

**BOARD OF DIRECTORS**

Syamal Gupta *Chairman*  
 S Ramadorai *Vice Chairman*  
 F C Kohli  
 Brig. K Balasubramaniam  
 K M Chinnappa  
 E A K Faizullahbhoj  
 Sujit Gupta  
 H H Malgham  
 P McGoldrick  
 C P Mistry  
 Madhukar Dev *Executive Director & CEO*

**STATUTORY COMMITTEES**

**AUDIT COMMITTEE**

H H Malgham *Chairman*  
 S Ramadorai  
 E A K Faizullahbhoj  
 C P Mistry

**REMUNERATION COMMITTEE**

F C Kohli *Chairman*  
 Syamal Gupta  
 S Ramadorai

**INVESTOR GRIEVANCE COMMITTEE**

E A K Faizullahbhoj *Chairman*  
 H H Malgham  
 C P Mistry

Vijay Krishnamurthy *Chief Financial Officer & Company Secretary*

**Registrars & Share**

**Transfer Agents**

Tata Consultancy Services  
 'Lotus House'  
 6, Sir Vithaldas Thackersey Marg  
 Mumbai - 400 020

**Auditors**

M/s. RSM & Co  
 Chartered Accountants

**Registered Office**

123, Richmond Road  
 Bangalore - 560 025

**Corporate Office**

Whitefield Road, Hoody,  
 Bangalore - 560 048

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## NOTICE

### Notice of Annual General Meeting

Notice is hereby given that the THIRTEENTH ANNUAL GENERAL MEETING of TATA ELXSI LIMITED will be held on Friday, 21st June, 2002 at 11.00. A.M. at J.N. Tata Auditorium, Indian Institute of Science, Bangalore 560 012 to transact the following business :

1. To receive and adopt the Directors' Report and the Audited Profit and Loss Account for the year ended 31st March, 2002 and the Balance Sheet as at that date and the Auditor's Report thereon.
2. To declare dividend for the year ended 31st March, 2002.
3. To appoint a Director in place of Mr. Syamal Gupta who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr. E.A.K. Faizullahoy who retires by rotation and is eligible for reappointment.
5. To appoint a Director in place of Mr. P. McGoldrick who retires by rotation and is eligible for reappointment.
6. To appoint a Director in place of Mr. C.P. Mistry who retires by rotation and is eligible for reappointment.
7. To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution: "RESOLVED pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, that approval of the Company be and is hereby accorded to the appointment of Mr. Madhukar Dev as Executive Director and designated as the Chief Executive Officer of the Company for the period from 16th January, 2002 to 15th January, 2005 upon the terms and conditions contained in the draft Agreement submitted to this Meeting and initialled by the Chairman for identification, to be entered into between the Company of the one part and Mr. Dev of the other part, which Agreement is hereby specifically approved with liberty to the Board of Directors to alter, vary and modify the said terms of appointment and remuneration as may be agreed between the Board of Directors and Mr. Dev".
8. To appoint Auditors to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting and to fix their remuneration.

**By Order of the Board of Directors**

For **TATAELXSLIMITED**

**VIJAY KRISHNAMURTHY**

Chief Financial Officer  
& Company Secretary

Mumbai, 23rd April, 2002.

Registered Office:

123, Richmond Road,  
Bangalore 560 025.

### NOTES:

- a) The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the business under item No. 7 and the relevant details in respect of item Nos. 3 to 6 above pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges are annexed hereto.
- b) **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**
- c) Members desirous of getting any information in respect of the Accounts of the Company are requested to send their queries in writing to the Company at the Registered Office so as to reach at least 7 days before the date of the Meeting so that the required information can be made available at the Meeting.
- d) Members/Proxies attending the Meeting are requested to bring their copy of the Annual Report for reference at the Meeting as also the Attendance Slip duly filled in for attending the Meeting.
- e) The dividend on shares as recommended by the Board of Directors of the Company, if declared at the Meeting, will be payable to those shareholders holding shares in physical form whose names stand in the Register of Members of the Company as on 21st June, 2002. In respect of shares held in electronic form, the dividend will be payable to the beneficial owners of these shares as at closing hours of business on 7th June 2002, as per details furnished by the Depositories for this purpose.
- f) Members holding shares in electronic form may please note that as per the regulations of National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd (CDSL), the Company is obliged to print the bank details on the dividend warrants as furnished by these Depositories to the Company and the Company cannot entertain any request for deletion/change of bank details already printed on dividend warrants as per information received from the concerned Depositories. In this regard, Members should contact their Depository Participant (DP) and furnish particulars of any changes desired by them.

### **Explanatory Statement pursuant to Section 173 of the Companies Act, 1956.**

#### **Item No. 7**

At the Board Meeting held on 16th January, 2002, your Directors appointed Mr. Madhukar Dev as an Executive Director and designated him as the Chief Executive Officer of your Company.

Mr. Dev is a M.Sc. from M. S. University of Baroda and M.B.A. from the Indian Institute of Management, Bangalore and joined the Company on 3rd June, 1991 in the Marketing function, which he now heads as Vice President Marketing. Members may recollect that at the Twelfth Annual General Meeting of the Company held on 6th September, 2001, Mr. Dev was appointed as the Manager of the Company pursuant to the provisions of Sections 269, 309, 388 and other applicable provisions of the Companies Act, 1956

for the period from 15th May, 2001 till the appointment of a Managing Director/Executive Director by your Company. Subsequently, your Directors at their Meeting held on 16th January, 2002 appointed Mr. Dev as an Executive Director and designated him as the Chief Executive Officer of your Company. The terms and conditions of Mr. Dev's appointment were modified by increasing the ceiling on Commission from twice to thrice his annual salary effective from the date of his appointment as Executive Director by your Directors at their Meeting held on 23rd April, 2002 and are placed before this Meeting for your approval i.e.,

- i) Subject to the supervision and control of the Board of Directors of the Company, Mr. Dev, Executive Director shall be in charge of the affairs of the Company and exercise such functions and powers as shall from time to time be entrusted to him by the Board of Directors.
- ii) Period of Agreement : For a period of 3 (three) years from 16th January, 2002
- iii) Remuneration:
  - a. Salary : In the scale of Rs. 40,000 – Rs. 1,00,000 per month, as may be decided by the Board of Directors. The annual increment will be effective 1st April each year and will be decided by the Board on merit taking into account the Company's performance.  
Mr. Dev's current salary is fixed at Rs.60,000/- p.m.
  - b. Perquisites & Allowances:
    - i. In addition to the salary and commission payable, Mr. Dev shall also be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance, together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings and repairs; medical reimbursement, club fees and leave travel concession for himself and his family; medical insurance and such other perquisites and allowances in accordance with the rules of the Company or as may be agreed to by the Board of Directors and such perquisites and allowances will be subject to a maximum of 125% of his annual salary.
    - ii. For the purposes of calculating the above ceiling, perquisites shall be valued as per the Income-Tax Rules, wherever applicable; in the absence of any such rules, perquisites shall be evaluated at actual cost. Provision for use of the Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.
    - iii. Company's contribution to Provident Fund and Superannuation or Annuity Fund, to the extent these either singly or together are not taxable under the Income-Tax Act, gratuity as payable as per the rules of the Company and encashment of leave at the end of the tenure, shall not be included in the computation of limits for the remuneration or perquisites aforesaid.
  - c. Commission : Such remuneration by way of commission, in addition to salary and perquisites and allowances payable, calculated with reference to the net profits of the Company in a particular financial year as may be determined by Board of Directors of the Company at the end of each financial year, subject to the overall ceilings stipulated in Section 198 and 309 of the Companies Act, 1956. The specific amount payable to Mr. Dev not exceeding thrice his annual salary, will be based on certain performance criteria to be laid down by the Board and will be payable annually after the Annual Accounts have been approved by the Board of Directors and adopted by the shareholders.
  - d. Minimum Remuneration : Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. Dev, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites and allowances as specified above.
  - e. The terms and conditions of the said appointment and/or agreement may be altered and varied from time to time by the Board as it may, in its discretion, deem fit, within the maximum amount payable to Mr. Dev.

Mr. Dev vacates office as an Additional Director at this Annual General Meeting having been appointed pursuant to Section 260 of the Companies Act, 1956 and Article 151 of the Articles of Association of the Company. As required under Section 269 read with Schedule XIII to the Companies Act, 1956, his appointment and remuneration as Executive Director for a period of three years from 16th January, 2002 to 15th January, 2005 is being placed before the Members for approval. Notice and a deposit as required under Section 257 of the Companies Act, 1956 has been received from a member proposing the candidature of Mr. Dev as a Director of your Company. The details of Mr. Dev's remuneration mentioned above may be treated as an Abstract and Memorandum under Section 302 of the Companies Act, 1956 to the Members.

No Director other than Mr. Dev is concerned or interested in this Resolution. Your Directors commend the resolution for acceptance by the Members.

**By Order of the Board of Directors**  
For **TATA ELXSI LIMITED**

**VIJAY KRISHNAMURTHY**  
Chief Financial Officer  
& Company Secretary

Mumbai, 23rd April, 2002  
Registered Office:  
123, Richmond Road,  
Bangalore 560 025.

## ANNEXURE TO THE AGM NOTICE

Information pursuant to Clause 49 of the Listing Agreement regarding appointment of a new Director a reappointment of a Director

Name of the Director	Syamal Gupta	E A K Faizullahoy	P McGoldrick	C P Mistry
Date of Birth	15th April 1934	8th April 1934	8th September 1949	4th July 1968
Date of Appointment	23rd June 1999	30th March 1989	12th January 1993	24th September 1990
Specialised Expertise	General Management	Law	Computer Science	General Management
Qualifications	FREng: FIC,FIMechE	B.A., L.L.B	Masters Degree in Computer Science, Stanford, University, USA	B.E. (Civil); Master of Science in Management- London Busines School
Directorships of other Companies as on 31st March 2002	Tata Sons Ltd Tata International Ltd Tata Industries Ltd Tata BP Solar India Ltd Tata Power Company Ltd Tata Advanced Materials Ltd Tata AIG Risk Management Services Ltd Chemical Terminal Trombay Ltd Tata Consulting Engineers Ltd Haldia Petrochemicals Ltd Tata AIG General Insurance Company Ltd Tata AIG Life Insurance Company Ltd	The Jamshri Ranjitsinghji Spinning & Weaving Mills Co. Ltd	Tata Technologies Ltd	Shapoorji Pallonji & Co. Ltd, Cyrus Investments Ltd Tata Power Co. Ltd Shapoorji Pallonji Power Co. Ltd Shapoorji Pallonji Infrastructure Capital Co. Ltd Shapoorji Pallonji Finance Ltd Afcons Infrastructure Ltd United Motors (India) Ltd
Chairman/Member of other Committees of Companies as on 31st March, 2002	<i>Member-Audit Committee</i> Tata Sons Ltd Tata Power Company Ltd Tata AIG Life Insurance Company Ltd Tata AIG Genral Insurance Company Ltd  <i>Member - Remuneration Committee</i> Tata Power Company Ltd  <i>Chairman - Remuneration Committee</i> Tata International Ltd  <i>Chairman - Investor Grievances Committee</i> Tata Power Company Ltd.			<i>Member - Investor Grievances Committee</i> United Motors (India) Ltd Tata Power Co. Ltd

## DIRECTORS' REPORT TO THE MEMBERS

1. Your Directors have pleasure in presenting the Thirteenth Annual Report together with the audited Statements of Account of your Company for the year ended March 31, 2002.

2. **Financial Highlights**

During the financial year 2001-2002, the operations of the Company resulted in the following :

	2001-2002	(Rs. Crores) 2000-2001
Sales and Service	129.81	136.74
Other income	2.15	1.16
<b>Total Income</b>	<b>131.96</b>	<b>137.90</b>
Profit before financial expenses and depreciation	24.80	22.61
Less : Financial expenses	1.53	3.07
Depreciation	3.05	4.58
Net profit for the year	20.22	14.96
Less : Provision for Income tax	3.47	1.10
Profit after tax	16.75	13.86
Add: Profit brought forward (net of transitional cumulative deferred tax liability)	2.96	1.30
<b>Balance available for appropriation which has been appropriated as under:</b>	<b>19.71</b>	<b>15.16</b>
Final Dividend	10.90	7.79
Dividend Tax thereon	-	0.79
Transfer to General Reserve	2.00	1.40
Balance of Profit carried to Balance Sheet	6.81	5.18
<b>Total Appropriations</b>	<b>19.71</b>	<b>15.16</b>

3. **Dividend**

In March 2002, your Directors had declared an interim dividend of 25% for the year ending 31st March 2002. This dividend was rescinded after the Company received a subsequent communication from some Stock Exchanges on which it was listed to ensure compliance with the provisions of Clause 16 of the Listing Agreement entered into by the Company with these Stock Exchanges.

Your Directors now have pleasure in recommending for your approval a final dividend @ 35 % (i.e. Rs.3.50 per share) for the year ended 31st March 2002 which will involve a total outgo of Rs.10.90 crores from the profits of the year.

4. **Review of Operations**

The year was a challenging one for the Company in the context of the global economic slowdown, which resulted in substantial reduction and postponement in information technology-related spending by corporates generally, since they were themselves facing difficult market conditions. This resulted in the sales cycle lengthening both in the domestic and overseas markets. In the overseas markets, the already adverse economic conditions were aggravated by the terrorist attack on 11th September, 2001 on the World Trade Centre towers in New York, the subsequent anthrax scare in the US and the attack on Afghanistan, all of which combined to restrict expansion of business. Despite this scenario your Company was able to record a 35 % rise in its pre-tax Profits although there was a 5 % drop in its turnover compared to the previous year.

