

TATA

ELXSI

Engineering the Information Revolution

1998 - 99 Tenth Annual Report

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TATA ELXSI LIMITED

Directors	F.C. KOHLI	<i>Chairman</i>
	K.M. CHINNAPPA	
	SYAMAL GUPTA	<i>Additional Director</i>
	S. RAMADORAI	
	D.S. PENDSE	<i>Additional Director</i>
	S. GUPTA	
	BRIG. K BALASUBRAMANIAM	
	P. McGOLDRICK	
	S.D. PRADHAN	
	E.A.K FAIZULLABHOY	
	C.P. MISTRY	
	S. DEVARAJAN	<i>Executive Director</i>

General Manager (Finance) & Company Secretary	V RAMAKRISHNAN
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Auditors	M/s. RSM & Co. Chartered Accountants
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Registered Office	123, RICHMOND ROAD BANGALORE - 560 025
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Bankers	CANARA BANK GLOBAL TRUST BANK LIMITED THE VYSYA BANK LIMITED
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Legal Advisors	M/s. MULLA & MULLA AND CRAIGIE, BLUNT & CAROE S.R. VAKIL
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Registrars & Share Transfer Agents	TATA CONSULTANCY SERVICES Lotus House, 6, Sir Vithaldas Thackersey Marg Mumbai - 400 020
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Business Overview

Tata Elxsi is a customer driven IT company offering system integration solutions in the Indian market, and design and development services in the international market. Established in 1989 and headquartered in Bangalore, Tata Elxsi has an employee strength of over 600 professionals working out of 16 sales and support offices countrywide, representative offices in USA and Japan, and 4 Design & Development Centres in Bangalore.

System integration solutions are offered mainly in :

- * CAD/CAM
- * Film, Video & Broadcast
- * Visual Computing
- * Commercial Computing
- * Networking Design & Implementation

Strategic alliances with acknowledged leaders in above areas such as SGI, Compaq, Alias|Wavefront, SDRG, Discreet Logic, MacNeal Schwendler, Multigen, Molecular Simulations, Nortel Networks, Lucent Technologies, Cambridge Animation Systems etc. enables Tata Elxsi to provide the latest technologies to its customers.

CAD/CAM Solutions

Tata Elxsi has emerged as the undisputed leader in this segment with its installation base of over 750 systems. Tata Elxsi's in-depth analysis of customer's requirements, coupled with experience and knowledge of CAD/CAM assists in configuration of an optimal solution. Training and support ensures proper implementation. This leads to better productivity, a fact testified to by several satisfied customers in engineering and automotive industries.

Tata Elxsi also offers Design, Engineering and Consultancy services in the areas of documentation and detailing, 3 dimensional modelling, engineering analysis, requirements sizing, technology evaluation and selection.

Film, Video & Broadcast

Tata Elxsi has achieved market leader status in the segment, by helping the Indian Entertainment Industry create 3 dimensional characters for incorporation in commercials, films, multimedia promotions, campaigns, broadcast interactive graphic images, maps & charts and also provide tools to aid real-time on-line digital production. Tata Elxsi's expertise in system integration, backed by a panel of experienced specialists ensure better return on investment in a short span.

Visual & Technical Computing

Tata Elxsi's experience in integrating Multi-vendor Systems to adapt heterogeneous systems and software to user needs makes it an ideal partner for research centres and educational institutions.

Solutions are offered in:

- * Visual Simulation and Virtual Reality encompassing systems, software and peripherals that enable the creation of a digital world that resembles closely with reality.
- * Supercomputing Applications for leading edge applications in Weather Forecasting, Computational Physics, Fluid Dynamics, Astrophysics etc.
- * Pharmaceutical research to evolve new drugs and bulk formulations.

Commercial Computing

Tata Elxsi's experience in system integration, extensive reach and alliances with strategic partners, gives it an edge to satisfy the most demanding computational needs of customers that include banks, organisations in hospitality, power generation and distribution, telecom sectors, Internet Service Providers etc.

Network Design & Implementation

Tata Elxsi offers end-to-end networking and communication solutions that encompasses study of user requirements, network design and implementation, including laying of cables, adapters etc., and training & certification. Optical and scalable solutions that completely meet current requirements are made available.

Design & Development Services are offered to clients in the international market in:

- * Visual computing
- * Networking & Communications
- * Embedded Systems & Storage Management
- * Intranet, Internet & Groupware.

Tata Elxsi offers development work in core technology areas, including system design services, software development services and integration support. Projects involve expertise in multi-disciplinary technologies that span Real Time O/S, Graphics, Network protocols, hardware designs and device drivers. Several projects have been successfully executed for prestigious customers in USA, Japan, UK, Germany and India.

Visual Computing

Tata Elxsi's Visual Computing Group has extensively worked on 3-D graphics application development in the areas of Medical Imaging, Visual simulation, Data Visualisation and Core Graphics API Implementation.

Networking & Communication

With growing popularity of Internet, the need to make internet pervasive has created a growing demand for standards-based products and peripherals. The Networking & Communications group with core expertise in product and protocol stack development in ATM, ISDN, TCP/IP, SNMP and Internet Security has the necessary experience to assist companies that need such development work.

