

26th
Annual Report
2011-2012



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>
N. V. Maslekar	<i>Director</i>
Narayana Bhat	<i>CFO & Company Secretary</i>

AUDIT COMMITTEE

K Prakash	Chairman
D S Rao	Member
M V Nagaraj	Member
N. V. Maslekar	Member

AUDITORS

Ishwar & Gopal
Chartered Accountants
Bangalore

REMUNERATION COMMITTEE

D S Rao	Chairman
K Prakash	Member
N. V. Maslekar	Member

BANKERS

State Bank of India

INVESTORS' GRIEVANCES COMMITTEE

K Prakash	Chairman
M V Shetty	Member

**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

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

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 SIXTH ANNUAL GENERAL MEETING

on Saturday
the 1st September, 2012
at
“ **WOODLANDS HOTEL** ”
No.5, Rajaram Mohan Roy Road
Bangalore – 560 025.
at 12.00 noon

NOTICE

Notice is hereby given that the Twenty Sixth Annual General Meeting of the Members of the Company will be held at 12.00 Noon on Saturday the 1st September 2012 at Woodlands Hotel, No.5, Rajaram Mohan Roy Road, Bangalore-560 025 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2012 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. 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.

SPECIAL BUSINESS:

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

"RESOLVED THAT Mr. N. V. Maslekar, who was appointed as an Additional Director of the Company w.e.f. 06th July, 2012 by the Board of Directors on 6th July, 2012 and in respect of whom a notice has been received from a Member in writing, under Section 257 of the Companies Act, 1956 proposing his candidature for the office of the Director, be and is hereby appointed as Director of the Company liable to retire by rotation.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all necessary activities, deeds and things as may be incidental and necessary in this regard."

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the Act) or any

re-enactments or modifications thereof, approval of the members be and is hereby accorded to the remuneration payable to Mr. M V Nagaraj, as Managing Director of the Company with effect from 31.07.2012 for a period of one year (up to 30.07.2013) on the terms and conditions and perquisites as set out in the Explanatory Statement, which terms and conditions and perquisites the Board of Directors (the Board) is at liberty to alter and vary but so as not to exceed the limits specified in Schedule XIII of the Act, or any amendments thereto as may be agreed to between the Board and Mr. M V Nagaraj."

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

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions, if any of the Companies Act, 1956 (the Act) or any re-enactments or modifications thereof, approval of the members be and is hereby accorded to the the remuneration payable to Mr. M V Shetty as Whole time Director of the Company with effect from 01.10.2012 for a period of one year (upto 30.09.2013) on the terms and conditions and perquisites as set out in the Explanatory Statement, which terms and conditions and perquisites the Board of Directors (the Board) is at liberty to alter and vary but so as not to exceed the limits specified in Schedule XIII of the Act, or any amendments thereto as may be agreed to between the Board and Mr. M V Shetty".

By Order of the Board

Narayana Bhat

*Chief Financial Officer &
Company Secretary.*

Place : Bangalore
Date : 06th July 2012

Notes:

1. Explanatory Statement under Section 173(2) of the Companies Act, 1956 is attached to the notice of Special Businesses.
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. The instrument appointing the proxy, must be received by the Company at the registered office not less than 48 hours before the meeting.

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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 herewith duly filled in to attend the meeting.
5. The Register of Members and Share Transfer Books shall remain closed from 27.08.2012 to 01.09.2012(both the 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. 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 setup by the Govt. of India and payments shall be made in respect of any such claims by the Fund.

By Order of the Board

Narayana Bhat

Place : Bangalore
Date : 06th July 2012

*Chief Financial Officer &
Company Secretary.*

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 : 64 years
Qualification : B.Sc., Maths
Expertise : Management with focus on
Business related to Electronics
and Software

2. Name : Mr. K. Prakash
Age : 62 years
Qualification : M.Com., FCS, LLB
Expertise : Legal, Corporate Affairs
and Finance

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

Item No. 5:

Mr. N. V. Maslekar has done Masters in M.S and M.B.A. His knowledge and experience in the electronics and allied fields are immense. He has steered the success of other enterprises in the past. He is currently CEO of Sattva eTech Pvt Ltd. Your Board expects that Mr N. V. Maslekar will add significantly to the growth of your Company and accordingly inducted him as Additional Director during the year under report. He holds office up to the date of the ensuing Annual General Meeting and a notice has been received from a member under Section 257 of the Companies Act, 1956 proposing his candidature.

