

27th
Annual Report
2012-2013



VXL Instruments Limited

BOARD OF DIRECTORS

Arun Kumar Bhuwania	<i>Chairman</i>
Dipak S. Rao	<i>Vice Chairman</i>
Madireddy 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
Dipak S. Rao	Member
Madireddy V. Nagaraj	Member
N. V. Maslekar	Member

AUDITORS

Ishwar & Gopal
Chartered Accountants
Bangalore

REMUNERATION COMMITTEE

Dipak 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
Madireddy 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 SEVENTH ANNUAL GENERAL MEETING

on Wednesday
the 4th September, 2013
at
“ WOODLANDS HOTEL ”
No.5, Rajaram Mohan Roy Road
Bangalore – 560 025.
at 12.00 noon

NOTICE

Notice is hereby given that the Twenty Seventh Annual General Meeting of the Members of the Company will be held at 12.00 noon, on Wednesday, the 4th September 2013 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 2013 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. Dipak S Rao 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 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-enactment or modifications thereof, approval of the members be and is hereby accorded to the appointment of and the remuneration payable to Mr. Madireddy V Nagaraj, as Managing Director of the Company with effect from 31.07.2013 for a period of three years 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) are at liberty to alter and vary 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. Madireddy V Nagaraj."

6. To consider, and if thought fit, to pass with or without modification(s), the following resolution as 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-enactment or modifications thereof, approval of the members be and is hereby accorded to the appointment of and the remuneration payable to Mr. M V Shetty, as Whole time Director of the Company with effect from 01.10.2013 for a period of three years 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) are at liberty to alter and vary 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 : 29th May 2013

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.
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 28th August 2013 to 4th September 2013 (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. Un-claimed dividends up to the year 2005-2006 have been transferred to the General Revenue Account of the Central Government. Consequent upon the amendment to Section 205A read with Section 205C of the Companies Act, 1956, the Dividend declared for the year ended 31st March, 2006 and for any financial year ending thereafter which remain unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund established by the Central Government. Members are requested to note that no claims shall lie against the Company or the said Fund in respect of any amounts which are unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.

By Order of the Board

Narayana Bhat

Place : Bangalore
Date : 29th May 2013

*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 : 65 years
Qualification : B.Sc Maths
Expertise : Management with focus on Business related to Electronics and Software.
2. Name : Mr. Dipak S. Rao
Age : 65 years
Qualification : Practicing Accountant
Expertise : Corporate Affairs

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

Item Nos. 5 & 6:

Item No. 5: Appointment of and Remuneration to Mr. Madireddy V. Nagaraj:

I. The Board of Directors of the Company ("the Board") at its meeting held on 29th May, 2013, based on the recommendation of the Remuneration Committee and subject to the approval of the Members, accorded its approval for re-appointment of Mr. Madireddy V Nagaraj as Managing Director for a further period of three years w.e.f. 31.07.2013 and for payment of remuneration and also for revision in the remuneration payable to Mr. Madireddy V Nagaraj, Managing Director w.e.f. 31.07.2013 as per the terms & conditions given below:

- i) Salary of Rs.1,60,000/- (Rupees One Lakh Sixty 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 the performance of the Company in respect of each financial year.

In addition to salary and commission, the following shall be allowed to Mr. Madireddy V Nagaraj.
- iii) Housing : Mr. Madireddy V.Nagaraj shall be entitled to rent free furnished residential accommodation.

In case no accommodation is provided by the Company, Mr. Madireddy V.Nagaraj shall be entitled to House Rent Allowance of Rs. 50,000/- 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. Madireddy 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.

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

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

II. Information about Mr. Madireddy V. Nagaraj

1. Background details of Mr. Madireddy V Nagaraj: He is a B. Tech from IIT, Chennai. Mr. Madireddy 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.

2. Past Remuneration Approved: Salary Rs. 1,50,000/- per month and Allowances and perquisites Rs. 75,000/- per month.

3. Recognition or awards: Mr. Madireddy V Nagaraj is Councillor in Electronic City Industrial Township Authority (ELCITA), which is a local municipal body created by a Government Gazette Notification. ELCITA has jurisdiction over Electronics City. Mr. Madireddy V. Nagaraj along with four other councillors appointed by the Government of Karnataka have been tasked with establishing ELCITA as a model industrial township which can be replicated in other locations also Mr. Madireddy V. Nagaraj is also a past President

of Electronics City Industries Association (ELCIA). During his tenure as the President of ELCA, 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. 1,60,000/- per month and Allowances and Perquisites Rs. 90,000/- 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. Madireddy 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. Madireddy V Nagaraj is employed in the Company.

The Board recommends the adoption of the resolution.

III. DISCLOSURES:

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

Item No.6: Appointment of and remuneration to Mr. M. V. Shetty.