Embedded Systems & Storage Management

The Embedded Systems & Storage group designs and customises solutions to integrate the needs of the customers, which are the key drivers of the information revolution. The group has developed critical expertise in hardware, firmware, systems software design and development to create such solutions. Projects executed range from designing intelligent I/O controllers to real time embedded systems.

Intranet, Internet and Groupware

Competition being intense, all companies are looking at an effective and cost beneficial way of sharing information across the globe cutting across communication media. The Internet, Intranet and Groupware Group specialises in Web based programming on a number of platforms, and uses Web-aware tools to seamlessly integrate Web and Database access, Graphics and distributed processing.

WHAT SOME OF OUR ESTEEMED CUSTOMERS SAY...

Hitachi Ltd., Japan

"I'm writing to express our appreciation for your software development efforts rendered for our various divisions and subsidiaries. It's been over three years since our joint efforts started and you have been impressing us with your responsiveness and knowledge in cutting edge technologies.

We ask that you continue to provide your utmost services for us over the future."

**Jun Nakaigawa
Deputy General Manager
Procurement Dept.
Hitachi Ltd.**

Alias|Wavefront, Canada

"We are really happy about the passion and commitment shown by the dedicated Tata Elxsi software developers working on our projects. Their specific skill sets that we required for our projects have made a big difference in completing our milestones on time. Overall, it has been a win win situation for both Alias | Wavefront and Tata Elxsi, and we look forward to a more rewarding relationship in the future."

**John Gibson
Director, Design Systems
Alias|Wavefront - a division of
Silicon Graphics Ltd.**

Fujitsu Europe Telecom R&D Centre Ltd., U.K.

"Tata Elxsi Ltd has a good mix of skills and capabilities, which met all our expectations. The Company has flexible, friendly and customer oriented approach."

**Sunil Vadgama
Manager
Advanced Wireless Communications Section
Fujitsu Europe Telecom R&D Centre Ltd.**

WHAT SOME OF OUR ESTEEMED CUSTOMERS SAY...**Multigen-Paradigm Inc., U.S.A.**

"We have had excellent contributions from Tata Elxsi in building some key functionality to our product. We are really happy about the quality of work & the responsiveness Tata Elxsi has continued to demonstrate. It has been very helpful. I look forward to their support in the future."

David Rolston
President & CEO
Multigen-Paradigm Inc.

Interphase Corporation, U.S.A.

"We are quite excited at the quality of work at our dedicated software development center in Tata Elxsi Bangalore. Their competence in WAN technologies have helped us make our technology available on more platforms. We look forward to Tata Elxsi's continued support in future."

Felix Diaz
Chief Technology Officer
Interphase Corporation

Texas Instruments India Ltd., India

"We commend Tata Elxsi Limited, Bangalore for the excellent technical partnership and systematic execution of the projects outsourced to them during 1998-99. The quality was impeccable, competence and commitment commendable and the delivery on time. It's been a win - win partnership and we look forward to continuing and growing this relationship in the years to come".

Johann Andrew Bhagyanathan
Controller & Company Secretary
Texas Instruments India Ltd.

DIRECTORS' REPORT TO THE SHAREHOLDERS

1. Your directors are pleased to present the Tenth Annual Report together with the audited Statements of Accounts of the Company for the year ended March 31, 1999.

2. **Financial Highlights**

During the financial year 1998-99, the operations of the company resulted in the following:

	(Rs. Lakhs)	
	1998-99	1997-98
Sales and services	9422.26	8080.49
Other income	93.23	97.81
Total income	9515.49	8178.30
Profit before financial expenses and depreciation	1047.73	978.87
Less : Financial expenses	338.53	360.58
Depreciation	399.39	386.96
Net profit for the year	309.81	231.33
Less : Provision for Income tax	32.53	24.29
Profit after tax	277.28	207.04
Add : Debenture redemption reserve	50.00	-
Less : Loss brought forward	(299.93)	(506.97)
Balance of Profit/(Loss) carried to Balance Sheet	27.35	(299.93)

3. **Operations**

Your Company's operations can be broadly grouped into two areas of business :

- Distribution, value-added reselling and provision of system integration solutions built around Unix and NT environments, for the domestic market.
- Software and hardware design and development services, for the overseas markets.

In the Systems solutions business, for domestic customers, your Company offers solutions with hardware products from Silicon Graphics, Compaq, and suite of software products for different applications from leading international companies.

In the CAD/CAM segment, the slowdown in the automobile industry and consequent deferment of their investment plans, which continued for most part of the year, affected growth in this area for the Company. The Company augmented its portfolio of applications with products for stress and finite element analysis, plant design and piping etc. The Company also achieved reasonable success in industrial design and modeling applications and continued to be a dominant player in this area.

In the Education and Research segment, the imposition of sanctions by the U.S. Govt. in May '98, on supplies to certain Indian entities, considerably affected business expansion for the Company in these accounts during the current year. However, in the areas of molecular modeling and drug design, the Company succeeded in enhancing its business with pharmaceutical research laboratories.