The business of your Company can broadly be divided into two segments viz. Systems Integration & Support and Software Development & Services.

**Systems Integration & Support**

Under Systems Integration & Support, your Company supplies to its Indian customers high end products – both hardware and software – from principals who are world leaders, and utilizes the Company's expertise as systems integrators in providing turnkey solutions and maintenance support. This business is distributed across four industry verticals in which your Company has established market dominance and expertise. During the year under review, due specifically to the sharp drop in the Film and Video vertical and the general recessionary trends in the economy, this business segment registered an overall decline from Rs.79.17 crores in 2000-01 to Rs.66.06 crores in 2001-02. Detailed review of the performance in each industry vertical is given below.

- **CAD/CAM** – Business in this industry vertical grew, mainly driven by several large value orders. During the year, your Company signed an agreement with Mechanical Dynamics Incorporated, USA, to distribute its mechanisms analysis software in the Indian market. Apart from this, your Company continues to distribute software from Alias/Wavefront,

Canada (for industrial design), EDS PLM, USA – erstwhile SDRC - (for modelling and detailing), MSC Nastran, USA (for analysis), Technomatix, Israel (for e-manufacturing), Opticore, Sweden (for virtual reality) and hardware from Z Corp, USA (for rapid prototyping) .

Future growth is expected in the areas of rapid and virtual prototyping and e-manufacturing catering mainly to the automotive and defence sectors where initial buying patterns are foreseen.

- **Film & Video** – Business in this industry vertical witnessed a sharp drop due to the almost non-existent IPO-driven purchasing in this vertical, which was a prominent feature in the previous year. Your Company continues to distribute software from Alias/Wavefront, Canada (for 3-D animation), Cambridge Animation Systems, U.K. (for 2-D animation) and Discrete/Autodesk, USA (for editing, compositing and effects). In spite of the drop in sales, your Company continues to have a substantial market-share in this vertical and almost all major domestic post-production and broadcast houses are your Company’s customers.

Future growth is expected to come through animation, effects and broadcast markets.

- **Education & Research** – This industry vertical witnessed static performance. This was largely due to the continuing impact of the US government ban on supplies of critical equipments by US corporations to specified Indian institutions, many of whom are your Company’s customers. While this ban was lifted in October 2001, the effect of the accumulated demand will only be realised in the subsequent years. During the year, your Company signed an agreement with Chemical Computing Group, Canada to distribute its molecular software in India targeted at the pharmaceutical industry and research laboratories. During the year, your Company also tied up with PCI Geomatics, USA, for its software solutions in the area of Geographical Information Systems (GIS).

Future growth of business is expected from the bio-informatics and geomatics areas where your Company is well positioned with complete solutions.

- **Enterprise Computing & Networking** – This industry vertical registered a drop in turnover since your Company has consciously stayed away from the PC orders, which generate high turnover but low margins. During the year, your Company tied-up with EMC Corporation, USA, a world leader in storage systems providing fault-tolerant and disaster recovery solutions to applications involving large volume of critical data. These storage systems, which are typically large order values, are expected to complement the business offerings in this vertical.

Future business is expected to come through storage solutions in the areas of critical data management, disaster tolerance and recovery, having high growth potential.

- **Customer Support:** Business improved mainly due to new orders and higher sales of upgrades. Your Company provides support services mainly for installations using SGI, Compaq and Nortel Network platforms.

Future growth is expected to come in the areas of systems and network administration and overseas support activities for which detailed strategies are being worked out.

#### **Software Development & Services:**

Despite difficult business conditions, your Company was able to increase revenues in this segment from Rs. 57.57 crores in 2000-01 to Rs. 63.75 crores in 2001-02. The businesses constituting this segment are Design & Development, Software and Design Engineering Services.

**Design & Development:** This business spans four separate domains catering to technology driven customers like Hitachi, Mitsubishi, Canon etc. of Japan, Texas Instruments, Intel, Macromedia etc. of US, Pace Micro Technologies, Madge etc. of UK and other companies. Your Company possesses advanced skills in these domain areas enabling it to execute projects with emerging and converging technologies for its global customers. Details of these technology groups are given below.

- **High Performance Computing and Graphics Solutions:** This group offers solutions in the domains of scientific computing, data visualisation, digital video broadcast and re-engineering of multimedia software products. Projects obtained by this group during the year have enabled your Company to develop expertise on the upper-end Apple Mac platforms, which will open other opportunities for this group.
- **Networking and Communications:** This group offers solutions in the datacom and wireless domains. In the datacom domain, your Company works with protocols like ATM, ISDN and TCP/IP which finds applications in communication and internet devices like routers, switches etc.. In the wireless domain, your Company works with protocols like 3G and GPRS, which fulfil the requirements of wireless equipment manufacturers. During the year, this group worked on prestigious projects involving edge and high-speed routers, wireless video image transfers etc.
- **Systems Development:** This group offers solutions in the domain of DSP, multimedia, hardware design services i.e. ASIC, FPGA, VLSI and embedded software which find application in industrial automation, power controls and varied other applications. During the year, a number of protocol stacks have been developed in the areas of streaming and MPEG and also ported onto DSP platforms for various clients.
- **Storage solutions:** This group offers solutions in the area of maintenance and sustenance of storage software. Strategies

are being worked out to increase this business.

During the year, your Company commissioned its new Development Centre at Technopark in Thiruvananthapuram, Kerala, which will specialise in systems development solutions for the automotive sector and image processing. This centre has already executed a pilot project for a prestigious customer and further business is expected.

Your Company has also strengthened its marketing efforts through increased presence overseas accompanied with domain specific backend support. With these initiatives and incipient signs of a revival of the business sentiment overseas, it is hoped to grow the Design and Development business significantly in the coming years.

After the closure of the year, your Company received renewal of its ISO 9001 quality certification. As reported earlier, your Company is one of the first few companies in India and globally to be assessed at SEI CMM Level V. Both these certifications bear testimonial to the high quality processes of your Company's Design & Development operations.

**Software & Design Engineering Services:** In this business, your Company provides software services for application based project work and design engineering services for industrial and automotive design.

#### **5. Finance**

Financial expenses dropped significantly from Rs. 3.07 crores in 2000-01 to Rs. 1.54 crores in 2001-02.

#### **6. Directors**

At the Board Meeting on 16th January, 2002, your Board appointed Mr. Madhukar Dev as an Executive Director and designated him as the Chief Executive Officer of the Company for a term of three years. Mr. Dev had joined your Company on 3rd June, 1991 in the Marketing function and rose to be its Vice President Marketing. At the Twelfth Annual General Meeting, the Members had approved Mr. Dev's appointment as the Manager under the provisions of the Companies Act, 1956 to hold office till the appointment of a Managing Director/Executive Director. The necessary resolution for Mr. Dev's appointment as an Executive Director is being placed before the Members at the forthcoming Annual General Meeting.

Mr. Syamal Gupta, Mr. E.A.K. Faizullahoy, Mr. P. McGoldrick and Mr. C.P. Mistry retire by rotation and being eligible, offer themselves for reappointment.

#### **7. Directors Responsibility Statement**

Your Directors confirm that :

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) the accounting policies are consistently applied and reasonable, prudent judgement and estimates are made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) the Directors have prepared the annual accounts on a going concern basis.

#### **8. Personnel**

Your Company continues to place emphasis on enhancement of skills and capabilities of its people for meeting customers' requirements.

With a view to encouraging employees to upgrade their technical qualifications while at work, your Company has tied up with BITS Pilani, a premier educational institution and subsidises educational programmes leading to the award of MS degrees in software engineering and microelectronics. This facility has been expanded and certain other educational institutions have been identified for subsidised distance education for enhancement of relevant skills of employees .

#### **9. Disclosure of Particulars**

Particulars required to be furnished under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and Companies (Particular of Employees) Rules, 1975 to the extent applicable to the Company are given in the Annexures.

#### **10. Acknowledgements**

The Directors wish to thank the Company's esteemed customers, partners, bankers, suppliers, and above all, its shareholders and investors for their continued support and co-operation.

**On behalf of the Board of Directors**

**SYAMAL GUPTA**  
Chairman

Mumbai, 23rd April 2002

## ANNEXURE TO DIRECTORS' REPORT

Particulars pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

### 1. Conservation of Energy

The operation of your Company are not energy intensive. Nonetheless, energy optimisation measures continue to be pursued during the year e.g. design of air-conditioning plant, false ceiling structures to reduce the air-conditioning load, etc. An energy audit was also carried out during the year through Tata Energy Research Institute (TERI).

### 2. Technology Absorption

#### a. Research & Development

Your Company continues to test and work with emerging and converging technologies and engage in research and development relating to high performance computing and graphical solutions, networking and communication protocols, DSP, ASIC, VLSI and storage solutions.

#### b. Benefits derived out of the above R&D

The above R&D activities have resulted in development of in-house expertise and IP rights. Besides expanding markets for its services, it has also enabled speedier time-to-market deliveries to customers.

#### c. Future Plan of Action

To continue to build and accelerate the existing competencies and expand the range of related skill sets with your Company.

#### d. Expenditure on R&D during the year

a. Capital	:	Rs. 35.66 Lakhs
b. Recurring	:	Rs. 23.60 Lakhs
c. Total	:	Rs. 59.26 Lakhs
d. Total R&D expenditure as a percentage total turnover	:	0.45 %

### 3. Technology absorption, adaptation and innovation

Your Company's quality systems are certified at the highest level of CMM Level 5 and ISO 9001 which reflects a high degree of technology absorption, adaptation and innovation. There is continuous ongoing efforts to refine techniques and technologies resulting in enhancement of overall quality and productivity.

### 4. Foreign Exchange earnings and outgo

Your Company's growing Software Design & Development operations and also an increasing proportion of agency business with overseas principals in the Systems Integration business ensure a continued export thrust. The particulars of foreign exchange earnings and outgo are given in Item Nos. 16, 17 & 18 of Schedule 17 to the Accounts.

On behalf of the Board of Directors

**SYAMAL GUPTA**  
Chairman

Mumbai, 23rd April, 2002

## ANNEXURE TO DIRECTORS' REPORT

Particulars pursuant to Section 217(2A) of The Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Director's Report for the year ended March 31, 2002

Sl. No.	Name	Designation	Remuneration (Rs.)	Qualification	Experience (Yrs.)	Commencement of Employment	Age (Yrs.)	Particulars of Last Employment
1.	Amitava Nath	General Manager	14,23,033	M.Sc.(Tech)	22	09.08.99	46	Avnet Max Ltd., Head Design Centre
2.	Anil N. Sondur #	Jt. General Manager	1,91,966	B.Sc.	18	04.02.02	41	Harita Infoserve Ltd., Head-Business Development
3.	Chandrashekar K.	Jt. General Manager	14,29,440	B.Sc., M.M.S.	15	10.05.93	40	HCL-Hewlett Packard, Account Manager
4.	Charles Dominique	Project Manager	13,85,860	ME.	17	27.03.00	41	Embedded Wireless Labs, Sr Sys. Resident Engineer
5.	Gopikumar K. M.	Jt. General Manager	12,55,157	B.Com., A.C.A., A.C.S.	17	14.12.92	42	Tata Oil Mills Co. Ltd. Chief Accounts Officer
6.	Krishna Bhagawan A	General Manager	15,66,355	B.E. P.G.D.M.M.	17	11.12.96	41	TVS Suzuki, G.M. - Marketing
7.	Madhukar Dev	Chief Executive Officer	41,87,012*	M.Sc., M.B.A.	24	03.06.91	47	Bennet Coleman & Co. Ltd., Chief Manager (RMD)
8.	Manjunath R.	Project Manager	12,37,460	M.Sc.	12	28.07.95	35	ADA, Scientist
9.	Natarajan R. #	Jt. General Manager	6,20,334	B.E., M.E.	25	21.09.01	48	VS Space Centre, Project Manager
10.	Natesh Kalyandurg #	Group Head	4,37,002	B.E., M.E.	13	19.11.01	38	Mobile Application (I) Pvt. Ltd., Engineer
11.	Philip K. Mammen	General Manager	12,92,368	B.Com., M.A.	17	04.08.00	43	BPL Telecom Ltd. Head-HR (IT Services)
12.	Prakash S.	Corporate Manager	15,90,735	ME.	13	08.02.93	38	Hindustan Informatics Ltd., Engineer
13.	Rajesh Kumar	Jt. General Manager	18,46,848	B.E.	17	10.04.97	40	C-DAC, Team Co-Ordinator
14.	Ramakrishnan S.	General Manager	6,55,214	B.E. (Hons.) M.B.A.	10	30.12.95	32	-
15.	Thangarajan M.	Corporate Manager	14,88,173	B.E.	16	02.09.96	38	Larsen & Toubro Ltd., Senior Executive
16.	Sandeep Chadha #	General Manager	13,99,579	B.Sc. (Hons.) P.G.D.M.	22	25.08.97	42	Pertech Computers AGM
17.	Sivakumar P.	General Manager	12,93,079	ME.	22	15.04.99	46	WIPRO GE Medicals Ltd., Service Business Manager
18.	Sreenivasa P.	Senior Specialist	12,20,941	B.E., M.E.	9	08.05.98	40	Marjo Soft Systema, Project Manager
19.	Vijay Krishnamurthy	C.F.O. & Company Secretary	16,43,590	B.Com., F.C.A. F.C.S., B.G.L.	17	22.09.99	42	Advanta India Ltd. GM(Finance) & Company Secretary

# Employed for part of the year

\* Includes Performance Bonus/Commission for 2000-01 and 2001-2002.

