

25th
Annual Report
2010-2011



VXL Instruments Limited

BOARD OF DIRECTORS

Arun Kumar Bhuwania	<i>Chairman</i>
D. S. Rao	<i>Vice Chairman</i>
M. V. Nagaraj	<i>Managing Director</i>
M. V. Shetty	<i>Whole Time Director</i>
K. Prakash	<i>Director</i>
Narayana Bhat	<i>CFO & Company Secretary</i>

AUDIT COMMITTEE

K Prakash	Chairman
D S Rao	Member
M V Nagaraj	Member

REMUNERATION COMMITTEE

D S Rao	Chairman
K Prakash	Member

INVESTORS' GRIEVANCES COMMITTEE

K Prakash	Chairman
M V Shetty	Member

SHARE TRANSFER COMMITTEE

M V Shetty	Chairman
M V Nagaraj	Member

WORKS / 100% EOU

"House of Excellence"
No.17, Electronics City,
Hosur Road,
Bangalore - 560 100.
Tel : 91-80-2852 0046/2852 3252

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 0046/2852 3252
Fax : 91-80-2852 0095
Website : www.vxl.net

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TWENTY FIFTH ANNUAL GENERAL MEETING

on Thursday
the 15th September, 2011
at
“HOTEL AJANTHA”
No. 22-A, Mahatma Gandhi Road,
Bangalore – 560 001
at 3.00 p.m.

NOTICE

Notice is hereby given that the Twenty Fifth Annual General Meeting of the Members of the Company will be held at 3 p.m. on, Thursday the 15th September 2011 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 31st March 2011 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. Dipak S Rao, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. K. Prakash 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 : 25th May 2011

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 8th September, 2011 to 15th September, 2011 (both the days inclusive)

5. 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.
6. Consequent upon amendment of Section 205A of the Companies Act, 1956 and introduction of Section 205 C of the Companies (Amendment) Act, 1999 the amount of dividend for the subsequent years remaining unpaid or unclaimed for a period of 7 years from the date of transfer to unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund set up by the Government of India and payments shall be made in respect of any such claims by the Fund.

By Order of the Board

Narayana Bhat

*Chief Financial Officer &
Company Secretary.*

Place : Bangalore
Date : 25th May 2011

**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. Dipak S Rao
Age : 63 years
Qualification : Practicing Accountant
Expertise : Corporate Affairs
2. Name : Mr. K. Prakash
Age : 61 years
Qualification : M.Com., FCS, LLB
Expertise : Legal, Corporate Affairs
and Finance

REPORT OF DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS

To

The Members

Your Directors present their report on the business and operations of your Company for the year ended 31st March 2011.

FINANCIAL RESULTS

Rs. in Lakhs

Particulars	2010-11	2009-10
Sales	9,536	7,747
Depreciation/Amortization	148	115
Profit before taxation	311	34
Profit/(Loss) after Taxation	309	31
Balance carried forward	(2,165)	(2,474)

YEAR UNDER REVIEW

During the year under review, your Company achieved a net turnover of Rs. 9536 lakhs as compared to Rs.7747 lakhs in the previous financial year. Your Company has earned a profit after taxation of Rs. 309 lakhs in the financial year as against Rs. 31 lakhs profits in the previous year. Sales of thin clients have grown from 40,000 units during 2009-10 to 74,000 units during 2010-11, registering a growth of 85 %.

Your company is confident that the improved export business would ensure a turn around in the company's operations.

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 the 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.

FUTURE PROSPECTS

A. GENERAL

As has been informed to the shareholders in earlier years the Company keeping in mind its overall competitiveness in international markets has closed

the unit at No. 86A & B, 4th Cross, Electronics City, Hosur Road, Bangalore – 560 100. This unit used to manufacture CRT Terminals (GVX) for which there is no demand over many years. The workforce had become surplus. Workmen raised certain objections on the closure of this unit which have been rejected by the Secretary, Department of Labour, Government of Karnataka.

B. EXPORT

With the introduction of new products carrying better features and with the strengthening and addition of better and more features in our complementing software products, your company expects a substantial jump in exports in the next financial year

As per Global Industry Analysts Inc's recent global report on Thin Clients market, the world market for Thin Clients is projected to reach 14.36 million units in sales by the year 2015. Growth will be primarily driven by the ability of thin clients to present exceptional environmental and cost benefits to the user. Desktop virtualization and growing need for anytime, anywhere accessibility to corporate & Internet networks are the other trends that augur well for thin clients market.

Growth in the worldwide thin clients market is also fashioned by a range of environmental benefits that thin clients offer, including efficient use of energy and less use of raw materials. Thin clients are also the growing phenomena across the corporate world, as companies increasingly opt for providing their employees, just the basic systems required for processing their assigned tasks. The much awaited revolution in enterprise computing is now close at hand, thanks to the proliferation of cutting edge technologies, such as, virtualization, which is helping push thin clients into the mainstream enterprise business.

VXL Instruments UK (subsidiary of VXL Instruments Limited, India) had announced in 2010 an agreement with Lenovo who develop, manufacture and market high quality, secure and easy to use technology products and services world-wide.(Lenovo group had earlier acquired the IBM Personal Computing Division.)

