

Annual Report



VXL Instruments Limited

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1999 - 2000

BOARD OF DIRECTORS

A V Kasargod
M V Nagaraj
Kumar Shyam
M V Shetty
M L S Shastri
Moti Jandani
Ajit Shelat
Laxmi J Mundkur

Chairman and Managing Director
Whole Time 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
M L S Shastri
Rajasekharan N K

Managing Director
Director (Production)
Director (R & D)
Director (Quality Assurance)
Director - R&D (Software)
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 8520046/8521048/8521069/8522168
Fax 8520095
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
Plot Nos. 57, 58, 59 and 63, Electronics City
Hosur Road
Bangalore - 561 229

REGISTRAR AND SHARE

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

Tel 5597755
Fax 5597055

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VXL Instruments Limited

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Fourteenth Annual General Meeting

On Wednesday, the 20th September, 2000

at

Woodlands Hotel Pvt. Ltd.

No.5, Raja Rammohan Roy Road

Bangalore - 25

At 10.00 a.m.

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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, 2000.

FINANCIAL RESULTS

		(In Rs Lakhs)
	1999-2000	1998-99
Gross Profit (including goods destroyed in fire)	247.04	607.80
Interest	251.99	230.94
Depreciation	157.91	139.55
Profit/(Loss) after extra-ordinary item	(162.86)	237.31
Appropriations :		
Proposed Dividend	—	105.78
Corporate tax on Dividend	—	11.64
Transfer to General Reserve	—	119.00
Balance C/F	(161.92)	0.94

SALES TURNOVER

A devastating fire in the export factory of your Company on March 26 this year, destroyed about Rs.4 Crores of goods awaiting shipment. Your Company had 7.8 % lower sales turnover as compared to last year and incurred a loss of Rs.163 Lakhs, partly due to this mishap. After computing the value of goods lost in fire, a claim of Rs.1337.92 lakhs has been lodged with the Insurance Company.

Your Company's financial performance is tabulated below :

TURNOVER AND PROFITS

		(In Rs Lakhs)
	1999-2000	1998-99
Total revenue	**4059.66	4401.54
Net worth	1887.84	2046.75
Profit available for appropriation	—	237.36
EPS (Rs.)	—	5.58
Return on net worth %	—	11.60

** Excludes Rs.402.16 Lakhs of finished goods awaiting shipment lost in the fire in the export factory.

DIVIDEND

Your Directors regret their inability to recommend any Dividend for the year due to the loss incurred.

VXL Instruments Limited**RESEARCH AND DEVELOPMENT AND NEW PRODUCTS**

The outlay on R&D this year, at Rs.342.37 lakhs, was 65 % higher than that of the previous year and constituted 8.5 % of the sales turnover.

The R&D has introduced a terminal with standardised hardware to replace the CPU which had become obsolete. It has also developed software to offer a Point of Sale Terminal with the same hardware. The R&D has been working on a compact version of Thin Client, which it expects to also cater to the increasing internet home market. The R&D has also developed an HDSL modem for use in a niche market.

SUBSIDIARY COMPANIES

Your Company increased its stake in XLnet Software Systems Ltd.w.e.f.November 1, 1999 , to acquire it fully. This was done to integrate the system software team into the R&D for better co-ordination, lower development cycle and lower cost. Mr.M.L.S.Shastry, Director XLnet was co-opted on your Board.

The performance of XLnet Software Systems Ltd. has been satisfactory during the year under review. The sales turnover was Rs.35.14 Lakh and profit for the year was Rs.2.51 Lakh.

VXL Instruments Ltd., UK increased its sales turnover to reach GBP 1.02 Million. The profit for the year increased by 61 % to GBP 104,456.

FUTURE PROSPECTS

The Thin Client Technology has been finding growing acceptance in private and public sector enterprises in India, due to its advantages over the conventional PC in terms of performance and cost of ownership. Some of the areas of application include Telecom, Education, E-Governance and Internet Access from homes.

In the international markets, until last year, nearly 74 % of export sales came from a single OEM customer. Your Company now has distributors in the US, the UK & Western Europe, Australia, New Zealand, Singapore, China and Sri Lanka. 74 % of sales for the year under review came through these distribution channels.

PARTICULARS OF EMPLOYEES

Information as per Section 217 (2A) of the Companies Act, 1956 read with the companies (Particulars of Employees) Rules, 1975 is annexed and forms a part of this report.

DIRECTORS

Mr. A.V.Kasargod and Mr.Kumar Shyam. 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 Notes No.5 and 7 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, 2000 was Rs.28 lakhs. There were no unclaimed deposits as at that date.

Y2K COMPLIANCE

There was no cost impact of Y2K on your Company's operations and transition was smooth.

