

# Annual Report 2003 - 2004



## **VXL Instruments Limited**

## VXL Instruments Limited

### BOARD OF DIRECTOR

<b>D S Rao</b>	<i>Chairman</i>
<b>M V Nagaraj</b>	<i>Managing Director</i>
<b>M V Shetty</b>	<i>Wholetime Director</i>
<b>Kumar Shyam</b>	<i>Director</i>
<b>K Prakash</b>	<i>Director</i>

### AUDITORS

Ishwar & Gopal  
Chartered Accountants  
Bangalore.

### AUDIT COMMITTEE

<b>K Prakash</b>	<i>Chairman</i>
<b>D S Rao</b>	<i>Member</i>
<b>Kumar Shyam</b>	<i>Member</i>

### BANKERS

State Bank of India  
Industrial Development Bank of India

### REMUNERATION COMMITTEE

<b>D S Rao</b>	<i>Chairman</i>
<b>K Prakash</b>	<i>Member</i>
<b>Kumar Shyam</b>	<i>Member</i>

### REGISTRARS AND SHARE TRANSFER AGENTS

Bigshare Services Pvt. Ltd.,  
E-2/3, Ansa Industrial Estate  
Sakivihar Road, Saki Naka  
Andheri (E), Mumbai 400 072  
Tel : 91-022-28470652/28470653  
Fax : 91-022-2847 5207

### INVESTORS' GRIEVANCES COMMITTEE

<b>K Prakash</b>	<i>Chairman</i>
<b>M V Shetty</b>	<i>Member</i>
<b>Kumar Shyam</b>	<i>Member</i>

### REGISTERED OFFICE

"House of Excellence", No. 17  
Electronics City, Hosur Road  
Bangalore 560 100  
Tel : 91-80-2852 0046/2852 1069  
Fax : 91-80-2852 0095

### SHARE TRANSFER COMMITTEE

<b>M V Shetty</b>	<i>Chairman</i>
<b>Kumar Shyam</b>	<i>Member</i>
<b>K Prakash</b>	<i>Member</i>

### WORKS/ DOMESTIC UNIT

No. 86, 4th Cross, Electronics City  
Hosur Road, Bangalore - 560 100  
Tel : 91-80-28520042

### WORKS/100%EQU

No. 17, Ground Floor  
Electronics City, Hosur Road  
Bangalore - 560 100  
Tel : 91-80-2852 0046/2852 1069

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**Eighteenth Annual General Meeting**

On Wednesday,  
the 29th September, 2004  
at  
"House of Excellence"  
No.17, Electronics City  
Hosur Road, Bangalore - 560 100  
at 3.00 p.m.

## VXL Instruments Limited

### NOTICE

Notice is hereby given that the Eighteenth Annual General Meeting of the Members of the Company will be held at 3.00 p m on Wednesday, the 29<sup>th</sup> September, 2004 at the Registered Office of the Company at "House of Excellence", No.17, Electronics City, Hosur Road, Bangalore-560 100 to transact the following business:

#### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2004 and the Profit and Loss account for the year ended on that date together with the reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. M V Shetty, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. Kumar Shyam, who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors and to authorize the Board of Directors to fix their remuneration.

#### SPECIAL BUSINESS:

5. To consider, and if thought fit to pass with or without modification(s), the following as a Special Resolution:

RESOLVED THAT pursuant to and in accordance with Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, or any re-enactment or modifications thereof, and subject to the approval of the Central Government, if required, the approval of the members be and is hereby accorded to the appointment of, and the remuneration payable to, Mr. M V Nagaraj as Managing Director of the Company with effect from 30.7.2004 for a period of three years on the terms and conditions as mentioned below:

- i. Salary of Rs.75,000/- (Rupees Seventy five Thousand only)
- ii. Commission: In addition to salary, perquisites and other allowances, commission based on the net profit of the Company computed in the manner laid down in Section 309(5) and other applicable provisions, if any, of the Companies Act, 1956. Such Commission shall be of such percentage and of such amount as the Board of Directors of the Company may determine keeping in view of the performance of the Company in respect

of each financial year.