### Notes :

1. Nature of employment is contractual. Other terms and conditions are as per Company's Rules.
2. The above employees are not related to any Director of the Company.
3. Remuneration received includes Salary, Commission and Bonus, House Rent Allowance, Privilege Leave Encashment, Contribution to Provident and Superannuation Funds, Gratuity, Leave Travel Assistance, Medical Assistance, etc. Other Perquisites have been evaluated in accordance with the Income-Tax Rules as applicable.

On behalf of the Board of Directors

**SYAMAL GUPTA**  
Chairman

Mumbai, 23rd April, 2002

## COMPLIANCE REPORT ON CORPORATE GOVERNANCE

### Mandatory Requirements:

1. **A brief statement on the Company's philosophy on code of governance.** Your Company believes in conducting its affairs with the highest levels of integrity, with proper authorisations, accountability and transparency. The business operations of your Company are conducted not to benefit any particular interest group but for the benefit of all stakeholders.
2. **Board of Directors**

The Company has a Non-Executive Chairman and the number of Independent Directors is one-third of the total number of Directors. The number of Non-Executive Directors (NEDs) is more than 50% of the total number of Directors. None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49 of the Listing Agreement with Stock Exchanges), across all the companies in which they are Directors. The necessary disclosures regarding Committee memberships have been made by the Directors.

The names and categories of the Directors on the Board, their attendance at Board Meetings during the year and at the last Annual General Meeting, as also the number of Directorships held by them in other companies are given below:

Name	Category	No. of Board Meetings attended during 2001-02	Whether attended AGM held on 6th Sept., 2001	No. of Directorships in other public companies in India	
				Chairman	Member
Mr. Syamal Gupta (Chairman)	Not Independent/ Non-executive	7	Yes	6	6
Mr. S. Ramadorai (Vice Chairman)	Not Independent/ Non-executive	5	Yes	2	10
Dr. F. C. Kohli	Independent/ Non-executive	5	Yes	1	6
Brig. K. Balasubramaniam	Independent/ Non-executive	6	Yes	—	1
Mr. K. M. Chinnappa	Independent/ Non-executive	5	Yes	—	2
Mr. E. A. K. Faizullahoy	Independent/ Non-executive	6	Yes	—	1
Mr. Sujit Gupta	Not Independent/ Non-executive	3	Yes	—	4
Mr. H. H. Malgham	Independent/ Non-executive	7	Yes	—	4
Mr. P. McGoldrick	Not Independent/ Non-executive	3	Yes	—	1
Mr. C. P. Mistry	Independent/ Non-executive	3	No	—	8
Mr. Madhukar Dev (Appointed on 16.01.2002)	Not Independent/ Executive Director	2	N.A	—	—

Seven Board Meetings were held during the year 2001-02 and the gap between two meetings did not exceed four months.

The dates on which the Board Meetings were held were as follows:

26th April, 2001, 5th June, 2001, 23rd July, 2001, 6th September, 2001, 29th October, 2001, 16th January, 2002 & 5th March, 2002.

The information as required under Annexure I to Clause 49 is being made available to the Board.

### 3. Audit Committee

The terms of reference of the Audit Committee mandated by your Board of Directors, which is also in line with the statutory and regulatory requirements, are:

- a. Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- c. Reviewing with management the annual financial statements before submission to the Board.
- d. Reviewing with management, external and internal auditors, the adequacy of internal control systems.
- e. Reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- f. Discussion with internal auditors on any significant findings and follow-up thereon.
- g. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- h. Discussion with external auditors before the audit commences, nature and scope of audit as well as have post-audit discussions to ascertain any area of concern.
- i. Reviewing the Company's financial and risk management policies.
- j. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

The Audit Committee also reviewed the applicability of various Accounting Standards issued during the year by the Institute of Chartered Accountants of India. Of these, the following are applicable to the Company viz. Accounting Standard 17 – Segment Accounting, Accounting Standard 18 - Related Parties Disclosures, Accounting Standard 19 – Accounting for Leases, Accounting Standard 20 – Earnings per Share and Accounting Standard 22 – Accounting for Taxes on Income. Necessary compliance has been ensured in the accounting statements published in this Report.

The composition, names of the members, chairperson, particulars of the Meetings and attendance of the members during the year are as follows:

Sl. No.	Names of Members	Category	No. of Meetings attended during the year 2000-2001
1.	Mr. H. H. Malgham, Chairman	Independent/Non-executive	5
2.	Mr. S. Ramadorai	Not Independent/Non-executive	3
3.	Mr. E. A. K. Faizullahoy	Independent/Non-executive	4
4.	Mr. C. P. Mistry	Independent/Non-executive	3

During the year, the Audit Committee held its Meetings on the following dates: 5th June 2001, 23rd July 2001, 29th October 2001, 8th January 2002 and 5th March 2002.

### 4. Remuneration Committee

The terms of reference mandated by your Board, which are also in line with the statutory and regulatory requirements, are:

- To decide the policy on specific remuneration packages for Executive Directors including pension rights and any compensation payments;
- To approve the terms of any Employee Stock Option Scheme or Plan as may be issued from time to time by the Company;
- To decide on any terms of remuneration of the Non-Executive Directors;

All Non-Executive Directors of your Company receive sitting fees for each meeting of the Board or Committee thereof attended by them. The net profits of the Company, not exceeding 1%, is distributable, as commission, amongst the Non-Executive Directors considering the special services rendered.

Other than sitting fees and commission on the net profits of the Company, no other remuneration is payable to the Non-Executive Directors for 2001-2002.

The composition, names of the members, chairperson, particulars of the Meetings and attendance of the members during the year are as follows:

Sl. No.	Names of Members	Category	No. of Meetings attended during the year 2001-2002
1.	Dr. F. C. Kohli, Chairman	Independent/Non-executive	2
2.	Mr. Syamal Gupta	Not Independent/Non-executive	2
3.	Mr. S. Ramadorai	Not Independent/Non-executive	2

The Remuneration Committee met on 5th June 2001 and 16th January 2002.

The remuneration earned during 2001- 02 by the Non-executive Directors is given below:

Sl. No.	Name of the Non-executive Director	Sitting Fees Rs.	Commission Rs.
1.	Mr. Syamal Gupta	42,000	300,000
2.	Mr. S. Ramadorai	39,000	275,000
3.	Dr. F. C. Kohli	32,000	450,000
4.	Brig. K. Balasubramaniam	58,000	75,000
5.	Mr. K. M. Chinnappa	53,000	75,000
6.	Mr. E. A. K. Faizullahoy	60,000	100,000
7.	Mr. Sujit Gupta	15,000	25,000
8.	Mr. H. H. Malgham	67,000	225,000
9.	Mr. P. McGoldrick	15,000	25,000
10.	Mr. C. P. Mistry	40,000	50,000

Details of remuneration for 2001-2002 in respect of Mr. Madhukar Dev consequent to his appointment as Manager on 15th May 2001 and as Executive Director on 16th January 2002 are given below:

Basic Salary	Commission	Contribution to Provident & other Funds	Other Allowances & Perquisites	Total
Rs. 6,30,000/-	Rs. 13,12,500/-	Rs. 1,85,850/-	Rs. 8,43,381/-	Rs. 29,71,731/-

#### 5. Investor Grievances Committee

The terms of reference mandated by your Board, which is also in line with the statutory and regulatory requirements, are:

- Redressing of Shareholders and Investors complaints;
- To ensure expeditious share transfers;
- To review status of legal cases involving the investors where the Company has been made a party.

The composition, names of the members, chairperson, particulars of the Meetings and attendance of the members during the year are as follows:

Sl. No.	Names of Members	Category	No. of Meetings attended during the year 2001-2002
1.	Mr. E A K Faizullahoy, Chairman	Independent/Non-executive	2
2.	Mr. H H Malgham	Independent/Non-executive	2
3.	Mr. C P Mistry	Independent/Non-executive	2

During the year, the Investor Grievance Committee held its Meetings on the following dates: 23rd July 2001 & 29th October 2001.

Name, designation & address of Compliance Officer :

**Mr. Vijay Krishnamurthy**  
 Chief Financial Officer & Company Secretary  
 Tata Elxsi Ltd.,  
 Whitefield Road, Hoody, Bangalore – 560 048  
 Phone: +91-80-8411780  
 Fax : +91-80-8411596  
 E-mail : veekay@tataelxsi.co.in

Details of Investors complaints received during 2001-2002 are as follows:

Sl. No.	Nature of Complaint	Received	Disposed	Pending	Remarks
1.	Non-receipt of Dividend Warrant	312	312	–	–
2.	Non-receipt of Share certificates after TR/Cons./Trans	24	23	1	Recd. in the end of the year
3.	Non-receipt of I/W/Redemption	170	162	8	- do -
4.	Non-receipt of A/R, Right offer/Registration of C/A	773	773	–	–

Complaints/correspondence are usually dealt with within 10 days of receipt and are completely resolved except in cases where litigation is involved.

Details of shares in physical form lodged for transfer during 2001-02 are as follows:

Sl. No.	Lodged for transfer	Transferred and returned	Pending	Remarks
1.	1239	1231	8	Recd. in the end of the year

Share transfer lodgements are processed within 30 days and returned except in cases where litigation is involved.

The following persons can also be contacted in case of investors grievances:

- Ms. Mary Alles (email: mary@tataelxsi.co.in; phone: +91-080-8411464-9; Fax: +91-080-8411596)
- Mr. P. D. Mehta (email: pdmehta@mumbai.tcs.co.in; phone: +91-022-2039136; Fax: +91-022-2016689)

In addition to the above Committees, the Board has also constituted at Bangalore a Committee of two Non-Executive Directors and the Managing/Executive Director who is a permanent invitee, which meets monthly to discuss and review operations and routine matters such as opening of current accounts with banks, change in authorised signatories to operate such accounts, etc. The composition, names of the members, chairperson, particulars of the Meetings and attendance of the members during the year are as follows:

Sl. No.	Names of Members	Category	No. of Meetings attended during the year 2001-2002
1.	Mr. K M Chinnappa, Chairman	Independent/Non-executive	8
2.	Brig. K Balasubramaniam	Independent/Non-executive	8

#### 6. General Body Meetings

Particulars about the last three Annual General Meetings (AGM's) of the Company are:

Sl. No.	AGM Particulars	Date	Venue	Time
1.	12th AGM in respect of the year 2000-2001	6th September 2001	HAL Convention Centre, Airport Road, Bangalore	11.30 a.m.
2.	11th AGM in respect of the year 1999-2000	24th August 2000*	J N Tata Auditorium, Indian Institute of Science Campus, Bangalore	11.30 a.m.
3.	10th AGM in respect of the year 1998-1999	3rd September 1999	J N Tata Auditorium Indian Institute of Science Campus, Bangalore	10.30 a.m.

\* The AGM was originally convened on 4th August 2000 but due to disturbed conditions that then prevailed in the city of Bangalore, was adjourned to 24th August, 2000.

No item of business, which required the members' approval through postal ballot, was transacted during 2001-02. Accordingly, the Companies (Postal Ballot) Rules 2001 is not applicable to the Company during the said year.

### 7. Disclosures

There are no materially significant related party transactions that have potential conflict with the interests of the Company at large. The following however may be considered to be related party transactions:

- As part of its business activities, your Company provided software services aggregating to Rs. 14.69 crores to Tata Consultancy Services (TCS), a division of Tata Sons Limited, who may be deemed to be a promoter of the Company and hence a related party.
- Monetary transactions in the nature of sitting fees and commission payments with Non-Executive Directors and contractual payments duly authorised with the Executive Director, details whereof have been disclosed elsewhere (see under Remuneration Committee above);
- Monetary transactions with the members of management which comprise of contractual payments by way of remuneration and loans at nil/concessional rates of interest for exigencies/acquisition of assets in accordance with eligibility criteria fixed by the Company's rules.

There has been no non-compliance or penalties or strictures imposed on your Company by any of the Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.

### 8. Means of Communication

- Your Company uses several modes of communicating with its external stakeholders such as announcements and press releases in newspapers, circular letters and other reports to the members, posting information on its website ([www.tataelxsi.com](http://www.tataelxsi.com)), intimation to the Stock Exchanges, responding to analyst's queries etc.
- Your Company's quarterly results are disseminated through all the modes mentioned above. Economic Times (English daily) and Prajavani (vernacular daily) are usually the papers in which the quarterly results are published.
- Your Company's Management Discussion & Analysis of the operations for the year ended 31st March, 2002 forms a part of this Annual Report and is given under the Section so captioned.

