the sale and disposal of scrap. We have been informed that the Company's operations do not generate any by-products.
- xv. We are of the opinion that the Company has an internal audit system commensurate with its size and the nature of its business.
- xvi. We have been informed that the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of the Company.
- xvii. The Company has, during the year, regularly deposited Provident Fund and Employees' State Insurance dues with the appropriate authorities except for a delay in such deposit for two months. There were no arrears at the close of the year.
- xix. There was no amount outstanding on 31st March, 1999 in respect of undisputed Income-tax, Wealth-tax, Sales-tax, Customs Duty and Excise Duty which were due for more than six months from the date they became payable.
- xix. According to the records of the Company and as per the information and explanations given to us, no personal expenses have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practices.
- xx. As per the information made available, as the Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985, the provisions of this clause are not applicable.
- xxi. As regards the Company's trading activities, as per the information made available, damaged goods have been determined and adequate provision for loss has been made in the accounts.

For S.MADHAVAN & CO.
CHARTERED ACCOUNTANTS

(S.MADHAVAN)
PARTNER

Place : Bangalore
Date : 28th May, 1999

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