In addition to salary and commission, the following shall be allowed to Mr. M V Nagaraj

- iii. Housing: Mr. M V Nagaraj shall be entitled to rent free furnished residential accommodation.  
In case no accommodation is provided by the Company, Mr. M V Nagaraj shall be entitled to House Rent Allowance of Rs.20,000/- per month.
- iv. Reimbursement of gas, electricity, water charges and furnishings.
- v. Reimbursement of medical expenses for self and family as per Company rules.
- vi. Leave Travel Concession for self and family as per Company rules.
- vii. Fees of clubs subject to maximum of two clubs.
- viii. Personal Accidental Insurance, as per Company rules.
- ix. Provision of car for business and personal purposes.
- x. Telephone at the residence.
- xi. Internet at the residence.

Mr. M V Nagaraj will be eligible for following perquisites which shall not be included in the computation of the ceiling on the remuneration in the event the Company has no profits or its profits are inadequate in any financial year during the aforesaid period:

- xii. Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per Company Schemes to the extent these either singly or put together are not taxable under the Income tax Act, 1961
- xiii. Gratuity payable at the rate of half a month's salary for each completed year of Service.
- xiv. Earned / Privilege Leave: On full pay and allowances, as per rules of the Company. Leave encashment also as per Company rules.

RESOLVED FURTHER THAT subject to the provisions of the Sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, the remuneration payable to Mr. M V Nagaraj, by way of salary, perquisites, commission and other allowances shall not exceed five percent of the net profits of the

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Company and ten percent of such net profits of the Company for all such managerial personnel of the Company together in that financial year. RESOLVED FURTHER THAT notwithstanding anything here above stated, where in any financial year closing on or after 1<sup>st</sup> April 2004, the Company has incurred loss or its profits are inadequate, the Company may pay to the Mr. M V Nagaraj remuneration by way of salary, perquisites, and other allowances not exceeding the limits specified under Section II of Part II of Schedule XIII of the Companies Act, 1956.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take all such steps as may be necessary for the purpose of giving effect to this resolution and matters incidental thereto.

6. To consider and if thought fit, with or without modification(s), the following as a Special Resolution:

"RESOLVED THAT in accordance with the provisions of Section 81(1-A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to the applicable statutes or guidelines or regulations issued/as may be issued from time to time, by concerned authorities including the Reserve Bank of India/SEBI, consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company (herein after referred to as the "Board" which term shall be deemed to include any Committee of Directors which the Board may have constituted to exercise its powers including the powers conferred by this resolution) to issue, offer and allot up to 4,37,600 Equity Shares of Rs 10/- each of the aggregate nominal value up to Rs 43,76,000-(Rupees Forty Three Lakhs Seventy SixThousands only), the price of the share being such price as the Board may deem fit, subject to the reckoning of the price to be arrived at, being not lower than the minimum price specified as per SEBI(Disclosure and Investor Protection) Guidelines 2000 or such further terms and conditions specified in Chapter XIII of the SEBI DIP Guidelines and also as may be approved by the Board to :

<u>Name</u>	<u>No. of Shares proposed</u>
Mr. D.S Rao	- 1,50,100
Mr. Frank Noon	- 88,100
Mr. Mathew Burgess	- 28,400
Mr. Gurumukh Singh Rannaburgardie	- 83,500

Mr. Philippe Jaspard	- 53,900
M/s Next Systems	- 33,600
Total	<u>4,37,600</u>

whether such person or individuals are members of the Company or not, and without offering these Equity Shares on rights basis to the existing members and on such terms and conditions as may be applicable or with such modifications as the Board may decide in consultation with the proposed investors and in such trenches as may be decided by the Board in its absolute discretion.

RESOLVED FURTHER THAT these Shares proposed to be issued and allotted as aforesaid shall be subject to the provisions of the Memorandum and Articles of Association of the Company and shall on allotment rank *pari passu* with the existing Equity Shares of the Company in all respects except that the dividend for and from the financial year in which they are allotted.

FURTHER RESOLVED THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorized on behalf of the Company to do all such acts, deeds and matters and things as it may, at its discretion deem necessary or desirable for such purpose without being required to seek any further consent or approval of the Company or otherwise to the extent that they shall be deemed to have given their approval hereto expressly by the authority of this resolution and with power on behalf of the Company to settle the questions, difficulties, or doubts that may arise in this regard as it may in its absolute discretion deem fit and proper."