In the commercial segment, the Company was successful in executing several large orders for servers, desktops and other peripherals, from Government departments engaged in transport, power generation and distribution, municipal administration, forestry and communication sectors. The company also received large orders from corporates in hospitality, financial services and information technology sectors. Complex Wide Area Networking contracts were executed for prestigious customers during the year. Orders were also executed from Internet service providers (ISPs) for establishing their required infrastructure.

The software design and development business of your Company has been growing steadily. The Company would further expand its marketing reach during the ensuing financial year, to enable rapid business expansion. Over 10 new customers, mainly from US, Japan and Germany have been added during the year. The company is constantly striving to improve productivity and quality of project execution.

4. **Finance**

During the year, Non-convertible debentures of Rs. 690 lakhs, issued in 1991-92, were fully redeemed. Redemption-cum-interest warrants/demand drafts were despatched to all debentureholders in January 1999. As on date, warrants amounting to Rs. 24.67 lakhs remain unencashed. Consequent to redemption of debentures, debenture redemption reserve of Rs. 50 lakhs no longer required, has been transferred to profit and loss account.

The Board wishes to place on record its appreciation of the support received from the Company's bankers.

The company has not accepted deposits from the public during the financial year.

5. **Year 2000 (Y2K) preparedness**

Y2K problem could adversely affect the company, in the areas of non-compliant hardware / software for internal use; products and services supplied by the company and communication facilities. Steps have already been taken to achieve Y2K readiness by August 31, 1999. Total cost of replacement has been estimated at Rs. 26 Lakhs. Contingency plans have been put in place to avoid Y2K related breakdowns.

6. **Directors**

Mr. E.A.K. Faizullahoy, Mr. Sujit Gupta and Mr. S. D. Pradhan, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, have offered themselves for reappointment.

Mr. S. Devarajan was appointed as Executive Director for a period of 5 years with effect from March 1, 1996. The Board of Directors has, subject to the approval of the shareholders, decided to promote him as Managing Director of your Company. The approval of shareholders is now sought for the appointment and remuneration of Mr. S. Devarajan, for the period up to February 28, 2001, on the terms and conditions mentioned in the Notice of this Annual General Meeting read with the Explanatory Statement annexed thereto.

Mr. D.S. Pendse and Mr. Syamal Gupta, Additional Directors appointed by the Board, effective May 21, 1999 and June 23, 1999 respectively, hold office upto the ensuing annual General Meeting under section 260 of the Companies Act. Being eligible, they offer themselves for appointment as Directors of the Company.

7. **Personnel**

Your Company places emphasis on enhancement of skills and capabilities of its people, their technological competence and its utilisation towards meeting customers' requirements.

The particulars of employees required to be furnished under Section 217 (2A) of the Companies Act, 1956, are annexed to the Directors' Report. However, as per the provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956, the report and particulars are sent to all the shareholders of the Company, excluding the above information.

Any shareholder interested in obtaining such information may write to the Company Secretary at the Registered Office of the Company.

8. **Disclosure of Particulars**

Particulars required to be furnished under The Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, to the extent applicable to the Company are given in the Annexure.

9. **Acknowledgements**

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

On behalf of the Board of Directors

Mumbai, June 23, 1999

F.C. KOHLI
Chairman

ANNEXUE 'B' TO DIRECTORS' REPORT

Particulars pursuant to The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

1.0 Conservation of Energy

The operations of the company are not energy intensive. However, the company has endeavoured to conserve energy consumption, wherever feasible.

2.0 Technology Absorption

2.1 Research and Development

The Company's efforts in this regard are directed towards assimilation of expertise in the specific areas of technology covering visual computing, networking and communications, embedded systems and storage management, groupware etc. This has enabled the company to execute several customer projects in:

- 3-D graphics application development in the areas of medical imaging, visual simulation, data visualisation, Polygon reduction, collision detection and scientific image analysis.
- Product and protocol stack development in ATM, ISDN, TCP/IP, SNMP, PSOS operating system and internet security.
- design of intelligent I/O controllers to real time embedded systems based on digital signal processing.

Expenditure on R & D during the financial year 1998-99 is as under :

a) Capital	Rs. 20.37 Lakhs
b) Recurring	Rs. 67.78 Lakhs
c) Total	Rs. 88.15 Lakhs
d) Total R & D Expenditure as a percentage of total turnover	0.93%

2.2 Technology Absorption, Adaptation and Innovation

The Company's technical personnel have been successful in adapting to and innovating applications on the latest product releases from its strategic alliance partners. This has enabled the company to provide reliable and state-of-the-art systems integration solutions to several customers in the country.

In the software design and development life cycle, continuous efforts at refinement of methods and techniques, use of metrics, improvement in estimation process are on-going to enhance the overall quality and productivity.

3.0 Foreign Exchange Earnings and Outgo

The Company's software design and development services business is mainly targeted at overseas markets. Increasing exports and thereby earnings in foreign exchange would be thrust areas for the company. Particulars of total foreign exchange earnings and out-goings are as contained in Items Nos. 18, 19, 20 & 21 of Schedule 18 to the Accounts.

On behalf of the Board of Directors

Mumbai, June 23, 1999.