## 9. General Shareholders Information

Sl. No.	Salient Items of Interest	Particulars
i.	AGM Date, time and venue	21st June 2002, 11.00 a.m. J.N. Tata Auditorium, Indian Institute of Science, Bangalore - 560 012.
ii.	Financial Calendar	Year ending March 31, 2002
iii.	Date of Book Closure	8th June to 21st June, 2002
iv.	Dividend Payment Date	22nd June, 2002
v.	Listing on Stock Exchanges	<p><b>The Bangalore Stock Exchange Limited</b> Stock Exchange Towers, 51, 1st Cross, J. C. Road, Bangalore - 560 027, India Tel. : +91-80-299 5234, Fax : +91-80-299 5242</p> <p><b>The Stock Exchange, Mumbai</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001, India Tel. : +91-22-265 5581, Fax : +91-22-265 8121</p> <p><b>The Delhi Stock Exchange Association Limited</b> DSE House, 3/1 Asaf Ali Road, New Delhi - 110 002, India Tel. : +91-11-329 2039, Fax: +91-11-329 2174</p> <p><b>The National Stock Exchange of India Limited</b> Trade World, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013, India Tel. : +91-22-497 2950, Fax : +91-22-491 4275/85</p>
vi.	Stock Code	500408
vii.	Registrar & Share Transfer Agents	Tata Consultancy Services 'Lotus House', 6 Sir Vithaldas Thackersey Marg, Mumbai - 400 020
viii.	Share Transfer System	Shares lodged in physical form with the Company/its Registrars & Share Transfer Agents are processed and returned, duly transferred, within 30 days normally, except in cases where litigation is involved. In respect of shares held in dematerialized mode, the transfer takes place instantaneously between the transferor, transferee and the Depository Participant through electronic debit/credit of the accounts involved.
ix.	Dematerialisation of shares and liquidity	As at March 31, 2002, 55,807 members (64% of the total members) held 2,49,08,189 shares (80% of total shares) in dematerialised mode.
x.	Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity	There are no outstanding instruments and hence there will be no dilution of the equity.
xi.	Plant Locations	Your Company's software development centers are located at the following addresses: a. Whitefield Road, Hoody, Bangalore – 560 048. b. 123, Richmond Road, Bangalore – 560 025. c. "Gayatri" Technopark, Trivandrum – 695 581.
xii.	Address for correspondence	Whitefield Road, Hoody, Bangalore – 560 048.

## Market Price Data: High/Low during each month of 2001-2002 on the following exchanges

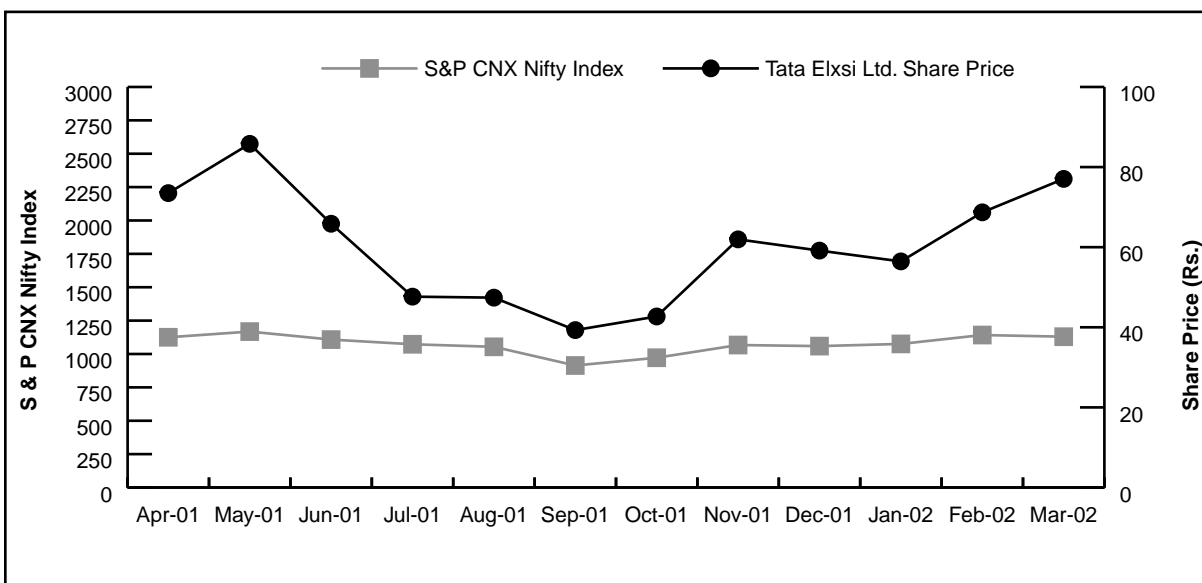
Month	Mumbai			National		
	High (Rs.)	Low (Rs.)	Vol (No.)	High (Rs.)	Low (Rs.)	Vol (No.)
April 2001	83.00	55.00	51,83,343	83.50	55.50	34,23,932
May 2001	97.80	64.95	75,62,270	98.00	65.00	60,78,505
June 2001	93.00	56.00	68,09,979	93.40	55.50	67,84,849
July 2001	68.65	47.10	5,32,479	68.60	47.00	7,28,493
August 2001	54.00	45.10	6,32,081	55.00	45.05	8,28,328
September 2001	48.50	31.50	4,71,078	48.75	31.35	7,29,467
October 2001	47.00	35.00	6,37,401	46.90	35.30	8,64,636
November 2001	74.00	43.25	21,23,131	74.90	43.05	24,39,596
December 2001	73.90	46.00	17,28,527	73.80	46.00	22,16,908
January 2002	64.50	55.00	13,08,304	64.80	54.60	16,58,063
February 2002	85.85	54.70	90,69,782	85.90	54.50	1,15,60,086
March 2002	82.75	67.00	50,53,657	82.50	67.10	64,04,132

## Distribution of Shareholding as on March 31, 2002

Range of Shares	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
1 - 500	82,686	95.41	1,32,37,499	42.51
501 - 1,000	2,524	2.91	20,18,229	6.49
1,001 - 2,000	890	1.02	13,10,209	4.21
2,001 - 3,000	257	0.30	6,48,707	2.09
3,001 - 4,000	100	0.11	3,54,915	1.13
4,001 - 5,000	80	0.10	3,76,632	1.20
5,001 - 10,000	96	0.11	6,85,195	2.20
Over 10,000	35	0.04	1,25,06,834	40.17
<b>Total</b>	<b>86,668</b>	<b>100.00</b>	<b>3,11,38,220</b>	<b>100.00</b>

## Categories of Shareholding as on March 31, 2002

Category	No. of Shareholders	No. of Shares held	% of Shareholding
Individuals	84,400	1,76,45,641	56.67
Companies	1,591	11,03,149	3.54
Tata Group	4	1,18,80,504	38.15
Mutual Funds, FI's, FII's	24	21,385	0.07
NSDL/CSDL transit position	511	40,06,001	1.31
Others	138	81,540	0.26
<b>Total</b>	<b>86,668</b>	<b>3,11,38,220</b>	<b>100.00</b>



**Auditors' Certificate on Compliance of conditions of Corporate Governance as per Clause 49 of the Listing Agreement with the Stock Exchanges**

To the Members of Tata Elxsi Ltd.

We have examined the compliance of conditions of Corporate Governance by Tata Elxsi Ltd., for the year ended on March 31, 2002, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of management. Our examination was limited to procedures and implementation thereof, adopted by the Company to ensure compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **RSM & Co.**  
Chartered Accountants

Place : Mumbai  
Date : 23rd April 2002

**Vijay N Bhatt**  
Partner

## MANAGEMENT DISCUSSION & ANALYSIS

### 1. Business Analysis

Your Company's operations are broadly broken up into two business segments i.e. Systems Integration & Support and Software Development & Services.

#### Systems Integration & Support

Systems Integration & Support addresses four industry verticals, which in the case of three verticals are categorised on the basis of the product offerings and the fourth vertical is on the basis of customer profile. Major sales in these verticals take place on rupee payment basis. However in the case of certain customers e.g. STP units, government laboratories and institutions, universities etc., who are entitled to duty free imports, the Company organizes the import in the customer's own name and in respect thereof, the Company earns agency commission in foreign exchange from the foreign vendor.

The Company has achieved leadership status in the industry verticals in which it operates based on superior product offerings from its principals who are world leaders in their product categories, the expertise built by the Company over the years as high-end systems integrators who can offer turnkey solutions to meet customer requirements and reliability and ethical standards governing its business as well as the high reputation enjoyed by the TATA group to which the Company belongs.

The Company offers both hardware and software products of its overseas principals to its Indian customers, integration of these products where the customer requires a turnkey solution, installation, commissioning and training to operate these products and provides maintenance support for its installations. The Company operates in an environment of high obsolescence due to continuous technological upgradations by its principals and other global players, consequent falling hardware and software prices and rapidly changing market scenarios. The Company delivers value to its customers by using its technical knowledge of the products and market trends and its alliances with global players to provide optimum cost-configuration-integration-maintenance solutions to its Indian customers to meet their requirements. The Company has as its customers several prestigious government and private institutions and companies.

Detailed analysis of each industry vertical is given below:

- **CAD/CAM/CAID/CAE** – In this vertical, the Company provides total solutions to the manufacturing and engineering industries right from the concept design to end manufacturing to production plant simulations.

The Company has an in-depth understanding and leadership status in this vertical established over time and is in a position to meet diverse requirements from its customers. In this vertical, the Company is considering various opportunities like providing services to global engineering centres etc. A brief profile of the products sold by your Company and the applications serviced by these products is given in the table below:

Sl. No.	Product	Application
1.	Alias	Product Styling
2.	Opticore	Virtual Reality
3.	Ideas	Detail Design/Tool Design/CAM
4.	Nastran	FEM/FEA
5.	Z-Corp	Rapid Prototyping
6.	Technomatix	Production Planning

- **Media Solutions Group** – In this vertical, the Company is engaged in providing complete post-production solutions for the entertainment and media industry where it has an undisputed leadership status. The range of product offerings covers both the 2-D and 3-D markets. This vertical is characterised generally by non-corporate customers who face difficulty in obtaining institutional finance. To these customers, the Company provides payment terms based on the individual customer's credit profile.

A brief profile of the products sold by your Company and the applications serviced by these products is given in the table below:

Sl. No.	Product	Application
1.	Maya	3-D Animation
2.	Animo	2-D Animation
3.	Flint, Flame, Inferno	Compositing & Special Effects
4.	Monsters, Sapphire	Special Effects
5.	Edit, fire, Smoke	Nonlinear Editing
6.	Symah Vision	Sports Enhancement Graphics
7.	Digital Projections	Digital Projection System

- **Scientific Computing Group** – In this vertical, the Company offers high-end computing hardware and software solutions for visualisation, molecular analysis and number crunching where the target markets are premier civilian and defense laboratories, leading academic institutions and R&D laboratories of government and corporate bodies.

Existing business will expand in view of the recent lifting of the US ban on supplies by US corporations to specified critical Indian establishments who are the Company's customers. Further opportunities in biotechnology and life sciences, GIS/image processing and other areas are under active consideration by the Company.

A brief profile of the high-end hardware and software solutions marketed by the Company and the Principals is given below:

Sl. No.	Solutions	Principals
1.	High Performance Computing Servers, Graphics Workstations	SGI, Compaq
2.	Bio Informatics	Chemical Computing Group
3.	GIS	PCI Geomatics

- **Enterprise Computing and Networking Group** – In this vertical, the Company provides server, storage and networking solutions. This business, which is largely characterised by large value and low margin orders, has been consciously restructured over the last few years in order to increase the profitability by keeping away from the low margin desktops and government orders. Storage solutions offer a large opportunity for selling to customers seeking disaster tolerant and recovery equipments to manage large volumes of critical data.

A brief profile of the Solutions sold by your Company and the Principals for these products is given in the table below:

Sl. No.	Solutions	Principals
1.	Servers	Compaq, SGI
2.	Storage Solutions	EMC, Compaq
3.	Networking	Enterasys, Nortel

**Software Development & Services** : Software development & Services covers the following businesses:

**Design & Development (D&D):** The D&D business is spread over the following Technology Groups:

- **High Performance Computing & Graphics Solutions (HPCGS)** – This Technology Group addresses the following areas:
  - ✓ Graphics & Imaging (i.e. visual simulation, data visualisation, medical imaging, computer aided geometry design);
  - ✓ Scientific Computing (i.e. parallel computing, mathematical modelling);
  - ✓ Digital Video Solutions (i.e. multimedia tools, interactive TV applications)
  - ✓ Internet Solutions (i.e. web enabling of workflow, B2B transactions, consumer and embedded systems)
- **Systems Development** – This Technology Group addresses the following areas:
  - ✓ Hardware and Embedded Design (i.e. Firmware/BSP, Drivers etc.);
  - ✓ DSP/Multimedia Services (i.e. audio/video algorithm development and optimisation, porting to target DSP, VOIP Stacks etc.);
  - ✓ ASIC/FPGA Services (i.e. front end, RTL Design synthesis and verification, back end library development and layout etc.); On the chip design front, the Group is moving from RTL Design to GDS2 and increasing focus on offering SSC verification services.

- **Networking** – This Technology Group addresses the following areas:
  - ✓ TCP/IP and Routing: IPv4, IPv6, MPLS, QoS, RIP, BGP, OSPF, IS-IS, multicast routing stack development for access devices, edge routers, carrier class switches etc.;
  - ✓ ATM; Access Technologies, focusing on Digital Set-top-boxes, Residential gateways, IP telephony, including technologies like ATM, xDSL, FrameRelay and ISDN;
  - ✓ Network Management;
  - ✓ Internetworking;
  - ✓ Wireless - focus on long-range wireless infrastructure and handset segment, with technologies like, UMTS, GPRS, 3G and ATM and short-range wireless technologies like Bluetooth and Wireless LAN.