By Order of the Board

Place : Bangalore.  
Date : 30<sup>th</sup> July 2004

**M V Shetty**  
Wholetime Director

## NOTES

1.Explanatory Statement under Section 173 of the Companies Act, 1956 is attached to the notice in respect of Special Business.

2.A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself/herself and such proxy need not be a member of the Company; proxies in order to be effective, must be received by the Company at the registered office not less than 48 hours before the meeting.

## VXL Instruments Limited

3. Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.
4. Members/proxies should bring the Attendance Slip sent here with duly filled in to attend the meeting.
5. The Register of Members and Share Transfer Books shall remain closed from 25<sup>th</sup> September, 2004 to 29<sup>th</sup> September, 2004 (both days inclusive).
- 6.. Members are requested to address all their correspondence including change of address, etc to the present Registrars and Share Transfer Agent : Big Share Services Pvt Ltd, E-2/3, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (E), Mumbai - 400 072.
7. The Unclaimed dividend for the financial year ended 31<sup>st</sup> March, 1996 was transferred to the Investor Education and Protection Fund of the Central Government. Unclaimed dividend for the year ended 31<sup>st</sup> March, 1997 is due for transfer in October 2004. In terms of the provisions of Section 205C of the Companies Act, 1956, no claim shall lie against the Company or the said Fund after said transfer.
8. Transportation facility will be made at the following location to enable the intending Shareholder/s to attend. The bus will leave the said location at 2.15 p.m.

**Madiwala Bus Stop** Opposite to  
Madiwala Police Station Madiwala, Bangalore.

By Order of the Board  
**M V Shetty**  
*Wholetime Director*

Place : Bangalore.  
Date : 30<sup>th</sup> July 2004

### **Additional information pursuant to Clause 49 VI of the Listing Agreement**

#### **Details of Directors seeking appointment/re-appointment at the forthcoming AGM**

**Mr. M V Shetty** holds M. Tech degree from IIT, Mumbai and has over 27 years of experience in Telecommunications, Product design and Development and quality/Process Management. He is one of the Promoters of the company. He was responsible for bringing world class desktop products (Industrial, ergonomic and Tool design). He was part of design team of various products of VXL Data Logger, CNC, Terminals and Thin clients etc..He has good experience in designing ruggedised products

for Defence applications. Mr. M V Shetty is chairman of Share Transfer Committee and member of Investors' Grievances Committee. Mr. M V Shetty is not a Director in any other company.

**Mr. Kumar Shyam** holds B.Tech degree from IIT, Chennai and has over 23 years experience including 7 years with ITI, Bangalore during which period he underwent a year's training at Philips, Holland. He is one of the Promoters of the Company. Mr. Kumar Shyam is a member in Audit, Remuneration, Investors' Grievance and Share Transfer Committees of the Company. Mr. Kumar Shyam is a Wholetime Director at VXL eTech Limited, Associate Company.

### **ANNEXURE TO THE NOTICE: EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956: Item No. 5**

Mr. M V Nagaraj holds a B.Tech degree from IIT, Chennai and has over 27 years of experience in hardware industry. He is also one of the promoters of the Company.

He was responsible for setting up EHTP unit. He was Director incharge of Manufacturing Operations of your Company for quite some time and also served as Managing Director of your Company earlier. Following statement may be construed as compliance with the Schedule XIII of the Company Act, 1956.

#### **I. GENERAL INFORMATION**

##### **1. Nature of the Industry**

VXL Instruments Limited is a leading manufacturer of advanced Terminals, Thin Clients and Networking products. Based in Bangalore, the Company exports its products across the globe. VXL has around 65 percent of the market share in India for its products. It is a preferred vendor to major OEMs. VXL Thin Clients are being regularly used by prestigious customers like Unisys, Panalpina, Rubbermaid, Bull, French Telecom, National Health Services and Tekelec etc. The Company was started in 1976 by the IT Professionals with the aim of manufacturing high quality products. VXL has placed a premium on its talent. The Company is known for its innovative products.

VXL's manufacturing facilities are ISO 9000-2000 certified. VXL believes that quality can not be compromised for anything. A full fledged Quality Assurance team ensures that every product that leaves the factory is fully compliant to international quality standards. Exports account for significant part of Company's turnover.

