

22<sup>nd</sup>  
Annual Report  
2007-2008



**VXL Instruments Limited**

## VXL Instruments Limited

### BOARD OF DIRECTORS

Arun Kumar Bhuwania	Chairman
D. S. Rao	Vice Chairman
M. V. Nagaraj	Managing Director
M. V. Shetty	Whole Time Director
Kumar Shyam	Director
K. Prakash	Director
Narayana Bhat	Chief Financial Officer & Company Secretary

### AUDIT COMMITTEE

K Prakash	Chairman
D S Rao	Member
Kumar Shyam	Member

### REMUNERATION COMMITTEE

D S Rao	Chairman
K Prakash	Member
Kumar Shyam	Member

### INVESTORS' GRIEVANCES COMMITTEE

K Prakash	Chairman
M V Shetty	Member
Kumar Shyam	Member

### SHARE TRANSFER COMMITTEE

M V Shetty	Chairman
Kumar Shyam	Member

### WORKS / 100% EOU

"House of Excellence"  
No.17, Electronics City,  
Hosur Road,  
Bangalore - 560 100  
Tel : 91-80-2852 0046/3022 2525

### WORKS / DOMESTIC UNIT

No.86, 4th Cross,  
Electronics City, Hosur Road,  
Bangalore - 560 100.  
Tel : 91-80-3022 3636

### AUDITORS

Ishwar & Gopal  
Chartered Accountants  
Bangalore.

### BANKERS

State Bank of India

### 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 : 91-22-2847 0652/2856 0653  
Fax : 91-22-2847 5207

### REGISTERED OFFICE

"House of Excellence"  
No.17, Electronics City,  
Hosur Road,  
Bangalore - 560 100  
Tel : 91-80-2852 0046/3022 2525  
Fax : 91-80-2852 0095  
Website : [www.vxl.net](http://www.vxl.net)

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**TWENTY SECOND ANNUAL GENERAL MEETING**

on Wednesday  
the 17th September, 2008  
at  
**"HOTEL AJANTHA"**  
No. 22-A, Mahatma Gandhi Road,  
Bangalore – 560 001  
at 3.00 P.M.

**VXL Instruments Limited****NOTICE**

Notice is hereby given that the Twenty Second Annual General Meeting of the Members of the Company will be held at 3 p.m. on Wednesday, the 17th September 2008 at Hotel Ajantha, Mahatma Gandhi Road, Bangalore-560 001 to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2008 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. Arun Kumar Bhuwania, 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 authorise the Board of Directors to fix their remuneration.

By Order of the Board

**Narayana Bhat**

*Chief Financial Officer &  
Company Secretary.*

Place : Bangalore  
Date : 26th June 2008

**Notes:**

1. 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. The instrument appointing the proxy, must be received by the Company at the registered office not less than 48 hours before the meeting.
2. Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.
3. Members/proxies should bring the Attendance slip sent herewith duly filled in to attend the meeting.
4. The Register of Members and Share Transfer Books shall remain closed from 12th September, 2008 to 17<sup>th</sup> September, 2008 (both the days inclusive).

5. Members are requested to address all their correspondences 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.

By Order of the Board

**Narayana Bhat**

*Chief Financial Officer &  
Company Secretary.*

Place : Bangalore  
Date : 26th June 2008

**INFORMATION REQUIRED TO BE FURNISHED UNDER LISTING AGREEMENT**

As per Listing Agreement, particulars of the Directors who are proposed to be re-appointed are given below:

1. Name : Mr. Arun Kumar Bhuwania  
Age : 61 years  
Qualification : B.Sc., Maths  
Expertise : Management with focus on Business related to Electronics and Software
2. Name : Mr. Kumar Shyam  
Age : 56 years  
Qualification : B. Tech  
Expertise : Engineering & Technology

By Order of the Board

**Narayana Bhat**

*Chief Financial Officer &  
Company Secretary.*

Place : Bangalore  
Date : 26th June 2008

## Twenty Second Annual Report 2007 - 2008

## 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 2008.

## FINANCIAL RESULTS

Rs. in Lakhs

Particulars	2007-08	2006-07
Sales	9,456.85	7,341.05
Depreciation/Amortization	176.17	146.84
Profit/(Loss) after Taxation	(556.96)	(445.04)
Balance carried forward	(2,305.79)	(1,739.27)

## YEAR UNDER REVIEW

During the year under review, your Company achieved a net turnover of Rs. 946 million as compared to Rs.734 million in the previous financial year. Your Company has incurred a loss of Rs. 56 million in the financial year as against Rs. 45 million in the previous year.