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.

DEMATERIALISATION OF SHARES

Fully paid-up equity shares of your Company can now be dematerialised into electronic form with the National Securities Depository Limited. The ISIN allotted to your Company is INE756A01019.

APPRECIATION

Your Directors wish to thank the Customers, Vendors, Business Associates and the Investors for their continued support.

Your Directors also thank State Bank of India, IDBI, Union Bank of India and The Shamrao Vitthal Co-operative Bank Ltd., for their unstinted co-operation extended by them uniformly.

Lastly, your Directors 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 : 24th July, 2000

A V KASARGOD
Chairman and Managing Director

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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. Point of Sale Terminal
 - iii. HDSL Modem
2. Benefits derived
 - i. Access to wider markets
 - ii. Improved performance and lower cost.
 - iii. Better performance.
3. Future Plan of Action
 - i. More variants of Thin Client products
 - ii. Development of Products for converging IT and Telecom Technologies.
4. The total expenditure on R & D was Rs.342.37 Lakhs, which constituted 8.5 % of sales turnover.

(Rs. in lakhs)

i)	Revenue expenditure	228.72
ii)	Capital expenditure	113.65
		<u>342.37</u>

TECHNOLOGY ABSORPTION, ADAPTATION, INNOVATION

1. Efforts made
 - i. Internet access through HDSL Modem for closed networks
2. Benefits expected
 - i. Faster communication through existing cabling

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

(In Rupees)

1. Exports		121,117,022
2. Imports :	Capital Goods	2,241,347
	Raw materials	169,538,126
	Travel	2,042,895
	Technology Transfer	
	Others (includes refund of deposits)	16,972,921
	Commission	3,348,324
	Total	<u>194,143,613</u>

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(D) INFORMATION AS PER SECTION 217 (2A) OF THE COMPANIES ACT 1956 FOR THE YEAR ENDED 31ST MARCH, 2000

Sl. No.	NAME	DESIGNATION	QUALIFICATION	AGE (YRS)	DATE OF JOINING	EXPERIENCE (YRS)	GROSS REMUNERATION	DETAILS OF PREVIOUS EMPLOYMENT COMPANY	DESIGNATION
1	Kasargod A V	Chairman & Managing Director	B.Sc., B.Tech	61	01-07-1987	35	875,584	VXL Instruments	Partner
2	Kumar Shyam	Director (Projects)	B.Tech	47	01-07-1987	26	887,584	VXL Instruments	Partner
3	Mundkur J R	** Director (Marketing)	B.Sc., Dip. A.E.	47	01-07-1987	27	90,837	VXL Instruments	Partner
4	Manivannan S	Dy. G.M. (R&D)	M.Tech	41	15-07-1996	13	617,516	Tata Electric Co.	Engineer
5	Latha L	** President Software Group	M.C.A	41	01-01-1999	15	493,456	Kals Information	Director
6	Nagaraj M V	Director (Production)	B.Tech	48	01-07-1987	26	887,584	VXL Instruments	Partner
7	Rajasekharan N K	Vice President (Marketing)	B.E.	51	01-12-1998	28	617,211	Verifone Software Systems Pvt Ltd	Consultant
8	Shetty M V	Director (R&D)	M.Tech	48	01-07-1987	25	876,484	VXL Instruments	Partner
9	Shastri M L S	** Director (Software)	M.Tech	45	15-11-1999	21	314,460	XLnet Software	Director

NOTE :

1. Gross remuneration includes Salary, Rent Allowances, Medical Reimbursement Leave Travel Assistance, Provident Fund and taxable value of perquisites.
2. All appointments are contractual.
3. ** Worked 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

Place : Bangalore
Date : 24th July, 2000

A V KASARGOD
Chairman and Managing Director



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, 2000 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 Notes No. 5 and 7 in Schedule 20 – Notes on Accounts regarding:
 - (i) Investment and amount due of Rs.5,169,261/- and Rs.51,290,270/-, 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,
 - (ii) Treatment of claim of Rs.130,012,811/- arising from fire accident as due from insurers pending final settlement of such claim – the short-fall on settlement, if any, is not presently ascertainable
 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, 2000 and,
 - b) In the case of the Profit and Loss Account, of the loss 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. However, the Company has, for the first time included Excise Duty on goods held in bond which has no effect on the loss for the year. Please refer to our note no.10 in Schedule 20 – Notes on Accounts.
 - vii. The rate of interest and terms and conditions on which unsecured loans have been taken from 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 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.

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- 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, generally been regular in depositing Provident Fund and Employees' State Insurance dues with the appropriate authorities. There were no arrears at the close of the year.
- xviii. There was no amount outstanding on 31st March, 2000 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 : 24th July, 2000