##### **2. Date of Commercial Production**

The Company commenced commercial production on 26<sup>th</sup> September, 1987

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**3. Financial Performance**

The Company incurred a loss of Rs.254.86 Lakhs. However your company is confident of turning around the business during the next fiscal year on account of the tremendous demand for the new product released recently and better financial and logistics control.

	(Rupees in Lakhs)		
	31-03-2002	31-03-2003	31-03-2004
Total Revenue	4,117.80	3,163.90	5,390.14
Profit/(Loss) after tax	31.58	(396.55)	(254.86)

**4. Export performance and net foreign exchange**

Consistently the Company has been having export earnings. For the year ended 31<sup>st</sup> March, 2004 the foreign currency earnings stood at Rs.2303.49 lakhs and net foreign exchange expended was Rs.3,758.46 lakhs.

**5. Foreign Investments and Collaboration**

The Company has a subsidiary in UK engaged in marketing of its products in Europe. Currently the Company has no other foreign investments or collaboration.

**II. INFORMATION ABOUT THE MANAGING DIRECTOR**

Mr. M V Nagaraj holds a B.Tech degree from IIT, Chennai and has over 27 years of experience in hardware industry.

Mr. M V Nagaraj was the Managing Director of the Company earlier. He has wide contacts and business acquaintance in the related field and the Board felt that he will fit in as the most suitable person to be at the helm of the affairs of the Company. He is also one of the promoters of the Company.

He was responsible for setting up EHTP unit. He was Director incharge of Manufacturing Operations for quite some time. He has travelled extensively worldwide. Mr. M V Nagaraj and his family hold 3,06,040 fully paid Equity Shares of the company. The Remuneration to be given to Mr. M V Nagaraj will be as follows:

(In Rupees)

Salary	Perquisites	Commission	Sitting Fees	Total
9,00,000	4,80,392	-	-	13,80,392

\*Apart from above perquisites, Mr. M.V. Nagaraj will be eligible for Superannuation, Gratuity and PF.

It would be difficult to ascertain the comparative remuneration profile since there is no other company

in India comparable to this Company in terms of industry, size and profile of the position.

**DISCLOSURE**

The remuneration package of Mr. M V Nagaraj will be within the limits of the Schedule XIII of the Companies Act, 1956 and approval of the Central Government will be sought.

The above statement may be treated as an abstract of the terms under Section 302 of the Companies Act, 1956.

Based on the recommendation of the remuneration committee, your Board proceeded to appoint Mr. M V Nagaraj as Managing Director as per remuneration exhibited above with effect from 30<sup>th</sup> July, 2004 for a period of 3 years subject to requisite approvals.

Except Mr. M V Nagaraj, no other Director is interested/concerned in the above resolution.

By Order of the Board

Place : Bangalore.

Date : 30<sup>th</sup> July 2004**M V Shetty**

Wholtime Director

**ITEM No.6**

*Information provided pursuant to Clause 13.1A of SEBI (Disclosure and Investor Protection) Guidelines, 2000 as amended from time to time.*

**Objects of the issue through the preferential offer**

To raise adequate financial resources on a long term basis, for meeting the Management's ambitious plans to convert the Company into a global player.

It may be noted here that based on the approval obtained from the Shareholders earlier, the Board had proceeded to issue and allot 2,95,000 Equity Shares at Rs.25/-inclusive of Rs. 15/-premium per share. However, since the requisite compliance as per the SEBI requirements were not fully made, this proposal is being placed before the Shareholders once again. The amount related to these Shares have already been received by the Company. The Board will proceed to make the allotment upon the requisite compliances.

**Intention of Promoters /Directors / Key management persons to subscribe to the offer**

Apart from the Promoters/Directors/Key management personnel, certain other Acquaintances of the Company/Directors intend to subscribe to the offer. The Shares to be allotted to the promoters, if any, pursuant to this offer shall be subject to the ceilings and other provisions stipulated by the guidelines



## VXL Instruments Limited

issued by SEBI and other regulatory agencies, from time to time.

Key management persons and Non-promoter Directors intend to subscribe to the offer, subject to an overall ceiling of 4,37,600 (Four Lakhs Thirty Seven Thousand Six Hundred ) shares and subject to the stipulations laid down by the guidelines issued by SEBI and other regulatory agencies, from time to time.