The Board recommends the appointment of Mr. N. V. Maslekar.

Except Mr. N. V. Maslekar himself, no other Director is concerned or interested in the resolution.

Item No. 6:

The Board of Directors of the Company ("the Board") at its meeting held on 6th July, 2012, based on the recommendation of the Remuneration Committee and subject to the approval of the Members, accorded its approval for the revision in the remuneration payable to Mr. M V Nagaraj, Managing Director w.e.f. 31.07.2012 as per the terms & conditions given below:

- i) Salary of Rs.1,50,000/- (Rupees One Lakh Fifty thousand only) per month.
- 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.

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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.40,000/- 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 to clubs subject to maximum of two clubs.
- viii) Personal Accident Insurance, as per Company rules.
- ix) Provision of car for business and personal purposes.
- x) Telephone at the residence.

M.V.Nagaraj will be paid the 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.

- xi) Contribution to Provident Fund, Superannuation Fund or annuity Fund as per Company Schemes to the extent these either single or put together are not taxable under the Income Tax Act, 1961.
- xii) Earned/Privilege leave: On full pay and allowances as per rules of the Company. Leave encashment also as per Company rules.
- xiii) Mr. M. V. Nagaraj was re-appointed in the Annual General Meeting held on 22nd September, 2010 for a period of three years i.e. from 31.07.2010 to 30.07.2013.

The proposed increase in remuneration will be within the limits prescribed by the Companies Act, 1956 and Schedule XIII thereto.

Apart from Mr. M V Nagaraj himself, no other Director is interested in the resolution.

Other information as required by Schedule XIII of the Companies Act, 1956:

I. General Information

- a. Nature of Industry: Electronic Hardware Industry

- b. Date of Commencement of Business: 28.02.1986

- c. Financial Performance

	Rs. in Lakhs	
For the year ended	31-03-2012	31-03-2011
Total Income	8,066	9,434
Total Expenses	7,780	9,224
Profit before Tax	286	210
Exceptional items	Nil	102
Provision for Taxation (Current, Deferred, Earlier year FBT & others)	13	3
Profit after Tax and Extraordinary items	273	309
Profit After Tax carried to the Balance Sheet	273	309

Export performance and net foreign exchange collaboration: The Company has no foreign collaboration; however, the foreign exchange earning and outgo during F.Y. 2011-12 is as hereunder:

Foreign Currency Earnings (Accrual basis) = Rs. 6,250 Lakhs

Foreign Currency Expenditure (Accrual basis) = Rs. 6,169 Lakhs

- d. Foreign investments or collaborators: The Company has no foreign collaboration

II. INFORMATION ABOUT Mr. M. V. NAGARAJ

- Background details of Mr. M.V. Nagaraj : He is a B. Tech from IIT, Chennai. Mr. M.V. Nagaraj has been associated with VXL Instruments Ltd since inception in 1976. He has more than 30 years of experience in the field of manufacturing and management of Electronic manufacturing Industry. He was the key promoter Director in charge of production since 1993 and he is the Managing Director of VXL Instruments Limited since 2004.
- Past Remuneration: Salary Rs. 95,000/- per month and Allowances and perquisites Rs. 55,000/- per month.
- Recognition or awards: Mr. M V Nagaraj is a very active member and past President of Electronic Industries Association (ELCIA). During his tenure as the President of ELICIA, Electronics City was developed into the modern manufacturing & software centre with vastly improved

infrastructure. He had represented the Electronic Industry in various forums including at all India levels and interacted with Central & State Government Ministries.