The loss during the year under review was mainly because of provision of Rs. 28 million towards old advances/sundry debtors and lower margin on account of surplus work force [due to phasing out of CRT Terminals (GVX) business] at the unit manufacturing CRT Terminals (GVX). However, your Company is confident that the Thin Client business with our software business and a solution to the issue of surplus work force would ensure a turn around in the company's operations.

During the year under review, your Company has paid all installments due on time which has substantially reduced the term loans from Banks. Out of four term loans, three have been repaid fully.

## OVERSEAS OPERATIONS

Your Company continues the tie up with Priya Ltd. for providing support in Logistics and Distribution of its products in Europe and USA.

VXL-UK has been able to extend good support in terms of marketing of the Company's products in Europe and especially in USA during year under review.

VXL has been one of the first Indian Companies to venture into the export market and in spite of many obstacles and misconceptions about Indian progress as IT Hardware compared to Indian Software, VXL has established itself worldwide as a player of the long run.

Steps initiated during the year 2006-07 to sell in the USA, the biggest market for thin clients have started yielding results.

## FUTURE PROSPECTS

## A. GENERAL

The company's competitiveness on cost and price continues to be affected with the surplus labour force related to the unit at No. 86, 4<sup>th</sup> Cross, Electronics City, Hosur Road, Bangalore - 560 100 which one time used to manufacture CRT Terminal (GVX) and which product has been phased out in the international market. A retrenchment order passed by the Labour Commissioner in favour of the Company was returned by the High Court on certain technical grounds. Currently, the work force related to the unit is on strike and the matter is pending before the respective Labour Department/Labour Court. However, there has been no disruption of work at the main unit where Thin Clients are being manufactured and this is due to the fact that the majority of employees have not joined the union and the strike.

## B. EXPORT

The global market for Thin Clients by 2010 is expected to be just over 5 million units. This does not include the potential from conversion of existing PC users to Thin Clients which will substantially increase the potential.

Our growth will primarily come from increased sales in North America where our sales were very low till the year ended March, 2007. In the current year there has been substantial growth which is expected to take off in 2008-09 and contribute to our growth.

You may kindly note that the sales targeted by us in 2008-09 of around 1,15,000 units comprises in quantity only 2% of the global potential.

VXL by its persistence has now managed to establish from good foundation from distribution to value added reseller in the whole of Europe from where VXL products are exported for more than 40 countries. However, in terms of world market size, the values and quantities have been so far quite small-compared with the market size mainly because VXL was not present in the major dominant US market. For the last one year VXL has been slowly stepping foot into the US and immediately has been able to bag major enterprise contracts as well as sign up some leading distribution agreements there. The coming years should see the exponential growth from the export efforts.

The CRT Terminals (GVX) business is almost non-existent and we are only servicing residual orders of small quantity from old customers and ensuring proper servicing of earlier GVX installations.

## RESEARCH AND DEVELOPMENT

Your Company recognizes R & D as one of its major focus areas in both Hardware and Software. This focus has helped your Company to design fully ROHS

## VXL Instruments Limited

compliant products carrying better features and ergonomics. These products have been well received by our customers.

### SUBSIDIARY COMPANIES

VXL, UK has managed to earn a profit for the second year in succession due to efficient operations.

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

### PARTICULARS OF EMPLOYEES

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

### DIRECTORS

Mr. Arun Kumar Bhuwania and Mr. Kumar Shyam retire by rotation, and being eligible, offer themselves for re-appointment.

### AUDITORS

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

### AUDITORS' REPORT

The auditors have pointed out in their report with regard to non-provision in respect of the company's investments in and receivables from subsidiaries and also receivables from certain other parties, accounting of deferred tax credits. In view of the long term prospects and steps taken to recover these receivables, the Directors feel that no provision need be made in the accounts.