The services offered by this Group range from Product Development, Protocol S/W Development, Networking Device Driver Development and porting and enhancements.
- **Storage Solutions** – This Technology Group addresses the following areas:
  - ✓ Jukebox management software;
  - ✓ Hierarchical Storage Management Software;
  - ✓ CDROM Jukebox Management Software;
  - ✓ Jukebox API access development;
  - ✓ Porting of SAN products from Irix to Solaris.

Your Company is examining ways of increasing the opportunities in these areas.
- **Software & Design Engineering Services** – The Company also provides software services for application based work executed under its customers supervision and control and design engineering services e.g. styling, modelling, design and analysis for industrial and automotive customers in India and overseas.

## 2. Internal Control systems and their adequacy:

The internal controls of the Company are operated through an exhaustive system of internal checks and balances involving inter dependence of job responsibilities, which ensures that there are joint discussions and approvals before any financial commitments are made. The nature and limits for financial commitments for each Department in the Company are also set out in a detailed Manual, which has to be adhered to for all financial approvals. Periodic audits by the internal and statutory auditors and regular meetings of the Audit Committee of the Board of Directors who discuss with the auditors and the management regarding issues raised in the audit reports and all financial matters also reinforce the impact of internal controls in the Company. During the year, an ERP system with four modules has been largely implemented to improve the financial accounting and generation of management information reports. With these ongoing initiatives, there are adequate internal control systems in the Company.

## 3. Financial Analysis:

The following are relevant financial performance details with respect to the operational performance of the Company:

**Salient Financial Data  
relating to the Profit & Loss Account**

Particulars	2001-02 Rs. Crores	2000-01 Rs. Crores	% change Over previous year
Sales	129.80	136.74	(5.07)
Other Income	2.15	1.16	85.34
<b>Total Revenues</b>	<b>131.96</b>	137.90	(4.31)
Cost of Sales	46.37	59.91	(22.60)
Personnel Expenses	42.75	32.33	32.23
Overheads	18.04	23.05	(21.74)
Financial Expenses	1.53	3.07	(50.16)
Depreciation	3.05	4.58	(33.41)
<b>Profit before Tax</b>	<b>20.22</b>	14.96	35.16
Tax	3.47	1.10	215.45
<b>Profit after Tax</b>	<b>16.75</b>	13.86	20.85

**Expenditure Analysis  
as a percentage of Income**

2001-02 %	2000-01 %
98.37	99.16
1.63	0.84
100.00	100.00
35.14	43.44
32.40	23.44
13.67	16.72
1.16	2.23
2.31	3.32
15.32	10.85

**Analysis:**

1. **Sales:** Overall sales declined with a drop in domestic sales but compensated to an extent by increases in other businesses. The mix of business between Systems Integration & Support and Software Development & Services changed from 59:41 in 2000-01 to 51:49 in 2001-02.
2. **Other Income:** This increased by Rs. 0.99 crores due to an increase in the gain on exchange fluctuation and miscellaneous income.
3. **Cost of Sales:** This has declined by Rs. 13.54 crores due to a change in the mix of business. Consequently, the materials cost component has come down coinciding with the increase in the turnover of the Software Development business.
4. **Personnel Cost:** This has increased by Rs. 10.42 crores due to increase in the number of employees from 848 as at the end of 31st March 2001 to 924 employees as at the end of 31st March 2002 and increased deployment of marketing personnel overseas to augment marketing efforts in the Software Development business.
5. **Overheads:** This has declined by Rs. 5.01 crores (net), the main contributors being:

Account Head	Increase Rs. cr.	Decrease Rs. cr.	Remarks
Rent		0.37	Due to an closure of an overseas office.
Rates & Taxes		0.15	The previous year charge included Sales Tax consequent to completion of assessment.
Inland Travel		0.82	Due mainly to the relocation of sales personnel closer to the markets.
Overseas Travel		1.57	Due to reduction on on-site work.
Hiring Charges		0.13	Due mainly to one-time project specific equipment hire in the previous year.
Print. & Stationery	0.09		Increase not significant
Motor Vehicle Exp.	0.14		Due mainly to larger number of overseas marketing personnel.
Recruitment		0.63	Due to fewer recruitments during the year as compared to the previous year.
Legal/Prof. Charges	0.22		Due to higher number of consultants recruited largely for specific design engineering services assignments.
Secretarial Charges		0.15	Due to higher number of requests for dematerialisation of shares in the previous year when the Company's shares were notified for compulsory trading in demat form.
Provision for Debts		0.15	All Debts identified as bad are being written off instead of making provisions.
Bad Debts		0.95	Due to increased monitoring over debtors.

6. **Finance Charges:** These have declined by Rs.1.53 crores mainly due to higher utilisation of internally generated resources and packing credit available on export orders at concessional rates and general treasury operations.
7. **Depreciation:** This has declined by Rs.1.53 crores due to the completion of accelerated depreciation (Rs.2.00 crores) on certain equipments in 2000-01.
8. **Provision for Tax:** This has increased by Rs.2.00 crores due to increased profits.
9. **Deferred Taxation:** Consequent to the Accounting Standard AS – 22 dealing with Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India coming into effect from 1st April 2001, there is an accumulated deferred tax liability upto that date of Rs.2.22 crores which has been deducted from the General Reserves balance on 1st April 2001. Deferred tax liability arising in the current year amounting to Rs. 0.37 crores has been included in the Provision for Taxation for the year.

**Significant Ratio Analysis**

<b>Particulars</b>	<b>Unit</b>	<b>2001-02</b>	<b>2000-01</b>
Earning before Interest & Tax/Sales	%	16.49	13.08
Profit before Tax/Sales	%	15.32	10.85
Profit after Tax/Sales	%	12.69	10.05
Current Ratio	No. of times	1.70	2.12
Debt Equity Ratio		–	1:2
Earnings per Share	Rs.	5.37	4.45
Dividend per Share	Rs.	3.50	2.50
Book Value per Share	Rs.	13.44	12.27
Interest Cover	No. of times	14	6
Return on Networth	%	40.02	36.28
Return on Capital Employed	%	36.02	24.24

**4. Human Resources:**

Your Company's work environment and challenging and technologically advanced nature of work contribute to providing the employees job enrichment and high levels of stimulation. Details of employee-related initiatives taken by your Company are provided in the Directors' Report.

**5. Quality Initiatives:**

The Company has a very strong process orientation in the execution of its software projects and is a pioneer in the use of statistical methods of process controls. This has helped the Company to be amongst the first few companies globally to have achieved CMM Level V certification in the previous year and obtain renewal of its ISO 9001 certification at the end of the current year.

## AUDITORS' REPORT

TO THE MEMBERS OF TATA ELXSI LIMITED

We have audited the attached Balance Sheet of **Tata Elxsi Limited**, as at March 31, 2002 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- iii. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
- iv. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- v. On the basis of written representations received from the Directors, as on March 31, 2002 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2002 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- vi. in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2002; and
  - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date.

For **RSM & Co.**,  
Chartered Accountants

**VIJAY N BHATT**  
Partner

Place : Mumbai  
Date : April 23, 2002

## ANNEXURE TO THE AUDITORS' REPORT

(referred to in our Report of even date)

1. The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets. The Company has a system of verification of all fixed assets once in a period of two years. Management has carried out physical verification of a majority of its fixed assets during the year. In our opinion, the frequency of verification of fixed assets is reasonable, having regard to the size of the Company and nature of its business. We are informed that no material discrepancies were noticed on such verification.
2. The fixed assets have not been revalued during the year.
3. The stocks of raw materials and components, computer systems and software have been physically verified by the management at reasonable intervals during the year.
4. In our opinion and according to the information and explanations given to us, the procedure followed by management for physical verification of stocks appears reasonable and adequate in relation to the size of the Company and the nature of its business.
5. Discrepancies noticed on physical verification of stocks as compared to the book records were not material and have been properly dealt with in the books of account.
6. On the basis of our examination of the stock records, we are of the opinion that valuation of stocks is fair and proper, in accordance with generally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has not taken any loans during the year from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. In terms of sub-section (6) of section 370 of the Companies Act, 1956, provisions of the section are not applicable to the Company with effect from October 31, 1998.
8. The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. In terms of sub-section (6) of section 370 of the Companies Act, 1956, provisions of the section are not applicable to the Company with effect from October 31, 1998.
9. The Company has given loans to its employees who are regular in repayment of principal and interest, wherever applicable.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of raw materials including components, plant and machinery, equipment and other assets and for sale of goods.
11. In our opinion and according to the information and explanations given to us, there are no transactions of purchase of goods and materials and the sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50, 000/- or more in respect of each party.
12. As explained to us, the Company has a procedure for determination of unserviceable or damaged stores, raw materials and finished goods. Necessary provision has been made in the accounts for the items so determined.
13. The Company has not accepted any deposits from the public and consequently, the provisions of section 58A of the Companies Act, 1956 and the rules framed thereunder are not applicable.
14. The operations of the Company do not result in generation of any by-product or scrap.
15. The Company has an internal audit system, which is commensurate with the size and nature of its business.
16. As informed to us, the Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for any of the activities of the Company.
17. The Company has been regular in depositing its Provident Fund and Employees State Insurance dues with the appropriate authorities.
18. According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty which have remained outstanding as at March 31, 2002 for a period of more than six months from the date they became payable.
19. According to the information and explanations given to us and the records examined by us, no personal expenses of employees or directors have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practices.
20. The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

## **ANNEXURE TO THE AUDITORS' REPORT CONTD..**

21. In respect of the Company's service activities, we report that :

- (i) the Company has a reasonable system of recording receipts, issues and consumption of material and stores and allocating materials consumed to the relative jobs and the same is commensurate with the size of the Company and the nature of its business.
- (ii) in our opinion, the Company has a reasonable system of allocating man-hours to the relative jobs of its business.
- (iii) in our opinion, there is a reasonable system of authorisation at proper levels and an adequate system of internal control commensurate with the size of the Company and the nature of business, on issue of stores and allocation of stores and labour to jobs.

22. In respect of the trading activities of the Company, there were no damaged goods at the year-end.

For **RSM & Co.**  
Chartered Accountants

Place : Mumbai  
Date : April 23, 2002

**VIJAY N BHATT**  
Partner

**BALANCE SHEET**

AS AT MARCH 31, 2002

	Schedule		Rs. Lakhs As at March 31, 2001
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital.....	1	31,13.82	31,13.82
Reserves and surplus.....	2	10,71.00	7,07.94
<b>Loan funds</b>			
Secured loans.....	3	–	16,72.41
Unsecured loans.....	4	2,05.96	2,25.29
<b>Deferred tax liability.....</b>		<b>2,59.04</b>	–
<b>Total</b>		<b>46,49.82</b>	57,19.46
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block.....	5	31,39.15	28,31.25
Less: depreciation.....		12,45.63	9,88.30
Net block.....		18,93.52	18,42.95
Add: Capital Advance.....		45.94	13.76
		<b>19,39.46</b>	18,56.71
<b>Current assets, loans and advances</b>			
Inventories.....	6	3,51.48	5,13.62
Sundry debtors.....	7	40,63.55	45,64.85
Cash and bank balances.....	8	7,37.99	10,06.45
Loans and advances.....	9	14,53.42	12,28.08
		<b>66,06.44</b>	73,13.00
<b>Less: Current liabilities and provisions.....</b>	10	<b>38,96.08</b>	34,50.25
<b>Net current assets.....</b>		<b>27,10.36</b>	38,62.75
<b>Total</b>		<b>46,49.82</b>	57,19.46

Significant accounting policies and notes to accounts

17

The schedules referred to above and the notes thereon form an integral part of the accounts

As per our report attached to Balance Sheet

For and on behalf of the Board

For R S M & Co.  
*Chartered Accountants*

Syamal Gupta

*Chairman*VIJAY N BHATT  
Partner

F C Kohli

*Director*

H H Malgham

*Director*

Madhukar Dev

*Executive Director &  
Chief Executive Officer*

V Krishnamurthy

*Chief Financial Officer  
& Company Secretary*

Mumbai, April 23, 2002

Mumbai, April 23, 2002

# PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2002

	Schedule		Rs. Lakhs Previous Year
<b>INCOME</b>			
Sales and services .....	11	1,29,80.64	1,36,74.04
Other income .....	12	2,15.45	1,16.06
<b>Total</b>		<b>1,31,96.09</b>	<b>1,37,90.10</b>
<b>EXPENDITURE</b>			
Cost of sales, administrative and selling expenses .....	13	63,62.57	83,13.27
(Increase)/decrease in stock .....	14	77.80	(17.00)
Personnel expenses .....	15	42,74.85	32,32.71
Financial expenses .....	16	1,53.58	3,06.80
Depreciation .....		3,05.35	4,57.92
<b>Total</b>		<b>1,11,74.15</b>	<b>1,22,93.70</b>
<b>Profit before tax for the year</b> .....		<b>20,21.94</b>	<b>14,96.40</b>
Provision for tax - current .....		(3,10.00)	(1,10.00)
- deferred .....		(37.00)	-
<b>Profit after tax</b> .....		<b>16,74.94</b>	<b>13,86.40</b>
Profit brought forward .....		5,17.94	1,29.40
Transitional cumulative deferred tax .....		(2,22.04)	-
Balance available for appropriation .....		<b>19,70.84</b>	<b>15,15.80</b>
Less: Proposed dividend .....		10,89.84	7,78.46
Less: Dividend tax thereon .....		-	79.40
Less: Transfer to General Reserve .....		2,00.00	1,40.00
Balance of profit carried to balance sheet .....		<b>6,81.00</b>	<b>5,17.94</b>
Earning per share - basic (Rs.) .....		<b>5.37</b>	<b>4.45</b>