4. Job Profile and his suitability: The Managing Director will perform his duties as such with regard to all work of the Company and he will manage and attend to such business and carry out the orders and directions given by the Board from time to time in all respects and conform to, and comply with, all such directions and regulations as may from time to time be given and made by the Board and his functions will be under the overall authority of Board.

The Managing Director shall adhere to the Company's Code of Business Conduct and Ethics for Directors and Management Personnel.

5. Remuneration Proposed: Salary Rs. 1, 50,000/- per month and Allowances and Perquisites Rs. 75,000/- per month.
6. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person: The remuneration proposed for Mr. M. V. Nagaraj is comparatively low in the industry keeping in view the responsibilities assigned to him and his vast experience.
7. Pecuniary relationship with the managerial personnel: No relative of Mr. M. V. Nagaraj is employed in the Company.

The Board recommends the adoption of the resolution.

III. OTHER INFORMATION:

1. Reasons of loss or inadequate profits: Due to past accumulated losses, profits are inadequate.
2. Steps taken or proposed to be taken for improvement: Your Company has strengthened its R&D Division to differentiate our products in terms of software. Your Company has come up with various revised, improved versions of thin clients and also added laptop to its product portfolio. Tie up with Global leaders in the field of Information Technology and ongoing negotiation with prospective buyers is expected to boost the sales and productivity.
3. Expected increase in productivity and profits in measurable terms: Productivity and Profits are expected to increase by 20%.

The above may be treated as abstract of the terms of appointment in terms of Section 302 of the Companies Act, 1956.

IV. DISCLOSURES:

The shareholders of the Company shall be informed of the remuneration package of the Director.

Item No.7:

The Board of Directors of the Company ("the Board") at its meeting held on 6th July, 2012, based on the recommendation of the Remuneration Committee and subject to the approval of the Members, accorded its approval for the revision in the remuneration payable to Mr. M V Shetty, Whole-time Director w.e.f. 01.10.2012 as per the terms & conditions given below:

- i) Salary of Rs.1,20,000/- (Rupees One Lakh Twenty Thousand only) per month.
- 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.Shetty.

- iii) Housing : Mr. M.V. Shetty shall be entitled to rent free furnished residential accommodation.

In case no accommodation is provided by the Company, Mr. M.V.Shetty shall be entitled to House Rent Allowance of Rs. 40,000/- 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 to clubs subject to maximum of two clubs.
- viii) Personal Accident Insurance, as per Company rules.
- ix) Provision of car for business and personal purposes.
- x) Telephone at the residence.

Mr M.V.Shetty will be paid the 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.

- xi) Contribution to Provident Fund, Superannuation Fund or annuity Fund as per Company Schemes to the extent these either single or put together are not taxable under the Income Tax Act, 1961.
- xi) Earned/Privilege leave: On full pay and allowances as per rules of the Company. Leave encashment also as per Company rules.
- xii) Mr. M. V. Shetty was re-appointed in the Annual General Meeting held on 22nd September, 2010 for a period of three years i.e. from 01.10.2010 to 30.09.2013.

The proposed increase in remuneration will be within the limits prescribed by the Companies Act, 1956 and Schedule XIII thereto.

Apart from Mr. M V Shetty himself, no other Director is interested in the resolution.

Other information as required by Schedule XIII of the Companies Act, 1956:

I. General Information

- a. Nature of Industry: Electronic Hardware Industry
- b. Date of Commencement of Business: 28.02.1986
- c. Financial Performance: As per Item No. 6 in page No.6
Export performance and net foreign exchange collaboration: As per Item No. 6 in page No.6
- d. Foreign investments or collaborators: As per Item No. 6 in page No.6.

II. INFORMATION ABOUT Mr. M. V. SHETTY:

- 1. Background details of Mr. M.V. Shetty: He is M. Tech. IIT, Mumbai – One of the Promoters of the Company. Having more than 30 years of experience in Telecommunications, Product Design, Development and Quality/Process Management. 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.