### 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, 2008 was **Rs.171 lakhs**. There were no unclaimed deposits as at that date.

### LISTING OF EQUITY SHARES ALLOTTED ON PREFERENTIAL BASIS

Pursuant to the resolutions passed by Members at the Extra Ordinary General Meeting of the company on 14th February 2007, the company has got approval of the Bombay Stock Exchange for listing 4,37,600 equity shares allotted on 12th October, 2004, 9,00,000 equity shares allotted on 8th March, 2005 and 11,00,000 equity shares allotted on 19th May, 2005.

### DELISTING OF SHARES AT DELHI STOCK EXCHANGE

The Shares of the Company were de-listed from the Delhi Stock Exchange with effect from 15<sup>th</sup> December, 2007.

### 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 of 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 businesses. 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

As mentioned earlier the company enjoys the support of the majority of employees which has ensured smooth flow of operations despite the strike by the employees at the GVX unit.

### 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 the continued support during the year.

The Directors also thank State Bank of India and IDBI for the unstinted co-operation extended by them.

For and on behalf of the Board of Directors

<b>A.K. Bhuwania</b>	<b>M.V. Nagaraj</b>	<b>M.V. Shetty</b>
Chairman	Managing Director	Whole Time Director

Place : Bangalore

Date : 26th June 2008

**Twenty Second Annual Report 2007 - 2008****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. Software Management Tools
- III. Retail Billing Products and Systems.

*Benefits derived*

- i. Access to wider markets
- ii. Improved performance and lower cost
- iii. Better performance

2. Future Plan of Action

- i. More variants of Thin Client Products
- ii. Development of Products for converging IT and Telecom Technologies

3. Total expenditure on R & D was Rs. 85.76 lakhs which constituted about 1 % of sales turnover

**TECHNOLOGY ABSORPTION, ADAPTATION, INNOVATION**

1. Efforts made for development of specialized Thin Clients for specific requirements
2. Integrated model of Thin Client.
3. Software Tools and application Add-ons

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

Total Exports including Deemed Exports was Rs 7,957.86 lakhs.

The foreign exchange outgo was Rs. 7,264.94 lakhs.

**VXL Instruments Limited****REPORT ON CORPORATE GOVERNANCE**

The detailed report on Corporate Governance, in respect of the financial year ended 31<sup>st</sup> March 2008 is set out below:

**A. Company's Philosophy on Code of Governance**

The Company is firmly committed to adopting and adhering to all globally recognized corporate governance concepts and practices. The Company strives to meet the expectations of its stakeholders on matters related to transparency, integrity, accountability and trusteeship, on a continuous basis.

**B. Board of Directors****Composition & Size of the Board**

The Company currently has six Directors, including four non-executive Directors, viz. Mr. Arun Kumar Bhuwania, Mr. D S Rao, Mr. K Prakash and Mr. Kumar Shyam. Of these, Mr. Arun Kumar Bhuwania, Mr. D S Rao and Mr. K Prakash are Independent Directors. Mr. Arun Kumar Bhuwania functions as Chairman. Mr. M V Nagaraj continues to be Managing Director of the Company. Mr. M V Shetty functions as a Whole Time Director.

**No. of Board Meetings held during the year along with the dates of the Meetings**

Six Board Meetings were held during the year. The dates on which the said meetings were held are as follows:

1. 30.04.2007      4. 31.10.2007
2. 31.07.2007      5. 29.11.2007
3. 20.08.2007      6. 31.01.2008

Attendance of each Director at the Board Meetings and last Annual General Meeting (AGM) and the number of Companies and Committees where he is Director/Member.