Significant accounting policies and notes to accounts 17

The schedules referred to above and the notes thereon form an integral part of the accounts

As per our report attached to Balance Sheet

For R S M & Co.  
Chartered Accountants

VIJAY N BHATT  
Partner

Mumbai, April 23, 2002

Syamal Gupta

F C Kohli  
H H Malgham

Madhukar Dev

V Krishnamurthy

Mumbai, April 23, 2002

For and on behalf of the Board

Chairman

Director

Director

Executive Director &  
Chief Executive Officer

Chief Financial Officer  
& Company Secretary

## SCHEDULES

### SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2002

**Rs. Lakhs**  
As at  
March 31, 2001

#### 1 SHARE CAPITAL

Authorised .....		
350,00,000 equity shares of Rs. 10/- each .....	<b>35,00.00</b>	35,00.00
Issued and Subscribed		
311,65,620 equity shares of Rs. 10/- each .....	<b>31,16.56</b>	31,16.56
Paid up		
311,38,220 equity shares of Rs. 10/- each, fully paid up .....	<b>31,13.82</b>	31,13.82
<b>Total</b>	<b>31,13.82</b>	31,13.82

#### 2 RESERVES AND SURPLUS

General Reserve:		
Opening Balance .....	<b>1,90.00</b>	50.00
Credits during the year .....	<b>2,00.00</b>	140.00
	<b>3,90.00</b>	1,90.00
Profit & Loss Account balance .....	<b>6,81.00</b>	5,17.94
<b>Total</b>	<b>10, 71.00</b>	7,07.94

#### 3 SECURED LOANS

From banks .....	-	16,72.41
Secured by hypothecation of stocks of raw materials, finished goods, consumable stores, book debts etc.; pari passu charge on immovable property at Karnataka and other movable properties		
<b>Total</b>	-	16,72.41

#### 4 UNSECURED LOANS

Line of credit from Housing Development Finance Corporation Ltd. towards provision of housing loans to employees. Secured by equitable mortgage by way of deposit of title deeds of properties acquired by employees	<b>2,05.96</b>	2,25.29
<b>Total</b>	<b>2,05.96</b>	2,25.29

## SCHEDULES (Contd...)

### SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2002

**5 FIXED ASSETS**
**Rs. Lakhs**

DESCRIPTION	GROSS BLOCK			DEPRECIATION				NETBLOCK		
	As at 31.03.2001	Additions	Sale/ Transfer	As at 31.03.2002	Upto 31.03.2001	For the Year	Sale/ Transfer	Upto 31.03.2002	As at 31.03.2002	As at 31.03.2001
Land - freehold	49.06	-	-	49.06	-	-	-	-	49.06	49.06
Land - leasehold	1,37.31	-	-	1,37.31	-	-	-	-	1,37.31	1,37.31
Buildings	2,67.74	6.48	7.13	2,67.09	48.93	9.12	0.28	57.77	2,09.32	2,18.81
Improvements to leasehold premises	1,17.03	8.46	42.57	82.92	1,02.17	8.97	42.57	68.57	14.35	14.86
Plant and machinery	2,01.95	-	-	2,01.95	78.97	10.87	-	89.84	1,12.11	1,22.98
Computer equipment	13,84.23	2,83.32	4.83	16,62.72	5,85.26	2,28.33	0.15	8,13.44	8,49.28	7,98.97
Furniture and fixtures	2,77.56	23.88	-	3,01.44	76.33	25.08	-	1,01.41	2,00.03	2,01.23
Office equipment	85.77	14.71	-	1,00.48	25.17	5.72	-	30.89	69.59	60.60
Electrical installations	1,97.16	33.36	16.14	2,14.38	45.74	10.85	0.78	55.81	1,58.57	1,51.42
Airconditioners	95.12	3.92	4.57	94.47	18.18	4.67	2.69	20.16	74.31	76.94
Vehicles	18.32	10.79	1.78	27.33	7.55	1.74	1.55	7.74	19.59	10.77
<b>Total</b>	<b>28,31.25</b>	<b>3,84.92</b>	<b>77.02</b>	<b>31,39.15</b>	<b>9,88.30</b>	<b>3,05.35</b>	<b>48.02</b>	<b>12,45.63</b>	<b>18,93.52</b>	<b>18,42.95</b>
Previous year	40,96.62	5,40.71	18,06.08	28,31.25	23,35.62	4,57.92	18,05.24	9,88.30	18,42.95	

**Rs. Lakhs**

 As at  
 March 31, 2001

**6 INVENTORIES**

Components and spares .....	2,38.84	3,23.18
Jobs-in-progress .....	31.96	69.94
Computer systems and software .....	80.68	1,20.50
<b>Total</b>	<b>3,51.48</b>	<b>5,13.62</b>

**7 SUNDRY DEBTORS**

(Unsecured)

(a) Debts outstanding for a period exceeding six months		
Considered good .....	13,37.34	9,68.35
Considered doubtful .....	-	15.50
	13,37.34	9,83.85
(b) Other debts considered good .....	27,26.21	35,96.50
	40,63.55	45,80.35
Less : Provision for doubtful debts .....	-	15.50
<b>Total</b>	<b>40,63.55</b>	<b>45,64.85</b>

## SCHEDULES (Contd...)

### SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2002

**Rs. Lakhs**  
As at  
March 31, 2001

<b>8 CASH AND BANK BALANCES</b>		
Cash on hand .....		1.08
Cheques on hand .....		2,62.60
Funds in transit .....		0.83
Balances with scheduled banks		
in current accounts - for unencashed debenture redemption, interest warrants & dividends .....	87.96	64.01
in current accounts - others .....	3,51.34	8,10.23
in fixed deposit account .....	0.54	0.04
as margin money .....	33.64	68.34
		4,73.48
<b>Total</b>		10,06.45
<b>9 LOANS AND ADVANCES</b> (Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received .....		8,06.97
Deposits .....		2,63.63
Advance tax .....		3,30.74
Tax credit .....		52.08
<b>Total</b>		12,28.08
<b>10 CURRENT LIABILITIES AND PROVISIONS</b>		
<b>A. Current Liabilities</b>		
Sundry creditors .....		18,83.98
Refund money due .....		48.76
Advance from customers .....		96.13
Unencashed debenture & interest warrants .....		42.29
Unencashed dividend .....		43.24
Other liabilities .....		1,33.17
<b>Sub-total</b>		22,47.57
<b>B. Provisions</b>		
Provision for leave encashment .....		98.96
Proposed dividend .....		10,89.84
Provision for taxation .....		4,59.71
Tax on interim dividend .....		-
<b>Sub-total</b>		16,48.51
<b>Total</b>		34,50.25

## SCHEDULES (Contd...)

### SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2002

		Rs. Lakhs Previous Year
<b>11 SALES AND SERVICES</b>		
Sales (net of returns) .....	50,14.64	64,58.61
Services .....	77,46.58	70,43.48
Computer systems' rentals .....	2,19.42	1,71.95
<b>Total</b>	<b>1,29,80.64</b>	<b>1,36,74.04</b>
<b>12 OTHER INCOME</b>		
Interest from:		
Banks [tax deducted at source Nil .....	0.31	3.12
(previous year Rs.0.13 lakhs)]		
Others .....	15.69	9.01
	<b>16.00</b>	<b>12.13</b>
Insurance claims received .....	-	14.69
Profit on sale of assets .....	-	2.52
Exchange fluctuation .....	86.82	37.45
Miscellaneous income .....	1,12.63	49.27
<b>Total</b>	<b>2,15.45</b>	<b>1,16.06</b>

**SCHEDULES (Contd...)****SCHEDULES ANNEXED TO AND FORMING PART OF THE  
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2002**

		<b>Rs. Lakhs</b>
		Previous Year
<b>13 COST OF SALES, ADMINISTRATION AND SELLING EXPENSES</b>		
Cost of goods sold .....	45,58.54	60,07.87
Lease charges .....	1,45.82	2,11.65
Operating lease rentals .....	1,40.95	1,77.61
Rates and taxes .....	17.38	33.00
Power and fuel .....	85.51	74.86
Repairs and maintenance: building .....	6.45	12.65
plant and machinery .....	24.00	14.80
others .....	58.58	74.19
	89.03	1,01.64
Telephone, datalink, courier and postage .....	2,32.40	2,33.98
Inland travel and conveyance .....	1,82.40	2,64.43
Overseas travel .....	3,43.59	5,00.72
Advertisement and promotion expenses .....	58.27	57.09
Commission on sales .....	15.57	14.42
Hiring charges .....	3.85	16.79
Printing and stationery .....	45.59	37.10
Motor vehicle expenses .....	47.95	34.05
Recruitment .....	47.11	1,10.26
Training .....	41.74	41.87
Legal & professional charges .....	1,03.25	80.14
Secretarial charges .....	17.82	32.40
Insurance .....	13.93	12.49
Loss on sale of assets .....	0.61	-
Commission to non-executive directors .....	16.00	-
Auditors' remuneration .....	9.75	8.08
Provision for doubtful debts .....	-	15.50
Bad debts/advance written off (net of credit balances) .....	1,12.39	2,07.69
General expenses .....	33.12	39.63
<b>Total</b>	<b>63,62.57</b>	<b>83,13.27</b>

## SCHEDULES (Contd...)

### SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2002

			Rs. Lakhs Previous Year
<b>14 (INCREASE)/DECREASE IN STOCKS</b>			
Opening stock			
Computer systems and software .....	1,20.50		95.54
Jobs-in-progress .....	<u>69.94</u>		<u>77.90</u>
		1,90.44	1,73.44
Less: Closing stock			
Computer systems and software .....	80.68		1,20.50
Jobs-in-progress .....	<u>31.96</u>		<u>69.94</u>
		1,12.64	1,90.44
<b>Total</b>		<b>77.80</b>	<b>(17.00)</b>
<b>15 PERSONNEL COST</b>			
Salaries .....		40,03.49	29,76.07
Contribution to provident and other funds .....		2,00.83	1,71.42
Staff welfare expenses .....		70.53	85.22
<b>Total</b>		<b>42,74.85</b>	<b>32,32.71</b>
<b>16 FINANCIAL EXPENSES</b>			
Interest on borrowings .....		1,06.52	2,52.77
Bank and other charges .....		47.06	54.03
<b>Total</b>		<b>1,53.58</b>	<b>3,06.80</b>

## SCHEDULES (Contd...)

### SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2002

#### 17 Significant Accounting Policies and Notes to Accounts

##### A. SIGNIFICANT ACCOUNTING POLICIES

##### 1. Basis of preparation

The financial statements are prepared under the historical cost convention on the accrual basis of accounting and comply with the mandatory accounting standards and statements issued by Institute of Chartered Accountants of India, (ICAI).

##### 2. Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

##### 3. Fixed assets

Fixed assets are stated at cost.

Depreciation is provided on straight line method in accordance with the provisions of Schedule XIV to the Companies Act, 1956, except that improvements to leasehold premises are depreciated over the lease period on straight-line basis.

##### 4. Inventory

Components are valued at cost. Cost is determined on the basis of specific identification method. Appropriate provisions are made for anticipated losses, if any.

Finished goods and traded items are valued at the lower of cost and net realisable value.

Components and spares intended for customer support are written off over the effective life of the systems maintained, as estimated by the management.

Software products under development are stated at cost. Software development costs incurred are amortised equally over a period of three years or earlier based on management evaluation of expected sales volume and duration of the product life cycle.

##### 5. Income

a) Income from sales/service charges is recognised upon completion of sale and rendering of the service respectively. It includes octroi, freight and insurance charges, if any charged to clients. Warranty charges forming part of the sales are not recognised separately and expenditure incurred in this regard is accounted when incurred.

b) Income from maintenance contracts relating to the year is recognised when the contracts are entered into on a time proportionate basis.

c) Income from software development services is recognised upon completion of milestones described in customer orders wherever payments are linked to such milestones. In cases where payments are based on completion of each man-month of service rendered, revenue is recognised upon completion of each man-month of service.

d) In respect of orders procured, for which sales are effected directly to the customers by Company's vendors, the Company accounts only for the commission, installation and other charges to which it is entitled.

##### 6. Retirement benefits

Liability for gratuity and superannuation is funded with the Life Insurance Corporation of India and incremental liability for the year is provided in the accounts.

Provision for leave encashment is based on actuarial valuation done as at the close of the financial year.

##### 7. Research and development

Expenditure on research and development on revenue account is charged off to the Profit & Loss account. Assets acquired for research and development activity are capitalised and depreciated in the same manner as other assets.

##### 8. Foreign currency transactions

a) Foreign branches:

i) Fixed assets are translated at the rates on the date of purchase of assets and depreciation is calculated on the value so arrived.

ii) Current assets and current liabilities are translated at the exchange rate prevailing as at the end of the year.

iii) Income and expenses are translated at average rates of exchange.