F. C. KOHLI
Chairman.

AUDITORS' REPORT

TO
THE MEMBERS OF TATA ELXSI LIMITED

We have audited the attached Balance Sheet of TATA ELXSI LIMITED as at 31st March, 1999 and the Profit and Loss Account of the Company for the year ended on that date and report that :-

1. As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above:
 - (a) 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 ;
 - (b) 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 ;
 - (c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account ;
 - (d) In our opinion, the Balance Sheet and Profit and Loss Account comply with the Accounting Standards referred to in Sub section (3C) of Section 211 of the Companies Act, 1956.
 - (e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon , give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1999; and
 - (ii) in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date.

For and on behalf of
RSM & Co.
Chartered Accountants,

VIJAY N. BHATT
Partner

Mumbai, May, 21 1999.

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (1) of our Report of even date)

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets of the Company have been physically verified by the management at reasonable intervals and no material discrepancies have been noticed.
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 of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
5. The discrepancies noticed on physical verification of stocks as compared to the book records were not material and these have been properly dealt with in the books of account.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper, in accordance with normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has not taken any loan during the year from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. As explained to us, there are no companies under the same management as defined under Section 370 (I-B) of the Companies Act, 1956.
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. There are no companies under the same management as defined under Section 370 (I-B) of the Companies Act, 1956.
9. The Company has given loans to its employees who are regular in payment 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 purchases of raw materials including components, stores, plant and machinery, equipment and other assets, and for the 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 under Section 301 of the Companies Act, 1956 aggregating during the year to rupees fifty thousand 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 and the necessary provision for loss has been made in the accounts for the items so determined.
13. The Company has not accepted deposits from the public within the meaning of provisions of Section 58A of the Companies Act, 1956.

14. The operations of the Company do not result in generation of any scrap or by-product.
15. The Company has an internal audit system which is commensurate with the size of the company and the 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 in respect of the activities of the Company.
17. The Company has been generally regular in depositing its Provident Fund and ESI dues with the appropriate authorities.
18. According to the information and explanations given to us, there were no undisputed amounts payable in respect of Income-tax, Wealth-tax, Sales-tax, Customs duty and Excise duty which have remained outstanding as at 31st March 1999 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.
21. In respect of the service activities:
 - (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, 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 utilised to the relative jobs, commensurate with its size and nature 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 its business, on issues of stores and allocation of stores and labour to jobs.
22. In respect of trading activities of the company, there were no damaged goods at the year end.

For and on behalf of
RSM & Co.
Chartered Accountants,

VIJAY N. BHATT
Partner

Mumbai, May, 21 1999.

BALANCE SHEET

AS AT MARCH 31, 1999

	Schedule		Rs. Thousands As at March 31, 1998
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	311382	311382
Reserves and surplus	2	2735	5000
Loan funds			
Secured loans	3	79964	140782
Unsecured loans	4	14716	14275
Total		408797	471439
APPLICATION OF FUNDS			
Fixed assets			
Gross block	5	359893	328114
Less: depreciation		188599	148748
Net block		171294	179366
Capital work in progress		-	381
Current assets, loans and advances			
Inventories	6	56094	68905
Sundry debtors	7	370984	311672
Cash and bank balances	8	78511	46663
Loans and advances	9	76183	64105
		581772	491345
<i>Less: Current liabilities and provisions</i>			
Current liabilities	10	345398	231904
Net current assets		236374	259441
Miscellaneous expenditure			
(to the extent not written off or adjusted)	11	1129	2258
Profit and loss account		-	29993
Total		408797	471439

Significant accounting policies and notes to accounts 18

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

As per our report of even date

For R S M & Co.
Chartered AccountantsVIJAY N. BHATT
Partner
Mumbai, May, 21 1999V. Ramakrishnan
General Manager (Finance)
& Company Secretary
Mumbai, May, 21 1999For and on behalf of the Board
F C Kohli
S Devarajan
Chairman
Executive DirectorS Ramadorai
Patrick McGoldrick
S D Pradhan
C P Mistry
Directors

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 1999

	Schedule		Rs. Thousands Previous Year
INCOME			
Sales and services	12	942226	808049
Other income	13	9323	9781
Total Income		951549	817830
EXPENDITURE			
Cost of sales, administrative and selling expenses	14	692672	638195
(Increase) / decrease in stock	15	3255	(24936)
Personnel expenses	16	150849	106684
Financial expenses	17	33853	36058
Depreciation		39939	38696
Total Expenses		920568	794697
Profit before tax for the year		30981	23133
Provision for tax		3253	2429
Profit after tax		27728	20704
Add : Debenture redemption reserve		5000	-
Less: Loss brought forward		(29993)	(50697)
		2735	(29993)
Balance of profit / (loss) carried to Balance Sheet		2735	(29993)

Significant accounting policies and notes to accounts 18

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

As per our report of even date

For R S M & Co.
Chartered Accountants

VIJAY N. BHATT
Partner
Mumbai, May, 21 1999

V. Ramakrishnan
General Manager (Finance)
& Company Secretary
Mumbai, May, 21 1999

For and on behalf of the Board

F C Kohli
S Devarajan

Chairman
Executive Director

S Ramadorai
Patrick McGoldrick
S D Pradhan
C P Mistry

Directors

SCHEDULES

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 1999

Rs. Thousands
As at
March 31, 1998

1 : SHARE CAPITAL

Authorised Capital 350,00,000 Equity shares of Rs. 10/- each.....	350000	350000
Issued and subscribed 311,65,620 (previous year 311,65,620) Equity shares of Rs. 10/- each.....	311656	311656
Paid up 311,38,220 (Previous year 311,38,220) Equity shares of Rs.10/- each fully paid up.....	311382	311382
Total	311382	311382