Name of Director	Category of Directorship	No. of Board Meetings attended	Whether attended Last AGM	No of Directorship in other Companies incorporated in India	No of Committee membership Members/ chairman in other companies in India
Arun Kumar Bhuwania	Independent & Non-Executive	1	No	2	NIL
D S Rao	Independent & Non-Executive	1	No	NIL	NIL
M V Nagaraj	Promoter - Executive	6	Yes	3	NIL
M V Shetty	Promoter - Executive	6	Yes	1	NIL
Kumar Shyam	Promoter - Non Executive	1	No	1	NIL
K Prakash	Independent & Non-Executive	6	No	NIL	NIL

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### Committees of the Board

- Audit Committee
- Remuneration Committee
- Investors' Grievances Redressal Committee
- Share Transfer/Transmission Committee

### Audit Committee

The Audit Committee is responsible for over view of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible; recommending the appointment and removal of the statutory and internal auditors, fixation of audit fees, the approval for payment for any other services and reviewing with the management the annual financial statements before submission to the Board.

The Audit Committee comprises of Mr. K Prakash, Chairman, Mr. D S Rao, Independent Director and Mr. Kumar Shyam, Non-Executive Director.

The terms of Reference of this Committee include the matters covered under Clause 49 of the Listing Agreement.

### Meetings and the attendance during the year

There were 4 meetings of the Audit Committee during the year. The attendance of each member of the Committee is given below

Name of Director	No. of Meetings attended	Remarks
K. Prakash	4	-
Kumar Shyam	4	-
D.S. Rao	Nil	-

### Remuneration Committee

The Company has set up a Remuneration Committee to determine/review the remuneration, performance and related bonuses of management/compensation of the Directors and of senior management.

The details of remuneration paid to the Directors during the year 2007-08 are given below:

#### a. Executive Directors

(in Rs.)

Directors	Salary	Fixed Commission	Perquisites	Sitting Fees	Total
M.V. Nagaraj	9,00,000	-	4,37,003	-	13,37,003
M.V. Shetty	6,60,000	-	4,21,094	-	10,81,094
<b>TOTAL</b>	<b>15,60,000</b>	<b>-</b>	<b>8,58,097</b>	<b>-</b>	<b>24,18,097</b>

#### b. Non-executive Directors

Name	Sitting fees	Commission
K. Prakash	Rs. 16,000	-
<b>TOTAL</b>	<b>Rs. 16,000</b>	<b>-</b>

### Investors' Grievance Redressal Committee

This Committee looks into redressing of shareholders' complaints like non-transfer of shares, non-receipt of declared dividends. As of 31<sup>st</sup> March, 2008, the Committee comprised of Mr. K Prakash, Mr. Kumar Shyam and Mr. M V Shetty. The Committee met four times during the year.

**VXL Instruments Limited**

Attendances at these Meetings are as under:

Name of Director	No. of Meetings attended	Remarks
K. Prakash	4	—
Kumar Shyam	2	—
M.V. Shetty	4	—

There were 8 Nos. of complaints received and resolved during the year ended 31<sup>st</sup> March, 2008. There were no pending share transfers as on the same date.

**Name, designation & address of Compliance Officer**

Mr. Narayana Bhat,  
CFO & Company Secretary,  
VXL Instruments Limited  
No.17, Electronics City  
Hosur Road, Bangalore 560 100.

E-Mail : narayanbhat@vxl.net  
Phone : 91-80-3022 2525  
Fax : 91-80-2852 0095

The Company has fulfilled all the compliance requirements under the listing agreements as regards the Investors' Grievances Committee.

**General Body Meetings**

Location and time of the last three Annual General Meetings:

Year	Date	Venue	Time
2005	26-09-2005	Registered Office of the Company	3.00 P M
2006	19-09-2006	Hotel Ajantha, M G Road, Bangalore	3.00 P M
2007	17-09-2007	Hotel Ajantha, M G Road, Bangalore	3.00 P M

There were no special resolutions which were put through postal ballot.

**Disclosures**

Transactions with the related parties are disclosed in Note No.11 of Notes to Accounts of Schedule 17 to the Accounts in the Annual Report.

The Register of Contracts containing the transactions, in which Directors are interested, is placed before the Board as and when necessary.

During the last three years, there were no situations or penalties imposed by either SEBI or the Stock Exchanges or any statutory authority for non-compliance of any matter related to the capital markets.

**Means of Communication**

The Quarterly & Half Yearly results are published in national and local dailies such as Business Standards/The Financial Express (in English) and Sanjevani (in Kannada) and hence are not individually sent to the shareholders.