## SCHEDULES (Contd...)

b) Other foreign currency transactions:

Foreign exchange transactions are recorded at the rates of exchange on the dates of the respective transactions. Assets and liabilities designated in foreign currency are converted into rupees at the rates of exchange prevailing as on the balance sheet date or at the rate contracted and corresponding adjustment made to the relevant income, expenditure and assets.

### 9. Taxation

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company. Deferred tax assets and liabilities are recognised for future tax consequences attributable to the timing differences that result between the profit offered for income tax and the profit as per the financial statements. Deferred tax assets and liabilities are measured as per the tax rates/laws that have been enacted or substantively enacted by the Balance Sheet date.

### B. NOTES TO ACCOUNTS

10. The Company has purchased land from the Karnataka Industrial Area Development Board on lease-cum-sale basis. The title of the same will be transferred in favour of the Company on conversion of lease into sale after six years.

11. Estimated amount of contracts remaining to be executed on capital account (net of advances) Rs. 63.02 lakhs (previous year Rs. 28.20 lakhs).

### 12. Contingent liabilities

a) Counter guarantees given to bankers for guarantees issued by the bankers Rs. 377.30 lakhs (previous year Rs. 593.59 lakhs) and debts discounted Rs. 366.80 lakhs (previous year Rs. 250.00 lakhs).

b) Disputed demands for wealth tax Rs. 30.68 lakhs (previous year Rs. Nil)

c) Future receivables financed Rs. 446.28 lakhs.

d) Guarantees given to housing finance company for housing loans availed by employees during their employment with the Company Rs. 173.85 lakhs (previous year Rs. Nil).

13. Loans and advances include Rs. 11.88 lakhs (previous year Rs. Nil) due from a director towards house building loan granted in accordance with the rules framed by the Company. Maximum amount due at any time during the year is Rs. 13.32 lakhs (previous year Rs. 23.00 lakhs).

14. Based on the information available with the Company, there are no outstanding dues to small-scale undertakings as at the year-end.

15. Particulars in respect of sales, stocks etc.

Class of goods		Opening Stock		Closing Stock		Purchases		Sales	
		Nos.	Value	Nos.	Value	Nos.	Value	Nos.	Value
Rs. Lakhs									
Computer systems, Peripherals, etc.									
2002	Workstations	16	1,50.11	12	39.55	300	18,31.44	304	18,88.47
	Desktops	2	1.35			267	13,31.88	269	14,76.97
2001	Workstations	23	67.39	16	1,50.11	355	26,24.71	362	30,06.20
	Desktops	2	1.35	2	1.35	388	3,67.72	388	3,89.76
Software, etc.									
2002			1,83.81		24.58		13,80.73		16,49.20
2001			29.93		32.35		22,65.64		30,62.65
<b>Total</b>			<b>3,35.27</b>		<b>64.13</b>		<b>43,44.05</b>		<b>50,14.64</b>
(Previous year)			98.67		183.81		52,58.07		64,58.61

Quantities are expressed in terms of base units whereas the corresponding value includes peripherals, etc.

## SCHEDULES (Contd...)

16. Imports on CIF basis		
	<b>Rs. Lakhs</b>	Rs. Lakhs
	<b>2001-02</b>	2000-01
Computer systems, peripherals, software, etc.	<b>17,09.20</b>	31,05.92
Capital goods	<b>1,93.54</b>	2,23.95
17. Expenditure in foreign exchange		
Overseas offices' expenses	<b>13,13.04</b>	8,17.25
Foreign travel	<b>2,21.04</b>	3,76.26
Other expenditure	<b>9.55</b>	15.98
	<b>15,43.63</b>	12,09.49
18. Earnings in foreign currency		
Service income (Rs. lakhs)	<b>44,25.10</b>	39,31.12
19. Particulars of earning per share		
Net profit for the year (Rs. lakhs)		16,74.94
Number of equity shares		3,11,38,220
Nominal value of the shares (Rs.)		10
Earning per share (Rs.)		5.37
20. In accordance with Accounting Standard 22 "Accounting for Taxes on Income" (AS 22) issued by the ICAI, the Company has accounted for deferred taxes during the year. Accumulated deferred tax liability of Rs. 2,22.04 lakhs as on April 1, 2001 has been charged to revenue in accordance with the transitional provisions of AS 22. The tax provision for the current year includes Rs. 37.00 lakhs for deferred tax liability.		
Following are the major components of deferred tax assets/(liabilities):		<b>Rs. Lakhs</b>
Difference between book and tax depreciation		(2,79.08)
Provision for leave encashment and others		20.04
<b>Total (net)</b>		<b>(2,59.04)</b>
21. Related party disclosures		
The Company has entered into transactions with the Executive Director/Manager of the Company, Mr. Madhukar Dev. Details of such transactions are given below:		
Managerial remuneration Rs. 38.12 lakhs (previous year Rs. 39.60 lakhs).		
Housing loan granted Rs. 11.88 lakhs (previous year Rs. Nil).		
Rent paid Rs. 1.46 lakhs (previous year Rs. Nil).		
22. Finance lease		
The Company has sold computer hardware/software and peripherals on hire-purchase basis. Future minimum lease payments receivable as at March 31, 2002 are as follows:		
	<b>Rs. Lakhs</b>	<b>Rs. Lakhs</b>
		<b>Present Value</b>
Minimum lease payment upto the end of the lease	11,13.60	7,36.17
Due not later than one year	3,17.40	1,99.89
Due later than one year, and not later than 3 years	7,63.70	5,05.37
Due later than 5 Years	32.50	30.95
Unearned finance income		3,77.43

## SCHEDULES (Contd...)

### 23. Segment Reporting

The Company's operations predominantly relate to providing systems integration and software development services in the Information Technology field.

Accordingly the systems integration & support services and software development & services comprise the primary basis for segmental information. The secondary segment is geographical, determined based on the location of the customer. Clients are classified as either domestic or overseas (comprising of Japan, North America and Europe).

Fixed assets used in the Company's business or liabilities contracted have not been identified to any of the reportable segments, as allocation of assets and liabilities to segments is currently not practicable.

#### Primary segment information

	Rs. Lakhs		
	Systems Integration and Support Services	Software Development and Services	Total
Revenues	67,38.13	64,57.96	1,31,96.09
Identifiable operating expenses	50,98.42	45,47.53	1,04,45.95
Segmental operating Income	8,39.71	19,10.43	27,50.14
Unallocable expenses:			
Interest and finance charges			1,53.58
Other unallocable expenses			5,74.62
Total profit before tax			20,21.94
Taxes			3,47.00
Net income after taxes			16,74.94

#### Secondary segment information

	Rs. Lakhs		
	Domestic Sales and Services	Overseas Sales and Services	Total
Revenues	87,70.99	44,25.10	1,31,96.09
Identifiable operating expenses	69,43.07	35,02.88	1,04,45.95
Segmental operating income	18,27.92	9,22.22	27,50.14
Unallocable expenses:			
Interest and finance charges			1,53.58
Other unallocable expenses			5,74.62
Total profit before tax			20,21.94
Taxes			3,47.00
Net income after taxes			1,674.94

### 24. Auditors' remuneration

	Rs. Lakhs 2001-02	Rs. Lakhs 2000-01
Audit fees	3.89	3.89
Tax audit fees	0.74	0.74
Fees for tax matters	1.77	0.89
Fee for certification and others	2.88	2.16
Reimbursement of out of pocket expenses	0.47	0.40
	9.75	8.08

## SCHEDULES (Contd...)

25. The accounts includes managerial remuneration to directors under Section 198 of the Companies Act 1956 amounting to Rs. 54.12 lakhs (Rs. 39.60 lakhs) inclusive of estimated monetary value of perquisites and benefits Rs. 10.29 lakhs (Rs. 11.10 lakhs) and commission Rs. 29.12 lakhs (Rs. 19.50 lakhs), computed below:

	<b>2001-02</b>	<b>Rs. lakhs</b> 2000-01
Profit before tax	<b>2,021.94</b>	1,496.40
Add:		
- Managerial remuneration	<b>54.12</b>	39.60
- Directors sitting fees	<b>4.06</b>	1.91
	<b>2,080.12</b>	1537.91
Less:		
- Profit on sale of assets	<b>(0.61)</b>	2.52
Net profit as computed under Section 349	<b>2,080.73</b>	1,535.39
Commission payable to :		
a) Manager	<b>9.60</b>	-
b) Wholetime Director(s)	<b>3.52</b>	19.50
c) Non-wholetime Directors @1% of the net profits of Rs. 20.80 lakhs (Rs. Nil) restricted to	<b>16.00</b>	-

26. Figures for the previous year have been regrouped and rearranged wherever necessary.

Signature to Schedules 1 to 17  
For and on behalf of the Board

Syamal Gupta	<i>Chairman</i>
F C Kohli	<i>Director</i>
H H Malgham	<i>Director</i>
Madhukar Dev	<i>Executive Director &amp; Chief Executive Officer</i>
V Krishnamurthy	<i>Chief Financial Officer &amp; Company Secretary</i>

Mumbai, April 23, 2002

## Balance Sheet Abstract and Company's General Business Profile

### I. Registration Details

Registration No.

Balance Sheet Date

State Code

### II. Capital raised during the year (Amount in Rs. Lakhs)

Public Issue

Rights Issue

Bonus Issue

Private Placement

### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Lakhs)

Total Liabilities

Total Assets

#### Source of Funds

Paid-up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

#### Application Funds

Net Fixed Assets

Investments

Net Current Assets

Misc. Expenditure

Accumulated Losses

### VI. Performance of Company (Amount in Rs. Lakhs)

Turnover

Total Expenditure

+ - Profit/Loss Before Tax  
+          + -

Profit/Loss After Tax

Earning per Share in Rs.

Dividend Rate %

### V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)

Product Description  
A U T O M A T I C D A T A P R O C E S S I N G  
M A C H I N E S A N D U N I T S T H E R E O F

Item Code No. (ITC Code)

Product Description  
M A I N T E N A N C E O F A U T O M A T I C D A T A  
P R O C E S S I N G M A C H I N E S A N D U N I T S

Item Code No. (ITC Code)

Production Description  
D E S I G N A N D D E V E L O P M E N T O F  
C O M P U T E R H A R D W A R E A N D S O F T W A R E

# CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2002

	2002	Rs. Lakhs 2001
<b>A. Cash flows from operating activities</b>		
Net Profit Before Tax .....	20,21.94	14,96.40
Adjustment for:		
Depreciation .....	3,05.35	4,57.92
Interest Income .....	(16.00)	(12.13)
Interest .....	1,06.52	2,52.77
Loss/(Profit) on Sale of Assets .....	0.61	(2.52)
Operating profit before working Capital changes .....	24,18.42	21,92.44
Decrease/(Increase) in Sundry Debtors .....	5,01.30	(2,23.78)
Decrease/(Increase) in Inventories .....	1,62.14	(26.96)
Decrease/(Increase) in Loans and Advances .....	(2,25.34)	(3,63.23)
Increase/(Decrease) in Current Liabilities .....	(1,21.60)	(2,94.19)
Cash Inflow/(Outflow) from Operations .....	27,34.92	12,84.28
<b>Net Cash Inflow/(Outflow) from operating activities .....</b>	<b>27,34.92</b>	<b>12,84.28</b>
<b>B. Cash Flows from Investing Activities</b>		
Purchase of Fixed Assets .....	(4,17.10)	(5,52.47)
Proceeds of sale of Fixed Assets .....	28.39	3.36
Interest Income .....	16.00	12.13
Other Income .....	-	-
<b>Net Cash Inflow/(Outflow) from Investing activities .....</b>	<b>(3,72.71)</b>	<b>(5,36.98)</b>
<b>C. Cash Flows from Financing Activities</b>		
Long Term Borrowings .....	(19.33)	22.14
Working Capital Borrowing .....	(16,72.41)	5,03.44
Interest Paid .....	(1,06.52)	(2,52.77)
Dividend Paid .....	(7,53.01)	(4,49.28)
Tax on dividend Paid .....	(79.40)	(51.38)
<b>Net Cash Inflow/(Outflow) from Financing Activities .....</b>	<b>(26,30.67)</b>	<b>(2,27.85)</b>
Net Increase/(Decrease) in Cash and Cash Equivalents .....	(2,68.46)	5,19.45
Cash and Cash Equivalents as at beginning of the year .....	10,06.45	4,87.00
Cash and Cash Equivalents as at end of the year .....	7,37.99	10,06.45

We have verified the above Cash Flow Statement of Tata Elxsi Limited for the year ended March 31, 2002, prepared by the Company and certify that the statement has been derived from the accounts of the Company audited by us and has been prepared in accordance with the Stock Exchange Listing requirements.

For R S M & Co.  
Chartered Accountants

VIJAY N BHATT  
Partner

Syamal Gupta

F C Kohli

H H Malgham

Madhukar Dev

V Krishnamurthy

Chairman

Director

Director

Executive Director &  
Chief Executive Officer

Chief Financial Officer  
& Company Secretary

Mumbai, April 23, 2002

Mumbai, April 23, 2002



TATA ELXSI LTD.

Regd. Office : 123 Richmond Road, Bangalore-560 025.

ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP IN ALL RESPECTS AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

REGD. FOLIO NO./CLIENT ID:
DP ID NO.:
NAME:
ADDRESS:

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company. I hereby record my presence at the Thirteenth Annual General Meeting of the Company.