Under the agreement:-

- VXL thin clients will be made available through standard Lenovo Channels.
- VXL will also be selling Lenovo's ThinkPad PCs.

Through this agreement VXL expects to increase its global and national reach through Lenovo's widely spread sales channels.

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 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 of USD 30,376 during the year.

The wholly owned Indian subsidiary, XL Net Software Systems Limited has been wound up with effect from 8th October 2010. It did not engage in any active business operations in the past few years.

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 D. S. Rao and Mr. K. Prakash retire by rotation, and being eligible, offer themselves for re-appointment.

Mr. Kumar Shyam ceased to be the Director of the Company with effect from 25.05.2011 pursuant to his resignation to the office of Director and acceptance of the same in the Meeting of the Board of Directors held on 25.05.2011. The Board has placed on record its appreciation for the services rendered by him.

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 Company's investments in and receivables from a subsidiary and 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

The total amount of fixed deposits accepted from Directors as on 31st March, 2011 was **Rs.21.35 lakhs**. There were no unclaimed deposits as at that date.

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 Exchange and publishes the same in the newspapers as per the listing agreement.

INDUSTRIAL RELATIONS

The Company has closed the unit manufacturing CRT Terminals as the product GVX terminal has been phased out. On this, workmen raised certain objection which has been rejected by the Secretary, Department of Labour.

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, employees and the Investors for the continued support during the year.

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

For and on behalf of the Board of Directors

M.V. Nagaraj
Managing Director

M.V. Shetty
Whole Time Director

Place : Bangalore
Date : 25th May 2011

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
- iii. Zero Clients
- iv. Energy Star compliant and Environmental friendly thin clients.

3. Total expenditure on R & D was Rs. 111.33 lakhs which constituted about 1 % of sales turnover.

TECHNOLOGY ABSORPTION, ADAPTATION AND 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. 8,407 lakhs.

The foreign exchange outgo was Rs. 8,231 lakhs.

REPORT ON CORPORATE GOVERNANCE

The detailed report on Corporate Governance in respect of the financial year ended 31st March 2011 are 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 five Directors, including three non-executive Directors, viz. Mr. Arun Kumar Bhuwania, Mr. D S Rao and Mr. K Prakash. 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. Dipak S Rao is the Vice – Chairman. Mr. M V Nagaraj, continues to be Managing Director of the Company. Mr. M V Shetty functions as Whole-Time Director

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

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

- | | |
|---------------|---------------|
| 1. 23.04.2010 | 5. 30.10.2010 |
| 2. 29.05.2010 | 6. 31.01.2011 |
| 3. 30.07.2010 | 7. 14.03.2011 |
| 4. 15.10.2010 | |

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	NIL	No	2	NIL
D S Rao	Independent & Non-Executive	1	No	NIL	NIL
M V Nagaraj	Promoter - Executive	7	Yes	2	NIL
M V Shetty	Promoter - Executive	7	Yes	1	NIL
Kumar Shyam	Promoter - Non Executive	NIL	Yes	1	NIL
K Prakash	Independent & Non-Executive	7	Yes	NIL	NIL

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. Mr. Kumar Shyam ceased to be the member of the Audit Committee with effect from 25.05.2011. In his place Mr. M V Nagaraj has been appointed as the member in the Board Meeting held on 25.05.2011.

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 6 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	6	—
Kumar Shyam	4	—
D.S. Rao	2	—

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 2010-11 are given below:

a. Executive Directors

(in Rs.)

Directors	Salary	Fixed Commission	Perquisites	Sitting Fees	Total
M V Nagaraj	10,60,000	—	5,98,848	—	16,58,848
M V Shetty	8,75,138	—	5,44,820	—	14,19,958
Total	19,35,138	—	11,43,668	—	30,78,806

b. Non-executive Directors

Name	Sitting fees	Commission
K. Prakash	Rs.67,000	—
D.S. Rao	Rs.18,000	—
Arun Kumar Bhuwania	—	—
Kumar Shyam	—	—
TOTAL	Rs. 85,000	—

Investors' Grievance Redressal Committee

This Committee looks into redressing of shareholders' complaints like non-transfer of shares, non-receipt of declared dividends. As of 31st March, 2011, the Committee comprised of Mr. K Prakash and Mr. M V Shetty. The Committee met four times during the year. Mr. Kumar Shyam ceased to be the member of this committee with effect from 25.05.2011 pursuant to the acceptance of his resignation to the office of Director

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 7 Nos. of complaints received and resolved during the year ended 31st March, 2011. 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
"House of Excellence"
No.17, Electronics City,
Hosur Road, Bangalore 560 100.

E-Mail : narayanbhat@vxl.net

Phone : 91-80-2852 0046

Fax : 91-80-2852 0095

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

General Body Meetings

Location and time of the last three Annual General Meetings:

Year	Date	Venue	Time
2008	17-09-2008	Hotel Ajantha, M G Road, Bangalore	3.00 P M
2009	16-09-2009	Hotel Ajantha, M G Road, Bangalore	3.00 P M
2010	22-09-2010	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 Exchange 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 The Financial Express/ Business Line/Business Standard (in English) and Sanjevani (in Kannada) and hence are not individually sent to the shareholders.