2 : RESERVES AND SURPLUS

Profit & Loss account.....	2735	-
Debenture redemption reserve..... 5000	-	5000
Less : Transferred to profit & loss account since no longer required..... 5000	-	-
Total	2735	5000

3 : SECURED LOANS

12.5% Non-convertible debentures redeemable at par in the year 1999.....	-	69000
Secured by		
(a) mortgage and charge on immovable properties at Gujarat and Karnataka		
(b) subject to prior charge by hypothecation of all movable properties except book debts		
Interest due on unencashed warrants.....	-	1703
		70703
Term loan from bank.....		3883
Secured by hypothecation of equipment purchased out of the said loan		
Interest accrued and due.....	-	312
		4195
From banks.....	79964	65884
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		
Total	79964	140782

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	14716	14275
Total	14716	14275

SCHEDULES (contd...)

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 1999

5 : FIXED ASSETS
Rs. Thousands

Description	Gross Block			Depreciation				Net Block		
	As at 31.03.98	Additions	Sale/ Transfer	As at 31.03.99	Upto 31.3.98	For the Year	Sale/ Transfer	Upto 31.3.99	As at 31.3.99	As at 31.3.98
Land - Freehold	4906			4906					4906	4906
Land - Leasehold	12267			12267					12267	12267
Buildings	19951			19951	2727	666		3393	16558	17224
Improvements to leasehold premises	9785	1529	51	11263	6928	1183	25	8086	3177	2857
Plant and machinery	199382			199382	112048	27565		139613	59769	87334
Computer equipment	50272	19665		69937	19020	8264		27284	42653	31252
Furniture and fixtures	10485	5171	95	15561	2986	883	11	3858	11703	7499
Office equipment	4485	1273	341	5417	1384	336	47	1673	3744	3101
Electrical installations	10759	3526	6	14279	2352	650	5	2997	11282	8407
Airconditioners	4085	1108		5193	929	227		1156	4037	3156
Vehicles	1737			1737	374	165		539	1198	1363
Total	328114	32272	493	359893	148748	39939	88	188599	171294	179366
Previous year	297698	33332	2916	328114	111570	38696	1518	148748	179366	-
Capital work in progress										381

Rs. Thousands
As at
March 31, 1998
6 : INVENTORY

Raw materials and components	21940	28030
Computer systems and software	34154	40875
Total	56094	68905

7 : SUNDRY DEBTORS

<i>Unsecured</i>		
(a) Debts outstanding for a period exceeding six months		
Considered Good	105819	70249
Considered doubtful	2195	-
	108014	70249
(b) Other debts considered good	265165	241423
	373179	311672
Less : Provision for doubtful debts	2195	-
Total	370984	311672

SCHEDULES (contd...)**SCHEDULES ANNEXED TO AND FORMING PART OF
THE BALANCE SHEET AS AT MARCH 31, 1999****Rs. Thousands**
As at
March 31, 1998

8 : CASH AND BANK BALANCES		
Cash on hand	413	161
Cheques on hand	17788	4179
Balances with scheduled banks		
in current accounts - for unencashed debenture redemption & interest warrants	42909	-
in current accounts - others	12363	19105
in fixed deposit account	1594	21821
as margin money	3444	1805
	60310	42731
Total	78511	47071
9 : LOANS AND ADVANCES		
(Unsecured, considered good)		
Deposits	25501	21008
Income-tax deducted at source	15267	9780
Tax credit	721	721
Advances recoverable in cash or in kind or for value to be received	34694	32188
Total	76183	63697
10 : CURRENT LIABILITIES AND PROVISIONS		
Sundry creditors	257817	180825
Interest accrued but not due	-	4291
Refund money due	5131	5178
Provision for taxation	6403	3150
Unencashed debenture & interest warrants	42651	-
Other liabilities	33396	38460
Total	345398	231904
11 : MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Rights issue expenses		
As per last balance sheet	2258	3387
Less: amortised during the year	1129	1129
	1129	2258
Exchange differential on ERAS loan prepayment	-	5426
Less: written off during the year	-	5426
Total	1129	2258

SCHEDULES (contd...)