### Shareholding Pattern

	*Before the offer (%)	After the offer (%)
Promoters & Families	47.63	43.18
Mutual Funds	2.16	1.96
Bodies Corporate	5.69	5.16
NRIs	0.82	0.75
Foreigners	—	9.33
Indian Public	43.70	39.62
FII/OCBs/Venture Capital Funds, Individual Investors, etc	—	—
Total	100.00	100.00

\* As on 15th July, 2004

### Proposed time within which the allotment shall be complete

The Company proposes to complete the allotment within a period of 15 days from the date of the passing of the proposed special resolution by the members.

### The identity of the proposed allottees and the percentage of post-preferential issue capital that may be held by them

The identity of the proposed allottees are as follows:

Name	No of Shares
Mr. Dipak Rao	- 150,100
Mr. Frank Noon	- 88,100
Mr. Mathew Burgess	- 28,400
Mr. Gurumukh Singh Rannabugardie	- 83,500
Mr. Philippe Jaspard	- 53,900
M/s Next Systems	- 33,600
Total	437,600

The above proposed allottees are Foreigners and will hold 9.33 % of the post issue capital.

Any or all of Foreign Institutional Investors, Mutual Funds / Private Equity Investors / Venture Capital Investors / High Networth Individuals / Overseas Corporate Bodies / Foreign Individual Investors/ Non Resident Indians/ Others. This category of investors may hold about 12.04% of the post-preferential issue capital.

One or more of the promoters and/or their relatives – This category may hold about 43.18% of the post-preference issue capital.

One or more of the non-promoter directors and/or their relatives including Mr D.S Rao, etc. This category may hold not more than 20% of the post-preference issue capital.

Key Management persons including but not restricted to Mr Frank Noon, etc. This category may hold not more than 5% of the post-preference issue capital. Foreigners and/or Non Resident Indians - including but not restricted to Mr Matthew Burgess, Mr Gurumukh Singh Rannabugardie, etc. This category may hold not more than 5% of the post-preference issue capital.

The Board recommends the Resolution for your approval.

None of the Director is concerned or interested except as shareholders.

By Order of the Board

Place : Bangalore.  
Date : 30<sup>th</sup> July 2004

**M V Shetty**  
Wholetime Director



## Eighteenth Annual Report 2003 - 2004

## REPORT OF DIRECTORS AND MANAGEMENT DISCUSSION &amp; ANALYSIS

To

The Members

Your Directors present their report on the business and operations of your Company for the year ended 31<sup>st</sup> March 2004.

## FINANCIAL RESULTS

(Rs. In lakhs)

	2003-04	2002-03
Gross Profit/(Loss)	236.29	(11.13)
Interest	361.58	341.98
Depreciation / Amortization	161.98	145.98
Profit/(Loss) before Taxation	(287.27)	(499.09)
Deferred Tax credit for the Year	32.41	102.54
Profit / ( Loss ) after Taxation	(254.86)	(396.55)
Balance carried forward	364.97	31.58

## YEAR UNDER REVIEW

The Sales turnover for the year that has passed stood at Rs. 530 million against Rs 313 million reported last year. Despite impressive sales, your Company could not reflect positive bottom line primarily due to marketing costs of new product and also high interest costs. Your Company incurred a loss of Rs.254.86 Lakhs. However your company is confident of turning around the business during the next fiscal year on account of the tremendous demand for the new product released recently and better financial and logistics control. This product has been declared as the Best Thin client by Data News, a European magazine after comparing with 12 leading Thin clients of the world.

Your Board regrets to inform you that Mr. Tim Gold Ring, Chief Executive Officer, decided to relinquish his post due to personal reasons. The Board accepted his resignation.

## OVERSEAS OPERATION

Your Company continues to sell its products in the European markets through its Subsidiary Company based in the UK.

Your Company has been rated as the third largest supplier in the global Thin Clients market, with a market share of 10% for period ending 31<sup>st</sup> December 2003. VXL has significantly improved its market share from 4.3% to 10%, as per the IDC Report.

## RESEARCH AND DEVELOPMENT

R& D continues to be growth engine for the Company and this year, a lot of efforts have gone in producing a new product which aims at providing a sleek, high performance desk top with a very low foot print. This is at the proto stage.