I. The Board of Directors of the Company ("the Board") at its meeting held on 29th May, 2013, on the recommendation of the Remuneration Committee and subject to the approval of the Members, accorded its approval for re-appointment of Mr. M V Shetty, as Whole-time Director for a further period of three years

w.e.f. 01.10.2013 and for payment of remuneration and also for revision in the remuneration payable to Mr. M V Shetty, Whole-time Director w.e.f. 01.10.2013 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 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. 50,000/- 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.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.
- xii) Earned/Privilege leave: On full pay and allowances as per rules of the Company. Leave encashment also as per Company rules.

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 concerned or interested in the resolution.

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 Telecommunication, 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 Approved: Salary Rs. 1,20,000/- per month and Allowances and perquisites Rs.70,000/- 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.
The Whole-Time 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. 90,000/- 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.

VXL Instruments Limited

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.

III. DISCLOSURES:

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

OTHER INFORMATION AS REQUIRED BY SCHEDULE XIII OF THE COMPANIES ACT, 1956 IN RESPECT OF THE ABOVE ITEM Nos. 5 AND 6.

I. General Information

- Nature of Industry: Electronic Hardware Industry
- Date of Commencement of Business: 28.02.1986
- Financial Performance

	Rs. in Lakhs	
For the year ended	31-03-2013	31-03-2012
Total Income	8,562	8,066
Total Expenses	8,522	7,780
Profit before Tax	40	286
Exceptional items	Nil	Nil
Provision for Taxation (Current, Deferred, Earlier year FBT & others)	4	13
Profit after Tax and Extraordinary items	36	273
Profit After Tax carried to the Balance Sheet	36	273

- Export performance and net foreign exchange collaboration: The Company has no foreign collaboration; however, the foreign exchange earning and outgo during F.Y. 2012-13 is as hereunder:

Foreign Currency Earnings (Accrual basis)
= Rs. 7,276 Lakhs

Foreign Currency Expenditure (Accrual basis) = Rs. 5,876 Lakhs

(Exports are mainly through third parties)

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

II. Other Information

- Reasons of loss or inadequate profits: Due to heavy accumulated losses, profits are inadequate.
- 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.
- 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 appointments referred to under item nos. 5 & 6 in terms of Section 302 of the Companies Act, 1956.

By Order of the Board

Narayana Bhat

Chief Financial Officer &
Company Secretary.

Place : Bangalore
Date : 29th May 2013

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 2013.

FINANCIAL RESULTS

Rs. in Lakhs

Particulars	2012-13	2011-12
Net Sales & Other Income	8,562	8,066
Depreciation/Amortization	81	111
Profit before taxation	40	286
Income Tax	4	13
Profit/(Loss) after Taxation	36	273
Balance carried forward	(1,856)	(1,892)

YEAR UNDER REVIEW

During the year under review, your Company achieved a net turnover of Rs. 8,562 lakhs as compared to Rs. 8,066 lakhs in the previous financial year. Your Company has earned a profit after taxation of Rs. 36 lakhs in the current financial year as against Rs. 273 lakhs profits in the previous year.

The uncertainty in global markets therefore continued to cause concern.

Though the Company registered a growth in overall sales value, the Company's profitability was affected by a severe squeeze on the margins, brought by the sluggish market conditions in all hard currency markets, resulting in the drop in profits.

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 inspite 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

It is our belief that "thin client" will continue to grow and become even more prevalent among computer users of all types.

During the first quarter of 2013-14, our company's turnover is comparatively increased when compared to first quarter of 2012-13. We expect the same improvement 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 technology products and services, worldwide. Through this agreement, VXL expects to increase its global and national reach through their widely spread sales channels.

Current trends like cloud computing and virtualization help us growing and add further values to our cost effective and remotely manageable Thin Clients.

Your company is extending markets to new geographies like China and Eastern Europe and expects these regions to add significant revenues to its portfolio.

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.

Your Company has come out with latest offering based on Eden Dual core CPU. This product is complying with all safety and EMI related certifications. These also comply with the stringent EPEAT environmental requirements of Europe and USA.

Your Company has come out with its own thin client linux operating system, Gio5. This has several variants and it is well accepted by the market.

SUBSIDIARY COMPANIES

VXL, UK has managed to earn a profit of GBP 54,126 during the current financial 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 Dipak S. Rao 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 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, 2013 was Rs.4.00 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 safeguarding 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. Now the matter is before the High Court of Karnataka. Provision has been made for Rs. 19,72,505/- towards settlement amount due to employees of the unit. Additional liability, if any, on this account is not ascertainable and will be provided on settlement of the dispute.

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

Madireddy V. Nagaraj
Managing Director

M.V. Shetty
Whole Time Director

Place : Bangalore
Date : 29th May 2013