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1999

	Rs. Thousands	
		Previous Year
12 : SALES AND SERVICES		
Sales	627862	545313
Services	297419	246609
Computer systems' rentals	16945	16127
Total	942226	808049
13 : OTHER INCOME		
Interest from:		
Banks (tax deducted at source Rs.376	1477	2265
previous year Rs.546)		
Others	786	914
	<u>2263</u>	<u>3179</u>
Rent received (tax deducted at source Rs.1111	5555	4707
previous year Rs.nil)		
Insurance claims received	357	1346
Exchange fluctuation	854	
Miscellaneous income	294	549
Total	9323	9781
14 : COST OF SALES, ADMINISTRATIVE AND SELLING EXPENSES		
Cost of goods sold	561440	518973
Exchange fluctuation	-	2338
Lease charges	13493	13031
Rent, rates and taxes	10802	7609
Power and fuel	4225	3432
Repairs and maintenance: Building	1363	618
Plant and machinery	580	407
Others	<u>4032</u>	<u>3355</u>
	5975	4380
Telephone, datalink, courier and postage	21956	17545
Inland travel and conveyance	22524	19544
Overseas travel	13616	15140
Advertisement and promotion expenses	2558	3826
Commission on sales	1616	4583
Hiring charges	2873	4253
Printing and stationery	4478	4125
Motor vehicle expenses	5015	3763
Recruitment	4761	4081
Training	3979	3013
Legal & professional charges	2804	2163
Secretarial charges	3047	2083
Insurance	691	576
Auditors' remuneration	446	439
Loss on sale of assets	304	426
General expenses	2580	1564
Research and development	165	179
Provision for doubtful debts	2195	-
Rights issue expenses written off	1129	1129
Total	692672	638195

SCHEDULES (contd...)**SCHEDULES ANNEXED TO AND FORMING PART OF THE
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1999**

		Rs. Thousands	
			Previous Year
15 : (INCREASE)/DECREASE IN STOCK			
Opening stock			
Computer systems and software	40875		15939
Less: capitalised	<u>3466</u>		-
		37409	15939
Less: Closing stock			
Computer systems and software	<u>34154</u>	34154	40875
(Increase) / decrease		3255	(24936)
16 : PERSONNEL EXPENSES			
Salaries		137311	96470
Contribution to provident and other funds		7458	5850
Staff welfare expenses		6080	4364
Total		150849	106684
17 : FINANCIAL EXPENSES			
Interest			
on fixed loans		7478	9888
on other borrowings		17632	13291
Bank and other charges		8743	7453
Exchange differential on ERAS loan prepayment written off		-	5426
Total		33853	36058

SCHEDULES (contd...)

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 1999

Schedule 18 - Statement of Significant Accounting Policies and Notes to Accounts

Significant Accounting Policies :

1. 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 :

- a) Improvements to lease-hold premises are depreciated over the lease period on straight-line basis.
- b) The company had reviewed the useful life of plant and machinery used for computer manufacture. Accordingly, depreciation has been provided on the basis of shorter residual life of five years so determined.

2. INVENTORY

Raw materials and components are valued at cost. Appropriate provisions are made for anticipated losses, if any.

Finished goods and traded items are valued at cost or net realisable value, whichever is lower.

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

3. INCOME

- a) Income from sales/service charges is recognised upon completion of sale and rendering of the service respectively. 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 related contracts are entered into.
- 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 direct import sales made to the customers, the Company accounts only for the commission, installation and other charges to which it is entitled to. The full landed value of such sales is Rs. 1356 lakhs (previous year Rs. 2346 lakhs).

4. Expenditure on rights issues of shares is being amortised over a period of five years.

SCHEDULES (contd...)

5. Liability for retirement gratuity and superannuation is funded with the Life Insurance Corporation of India and the incremental liability for the year has been provided in the accounts. Estimated liability towards leave encashment based on actuarial valuation for eligible employees has also been provided.
6. Expenditure on research and development on revenue account is charged off to the profit and loss account. Assets acquired for research and development activity are capitalised and depreciated in the same manner as other assets.

7. FOREIGN CURRENCY TRANSLATIONS

a) Overseas offices :

- 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 at the end of the year.
- iii) Income and expenses are translated at average rates of exchange.

b) Other foreign currency 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.

Notes to Accounts :

8. 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 eleven years.
9. Depreciation for the year is net of excess depreciation of earlier years of Rs. 8,91,532 (previous year Rs.nil) written back.
10. Debenture redemption reserve of Rs. 50,00,000 is transferred to profit & loss account since the debentures have been redeemed during the year.
11. Estimated amount of contracts remaining to be executed on capital account (net of advances) Rs.8,76,496 (Previous year Rs. 18,28,298).
12. Provision for taxation of Rs. 32,52,927 has been made on the basis of "Book Profits" computed in accordance with the provisions of Section 115JA of the Income-tax Act, 1961. The Company may become entitled in the future years to credit for tax paid as aforesaid. However, as a matter of prudence, such future credit will be recognised when availed.
13. CONTINGENT LIABILITIES
 - a) Counter guarantees given to the bankers for guarantees issued by the bankers Rs. 8,84,43,623 (previous year Rs.8,17,80,885). This includes guarantees for Rs. 57,60,933 (previous year Rs.57,60,933) given to the customs authorities, referred in para (b) below.

SCHEDULES (contd...)

b) Demands raised by customs authorities in respect of capital goods imported by the Company, and contested Rs.88,23,758 (previous year Rs.88,23,758). A sum of Rs.30,62,825 (previous year Rs. 30,62,825) paid under protest has been shown under loans and advances and is considered as recoverable. The Company has given bank guarantee for the balance amount of Rs57,60,933 (previous year Rs.57,60,933).

c) Demands raised by Income-tax authorities contested by the Company Rs.19,25,954 (previous year Rs. 21,99,557). Pending appeal, a sum of Rs.19,25,954 (previous year Rs.19,25,954) has been adjusted by tax authorities against refunds due to the Company and balance has been paid.