## SUBSIDIARY COMPANIES

VXL Instruments, U K has managed to keep its losses under control, despite mounting pressure on margins.

VXL Instruments UK has very large customer base and a well established marketing network which can serve the Company well in the coming years as market conditions have improved.

XLnet Software Systems Limited did not engage in any active business operations during the year.

## FUTURE PROSPECTS

Your Company is poised for growth as it is being actively considered for many large automation projects both in the overseas and domestic markets. High cost funds are being sought to be replaced by low cost funding schemes. Business cycle turn-around have been drastically shortened with restructuring. As such, although there has been loss in the first quarter of the current fiscal, the months ahead will show culmination of many project initiatives. Aggressive marketing with low cost operations is already attracting many local and overseas companies to look at your Company for their automation needs.

## PARTICULARS OF EMPLOYEES

None of the employees drew remuneration in excess of the limit prescribed in Sec 217(2A) of the Companies Act, 1956.

## DIRECTORS

Mr M V Nagaraj was appointed as Managing Director by your Board on 30<sup>th</sup> July 2004 subject to your approval. It may be recalled that Mr Nagaraj is a Promoter Director and held office of Managing Director earlier.

Mr.M V Shetty and Mr Kumar Shyam, retire by rotation and being eligible, offer themselves for re-appointment.

## AUDITORS

M/s. Ishwar & Gopal, Chartered Accountants, Auditors of the Company, being eligible, offer themselves for re-appointment.

## AUDITORS REPORT

Members' attention is drawn to Notes Nos. 1 and 3 of Schedule 17 dealing with Notes on Accounts, which have been dealt with in Point No.4 of the Auditors' Report and are self explanatory.

## VXL Instruments Limited

### FIXED DEPOSITS

Your Company has been accepting fixed deposits from the public and shareholders. The total amount of such fixed deposits as on 31<sup>st</sup> March, 2004 was Rs.103.06 lakhs. There were no unclaimed deposits as at that date.

### LISTING

Your Company's Shares are traded compulsorily in the electronic form. During the year under review, your Company had applied for delisting from Bangalore, Ahmedabad and New Delhi Stock Exchanges. The Company has received the delisting approvals from the Bangalore and Ahmedabad Stock Exchanges and delisting approval from the Delhi Stock Exchange is awaited. The Listing Fees has been paid up to date with respect to BSE.

### DIRECTORS' RESPONSIBILITY STATEMENT

*As required by Section 217(2AA) of the Companies Act, 1956, the Directors state and confirm that:*

- (a) The financial statements have been prepared in conformity with the generally accepted accounting standards and principles and in terms of the requirement of the Companies Act, 1956. Reasonable and prudent judgements and estimates have been made wherever necessary.
- (b) The accounting policies selected and applied consistently give a true and fair view of the financial statements.
- (c) The Company has implemented adequate internal controls to provide reasonable assurance of the reliability of its financial records, proper safe guarding and use its assets and detection of frauds and irregularities.
- (d) The Directors have prepared the annual accounts on a "going concern" basis.

### CORPORATE GOVERNANCE

The Board meets at regular intervals and transacts various business. The Company consistently forwards the quarterly financial results to the Stock Exchanges and publishes the same in the newspapers as per the listing agreement.

### INDUSTRIAL RELATIONS

Industrial relations continued to be cordial during the year.

### 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

The Directors wish to thank the Customers, Vendors, Business Associates and the Investors for their continued support during this difficult year.

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

Lastly, your Directors thank the Employees for their dedication and co-operation in your Company's efforts to be a significant global player.

For and on behalf of the Board of Directors

**M V Nagaraj**  
Managing Director

**M V Shetty**  
Wholetime Director

Place : Bangalore

Date : 30<sup>th</sup> July, 2004

### 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 MARKET RELATED

1. The areas in which work has been carried 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. Total allocation on R&D was Rs.99.55 lakhs, which constituted about 1.84 % of total revenue.

#### TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts made for development of specialized terminal server
2. Slim line version of Thin Client.

#### (C) FOREIGN EXCHANGE EARNINGS AND OUTGO

Total Foreign Exchange earned was Rs. 2303.49 lakhs and total outgo was Rs. 3758.46 lakhs.