- 2. Past Remuneration: Salary Rs. 90,000/- per month and Allowances and perquisites Rs.55,000/- per month.
- 3. Recognition or awards: He is credited with bringing out Thin Client well ahead of the European countries. He has championed the launch of Energy Star compliant and Environmental friendly Thin Clients.
- 4. Job Profile and his suitability: The Whole-Time Director will perform his duties as such with regard to all work of the Company and he will manage and attend to such business and carry out the orders and directions given by the Board from time to time in all respects and conform to and comply with all such directions and regulations as may from time to time be given and made by the Board and his functions will be under the overall authority of the Board.
- 5. Remuneration Proposed: Salary Rs. 1,20,000/- per month and Allowances and Perquisites Rs. 70,000/- per month.
- 6. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person: The remuneration proposed for Mr. M. V. Shetty is comparatively low in the industry keeping in view the responsibilities assigned to him and his background.
- 7. Pecuniary relationship with the managerial personnel: No relative of Mr. M. V. Shetty is employed in the Company.

The Board recommends the adoption of the resolution.

The above may be treated as abstract of the terms of appointment in terms of Section 302 of the Companies Act, 1956.

III. OTHER INFORMATION:

- 1. Reasons of loss or inadequate profits: Due to heavy accumulated loss profits are inadequate.

2. Steps taken or proposed to be taken for improvement: Your Company has strengthened its R&D Division to differentiate our products in terms of software. Your Company has come up with various revised, improved versions of thin clients and also added laptop to its product portfolio. Tie up with Global leaders in the field of Information Technology and ongoing negotiation with prospective buyers is expected to boost the sales and productivity.
3. Expected increase in productivity and profits in measurable terms: Productivity and Profits are expected to increase by 20%.

IV. DISCLOSURES:

The shareholders of the Company shall be informed of the remuneration package of the Directors.

By Order of the Board

Narayana Bhat

*Chief Financial Officer &
Company Secretary.*

Place : Bangalore

Date : 06th July 2012

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 2012.

FINANCIAL RESULTS

Rs. in Lakhs

Particulars	2011-12	2010-11
Net Sales & Other Income	8,066	9,536
Depreciation/Amortization	111	148
Profit before taxation	286	312
Income Tax	13	3
Profit/(Loss) after Taxation	273	309
Balance carried forward	-1,892	-2,165

YEAR UNDER REVIEW

During the year under review, your Company achieved a net turnover of Rs. 8,066 lakhs as compared to Rs.9,536 lakhs in the previous financial year. Your Company has earned a profit after taxation of Rs. 273 lakhs in the current financial year as against Rs. 309 lakhs profits in the previous year. Export performance during the year under review was affected due to the slowdown in USA and the crisis in euro currency zone.

The uncertainty in Global Markets therefore continued to cause concern. To offset the downturn in North America / Europe, the Company continued to explore new geographies and is expecting to see results for these efforts in the near future.

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 Limited 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

This year Dell announced the acquisition of Wyse, a leading Company in cloud client computing. This has validated the market potential for thin clients and the growing interest in thin client infrastructure.

It is our belief that "thin client" will continue to grow and become even more prevalent among computer users of all types. The IDC supports this theory, forecasting a \$3 billion market by 2015. Market growth will be fueled by increased speed of networks, as well as performance and efficiency improvements in hardware and software. These growth areas will drive flexibility, scalability and usability in thin client computing solutions.

During the first quarter of 2012-13, our company's turnover is comparatively less when compared to first quarter of 2011-12 due to the uncertainty in the euro zone and the slowdown in USA. We expect the situation to improve in the second half of the current financial year.

VXL continues to have tie up with Global leaders in the field of Information Technology, who develop, Manufacture and market high quality secure and easy to use tachonology products and services, world wide. Through this Agreement, VXL expects to increase its Global and National reach through their widely spread sales channels.

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 increase in exports during the financial year 2012-13.

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 GBP 41,628 during the current financial year.