14. Loans and advances include Rs. 16,50,480 (Previous year : Rs.14,25,360) due from director towards house building loans granted in accordance with the rules framed by the Company. Maximum amount due at any time during the year Rs. 16,50,480 (Previous year Rs.14,25,360).

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

16. Particulars in respect of installed capacity, etc.

The Company is primarily engaged in distribution and value added reselling of computer systems, software/hardware design and development services. The activities do not require industrial licensing and hence figures for licensed capacity have not been given. Figures for installed and utilised capacity are not ascertainable.

17. Particulars in respect of sales, etc.

Class of goods	Opening Stock		Closing Stock		Purchases		Sales	
	Nos.	Value	Nos	Value	Nos.	Value	Nos.	Value
Rs.Thousands								
Computer systems, Peripherals, etc								
1999 Workstations /								
Servers	9	6820	16	4344	403	273495	396	354819
Desktops	-	-	13	751	1701	120615	1688	137656
1998 Workstations /								
Servers	4	3486	9	6820	292	282173	287	313676
Desktops	-	-	-	-	828	35622	828	66451
Software, etc								
1999		33189		22859		90093		135387
1998		12453		33189		134250		165186

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

SCHEDULES (contd...)

18. Details of cost of goods sold (including computer systems, peripherals, software, components, etc)

	1999 Value	%	1998 Value	%
A. CIF value of imports including Customs duties and other charges	244847	44	306094	59
B. Indigenously acquired	316593	56	212879	41
Total	561440	100	518973	100
19. Imports on CIF basis				
Computer systems, peripherals, software, etc.	206770		276851	
Capital goods	8170		7364	
20. Expenditure in foreign exchange				
Overseas offices' expenses (incl. capital expenditure)	7206		-	
Foreign travel	12939		7260	
Other expenditure	187		47	
	20332		7307	
21. Earnings in foreign currency				
Service income	114420		85536	
22. Auditors' remuneration				
Audit fees	300		300	
Tax audit fees	53		50	
Fees for tax matters	70		70	
Fee for certification	10		8	
Reimbursement of out of pocket Expenses	13		11	
	446		439	
23. Managerial remuneration paid in accordance with the approval of Central Government to whole time director, included in personnel cost				
Salary and Bonus	1290		1020	
Contribution to Provident and other funds	135		121	
Perquisites	506		421	
	1931		1562	

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

Signature to Schedules 1 to 18
For and on behalf of the BoardF C Kohli
S Devarajan*Chairman*
*Executive Director*V. Ramakrishnan
General Manager (Finance)
*& Company Secretary*S Ramadorai
Patrick McGoldrick
S D Pradhan
C P Mistry*Directors*

Mumbai, May 21, 1999

Statement of Cash Flows for the year ended March 31, 1999

	Rs. Thousands	
	1999	1998
A. Cash flows from operating activities		
Net Profit	27728	20704
Adjustment for:		
Depreciation	39939	38696
Other Income	(5555)	(4707)
Amortisation of Expenses	1129	6555
Interest	25110	23179
Loss on Sale of Assets	304	192
Operating profit before working capital changes	88655	84619
Decrease/(Increase) in Sundry Debtors	(59312)	(63760)
Decrease/(Increase) in Inventories	12811	(27011)
Decrease/(Increase) in Loans and Advances	(12486)	(10251)
Increase(Decrease) in Current Liabilities	70843	37339
Cash Inflow/(Outflow) from operations	100511	20936
Interest Paid	(25110)	(23179)
Net Cash Inflow/(Outflow) from operating activities	75401	(2243)
B. Cash Flows from Investing Activities		
Purchase of fixed assets	(31891)	(33713)
Proceeds of sale of fixed assets	101	1206
Other income	5555	4707
Net Cash Inflow/(Outflow) from Investing activities	(26235)	(27800)
C. Cash Flows from Financing Activities		
Proceeds from Issue of Share Capital	-	40
Long Term Borrowings	(74457)	2652
Working Capital Borrowing	14080	196
Net Cash Inflow/(Outflow) from Financing Activities	(60377)	2888
Net Increase/(Decrease) in Cash and Cash Equivalents	(11211)	(27155)
Cash and Cash Equivalents as at beginning of the year	47071	74226
Cash and Cash Equivalents as at end of the year	35860	47071

We have verified the above Cash Flow Statement of Tata Elxsi Limited for the year ended March 31, 1999, 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

As per our report of even date

For R S M & Co.
Chartered Accountants

VIJAY N. BHATT
Partner
Mumbai, May, 21 1999

V. Ramakrishnan
General Manager (Finance)
& Company Secretary
Mumbai, May, 21 1999

F C Kohli
S Devarajan

S Ramadorai
Patrick McGoldrick
S D Pradhan
C P Mistry

For and on behalf of the Board

Chairman
Executive Director

Directors

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the TENTH ANNUAL GENERAL MEETING of TATA ELXSI LIMITED will be held on Friday, September 3, 1999 at 10.30 A.M. at J.N. Tata Auditorium, National Science Seminar Complex, Indian Institute of Science, Bangalore 560 012 to transact the following business :