Venue : J. N. Tata Auditorium, Indian Institute of Science Bangalore - 560 012

Date : Friday 21st June, 2002 at 11.00 A.M.

NAME OF THE SHAREHOLDER/PROXY (IN BLOCK LETTERS)

SIGNATURE OF THE SHAREHOLDER OR PROXY



TATA ELXSI LTD.

Regd. Office : 123 Richmond Road, Bangalore-560 025.

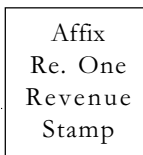
PROXY

I/We of in the district of being a Member/Members of the above named Company, hereby appoint of in the district of or failing him/her of in the district of as my/our proxy to attend and vote for me/us and on my/our behalf at the Thirteenth Annual General Meeting of the Company to be held on Friday 21st June, 2002 at 11.00 A.M. at J. N. Tata Auditorium, Indian Institute of Science, Bangalore - 560 012.

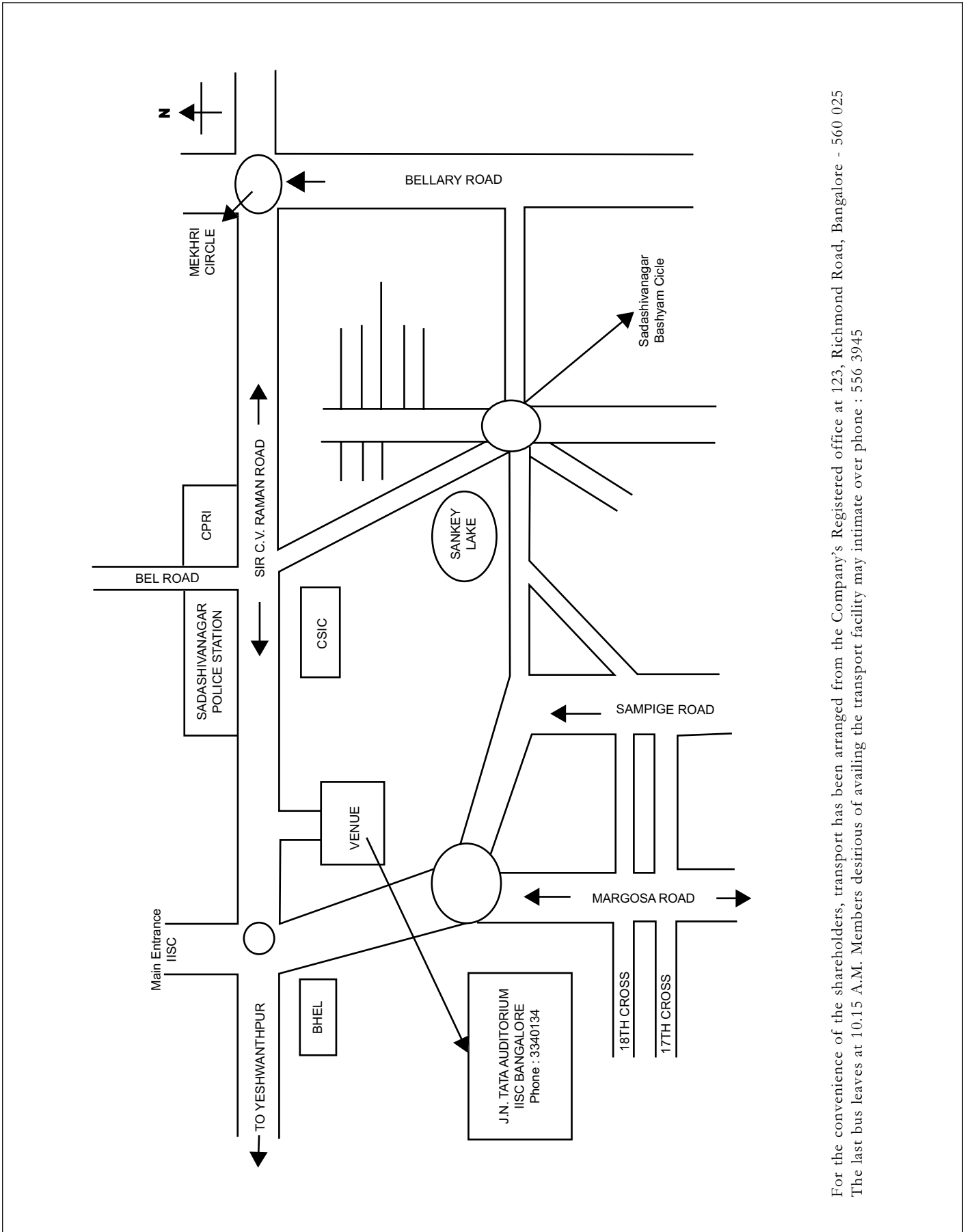
Signed this day of 2002

Regd. Folio/Client ID No.:
DP ID No.:
No. of Shares:

Signature



Note : The Proxy must be returned so as to reach the Registered Office of the Company, not less than FORTY EIGHT HOURS before the time of holding the Meeting.



For the convenience of the shareholders, transport has been arranged from the Company's Registered office at 123, Richmond Road, Bangalore - 560 025  
 The last bus leaves at 10.15 A.M. Members desirous of availing the transport facility may intimate over phone : 556 3945



**TATA ELXSI LTD.**

Regd. Office : 123 Richmond Road, Bangalore-560 025.

14th May, 2002

Dear Member,

**Payment of Dividend without Tax Deduction at Source**

The Board of Directors of the Company at their Meeting on 23rd April, 2002 have recommended a final dividend of 35% (i.e. Rs. 3.50 per equity share of Rs. 10/- each) for the year ended 31st March, 2002 subject to the approval of the Members at the forthcoming Annual General Meeting of the Company on 21st June, 2002. The dividend, if approved by the Members, will be paid on or after 22nd June, 2002 and for this purpose, the Register of Members of the Company will be closed from 8th June, 2002 to 21st June, 2002 (both days inclusive).

In this regard, pursuant to changes made in the Income Tax Act, 1961 by the Finance Act, 2002, the Company is required to deduct tax at source on dividends exceeding Rs. 1,000/- paid in a financial year. The tax deduction rate is 10% plus surcharge of 5% i.e. 10.5%.

Individual members whose total income is below the minimum amount liable to tax and where the above dividend will exceed Rs. 1,000/- may, if they desire to receive the above dividend without deduction of tax at source, please complete in all respects and submit the attached Form 15 G in duplicate to the Company's Registrars & Transfer Agents:

M/s. Tata Consultancy Services,  
Lotus House,  
6, Sir Vithaldas Thackerse Marg,  
Mumbai- 400 020.

**on or before 7th June, 2002.** It may not be possible to accommodate submissions after this date.

Thank you,

Yours faithfully,  
for **TATA ELXSI LIMITED**

Sd/-

**(Vijay Krishnamurthy)**  
Chief Financial Officer & Company Secretary

Folio No :

Client ID No :

DP ID No :

**FORM NO. 15-G**

(See Rule 29C (2))

Declaration under Section 197A(1) of the Income-tax Act, 1961, to be made by an individual claiming receipt of dividend without deduction of tax.

I \_\_\_\_\_ son/daughter/wife of \_\_\_\_\_  
resident of @ \_\_\_\_\_

do hereby declare:

1. That I am a shareholder in Tata Elxsi Limited, 123, Richmond Road, Bangalore - 560 025.
2. That the shares in the said Company, particulars of which are given below, stand in my name and are beneficially owned by me, and the dividends therefrom are not includible in the total income of any other person under section 60 to 64 of the Income-tax Act, 1961:

No. of shares	Class of shares and face value of each share	Total face value value of shares	Distinctive number of the shares	Date(s) on which the shares were acquired by the declarant
	Equity shares of Rs. 10/- each			

3. That my present occupation is \_\_\_\_\_
4. That the tax on my estimated total income, including the dividends from the shares referred to in paragraph 2 above, computed in accordance with the provision of the Income-tax Act, 1961, for the previous year ending on 31.03.2003 relevant to the assessment year 2003-2004 will be nil.
5. \*That I have not been assessed to Income-tax at any time in the past, but I fall within the jurisdiction of the Chief Commissioner of Income tax \_\_\_\_\_

OR

6. That I was last assessed to income-tax for the assessment year \_\_\_\_\_ by the Assessing Officer \_\_\_\_\_ Circle/Ward/District and the permanent account number allotted to me is \_\_\_\_\_
7. That I am resident in India within the meaning of Section 6 of the Income-tax Act, 1961.

Signature of the Declarant

**P.T.O**

## VERIFICATION

I \_\_\_\_\_ do hereby declare that to the best of my knowledge and belief what is stated above is correct, complete and is truly stated.

Verified today, the \_\_\_\_\_ day of \_\_\_\_\_ 2002.

Place :

Signature of the Declarant

Notes :

1. @ Give complete postal address
2. The declaration should be furnished in duplicate.
3. \* Delete whichever is not applicable.
4. Before signing the verification, the declarant should satisfy himself that the information furnished in the declaration is true, correct and complete in all respects. Any person making a false statement in the declaration shall be liable to prosecution under section 277 of the Income Tax Act, 1961 and on conviction punishable-
  - (i) In a case where tax sought to be evaded exceeds one lakh rupees, with rigorous imprisonment which shall not be less than six months but which may extend to seven years and with fine.
  - (ii) In any other case, with rigorous imprisonment which shall not be less than three months but which may extend to three years and with fine.

(FOR USE BY THE PERSON TO WHOM THE DECLARATION IS FURNISHED)

- |    |   |  |
|----|---|--|
| 1. | Name and address of the Company:                              | Tata Elxsi Limited<br>123, Richmond Road,<br>Bangalore - 560 025 |
| 2. | Date of which the declaration was furnished by the declarant: |  |
| 3. | Date of declaration, distribution or payment of dividends:    |  |
| 4. | Period in respect of which dividend has been declared:        | 1.04.2001 to 31.03.2002  |
| 5. | Amount of dividend paid:                                      |  |

Forwarded to the Chief Commissioner of Income-tax, CR Buildings, Queens Road, Bangalore - 560 001

Place :

Signature of the Principal  
Officer of the Company

Date :

Folio No :

Client ID No :

DP ID No :

**FORM NO. 15-G**

(See Rule 29C (2))

Declaration under Section 197A(1) of the Income-tax Act, 1961, to be made by an individual claiming receipt of dividend without deduction of tax.

I \_\_\_\_\_ son/daughter/wife of \_\_\_\_\_  
resident of @ \_\_\_\_\_

do hereby declare:

1. That I am a shareholder in Tata Elxsi Limited, 123, Richmond Road, Bangalore - 560 025.
2. That the shares in the said Company, particulars of which are given below, stand in my name and are beneficially owned by me, and the dividends therefrom are not includible in the total income of any other person under section 60 to 64 of the Income-tax Act, 1961:

No. of shares	Class of shares and face value of each share	Total face value value of shares	Distinctive number of the shares	Date(s) on which the shares were acquired by the declarant
	Equity shares of Rs. 10/- each			

3. That my present occupation is \_\_\_\_\_
4. That the tax on my estimated total income, including the dividends from the shares referred to in paragraph 2 above, computed in accordance with the provision of the Income-tax Act, 1961, for the previous year ending on 31.03.2003 relevant to the assessment year 2003-2004 will be nil.
5. \*That I have not been assessed to Income-tax at any time in the past, but I fall within the jurisdiction of the Chief Commissioner of Income tax \_\_\_\_\_

OR

6. That I was last assessed to income-tax for the assessment year \_\_\_\_\_ by the Assessing Officer \_\_\_\_\_ Circle/Ward/District and the permanent account number allotted to me is \_\_\_\_\_
7. That I am resident in India within the meaning of Section 6 of the Income-tax Act, 1961.

Signature of the Declarant

**P.T.O**

## VERIFICATION

I \_\_\_\_\_ do hereby declare that to the best of my knowledge and belief what is stated above is correct, complete and is truly stated.

Verified today, the \_\_\_\_\_ day of \_\_\_\_\_ 2002.

Place :

Signature of the Declarant

Notes :

1. @ Give complete postal address
2. The declaration should be furnished in duplicate.
3. \* Delete whichever is not applicable.
4. Before signing the verification, the declarant should satisfy himself that the information furnished in the declaration is true, correct and complete in all respects. Any person making a false statement in the declaration shall be liable to prosecution under section 277 of the Income Tax Act, 1961 and on conviction punishable-
  - (i) In a case where tax sought to be evaded exceeds one lakh rupees, with rigorous imprisonment which shall not be less than six months but which may extend to seven years and with fine.
  - (ii) In any other case, with rigorous imprisonment which shall not be less than three months but which may extend to three years and with fine.

(FOR USE BY THE PERSON TO WHOM THE DECLARATION IS FURNISHED)

- |    |   |  |
|----|---|--|
| 1. | Name and address of the Company:                              | Tata Elxsi Limited<br>123, Richmond Road,<br>Bangalore - 560 025 |
| 2. | Date of which the declaration was furnished by the declarant: |  |
| 3. | Date of declaration, distribution or payment of dividends:    |  |
| 4. | Period in respect of which dividend has been declared:        | 1.04.2001 to 31.03.2002  |
| 5. | Amount of dividend paid:                                      |  |

Forwarded to the Chief Commissioner of Income-tax, CR Buildings, Queens Road, Bangalore - 560 001

Place :

Signature of the Principal  
Officer of the Company

Date :