ORDINARY BUSINESS

1. To consider and adopt the Directors' Report and the Audited Profit and Loss Account for the year ended March 31, 1999 and the Balance Sheet as at March 31, 1999.
2. To appoint a Director in place of Mr. E.A.K. Faizullahoy who retires by rotation and is eligible for reappointment.
3. To appoint a Director in place of Mr. Sujit Gupta who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr. S D Pradhan who retires by rotation and is eligible for reappointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

1. Item No. 1

To consider and if thought fit, to pass with or without modifications, the following resolutions as Ordinary Resolutions :

'RESOLVED THAT, in accordance with the provisions of Section 198, 269,309, 310 and other applicable provisions, (if any), of the Companies Act, 1956 and subject to the approval of the Central Government, if required ; approval of the Company be and is hereby given to the re-designation of Mr. S. Devarajan as Managing Director and fixation of the salary scale, as set out below, for the remainder of his term of appointment as Whole-time Director, i.e. up to February 28, 2001.

Consolidated Salary	In the scale of Rs. 30,000 – Rs. 5,000 – Rs. 1,00,000 per month, with maximum of 4 increments of Rs. 5,000 each at any time, as decided by the Board of Directors
Performance Bonus	Up to 24 months' salary as decided by the Board of Directors

In addition, the Managing Director shall also be entitled to perquisites like accommodation (furnished or otherwise) or house rent allowance in lieu thereof, house maintenance allowance, together with utilities such as gas, electricity, water, furnishings and repairs; medical reimbursement; leave travel concession for self and family; club fees; medical insurance, etc. in accordance with the rules of the Company or as may be agreed to by the Board of Directors and the Managing Director; such perquisites to be restricted to 125% of annual salary per annum.

For the purposes of calculating the above ceiling, perquisites shall be evaluated as per 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.

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 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."

'RESOLVED FURTHER that approval of the Company be and is hereby given to the payment of remuneration to Mr. S. Devarajan during the period from April 1, 1998 to March 31, 1999 as approved by the Central Government, and during the period from April 1, 1999 to March 31, 2000, subject to the approval of the Central Government, if required, and as given below:

	During April 1, 1998 to March 31, 1999	During April 1, 1999 to March 31, 2000
Consolidated Salary	Rs 45,000 per month	Rs 55,000 per month
Performance Bonus	Rs. 7,50,000	Rs. 8,50,000
Perquisites	Restricted to 125 % of salary	Restricted to 125 % of salary

2. Item No. 2

To consider and if thought fit, to pass with or without modifications, the following as an Ordinary Resolution

'RESOLVED THAT Mr. D.S. Pendse who was appointed as an Additional Director under Section 260 of the Companies Act, 1956, read with Article No. 115 of the Articles of Association of the Company and who holds office till the conclusion of this Annual General Meeting; be and is hereby appointed as a Director of the Company.'

3. Item No. 3

To consider and if thought fit, to pass with or without modifications, the following as an Ordinary Resolution

'RESOLVED THAT Mr. Syamal Gupta who was appointed as an Additional Director under Section 260 of the Companies Act, 1956, read with Article No. 115 of the Articles of Association of the Company and who holds office till the conclusion of this Annual General Meeting; be and is hereby appointed as a Director of the Company.'

4. Item No. 4

To consider and is thought fit, to pass with or without modifications, the following as an Ordinary Resolution

'RESOLVED THAT in accordance with the provisions of Section 31 and all other applicable provisions, if any of the Companies Act, 1956, including any statutory modifications and re-enactment thereof, for the time being in force and the provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the Articles of Association of the Company be and is hereby altered as follows:

A. That under the existing Article 3, the following words and expressions shall be inserted, namely

Depositories Act 'Depositories Act' means the Depositories Act, 1996 and shall include any statutory modification(s) or reenactment thereof for the time being in force.

Depository 'Depository' shall mean a Depository as defined under clause (a) of sub-section (1) of Section 2 of the Depositories Act, 1996.

Beneficial Owner 'Beneficial Owner' shall mean the beneficial owner as defined in clause (a) of sub-section (1) of Section 2 of the Depositories Act, 1996.

Shareholder or Member 'Shareholder' or 'Member' means the duly registered holder of the shares from time to time and includes the subscribers to the Memorandum of Association of the Company and the beneficial owner (s) as defined in clause (a) of sub-section (1) of Section 2 of the Depositories Act, 1996.

B. That the existing Article 14 be substituted with the following new Article :

14 Except as ordered by a Court of competent jurisdiction or by Law required, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share or whose name appears as the beneficial owner of shares in the records of the Depository, as the absolute owner thereof and accordingly shall not be bound to recognize any benami, trust or equity or equitable contingent or other claim to or interest in such share on the part of any other persons whether or not it shall have express or implied notice thereof, the provisions of the Act shall apply and save as aforesaid, no notice of any trust expressed, implied or constructive shall be entered in the Register; the Directors shall, however, be at liberty, at their sole discretion to register any share in the joint names of any two or more persons, and the survivor or survivors of them.

Registered holder & Beneficial owner only the owner of the shares

C. That the existing Article 17 (a) be substituted with the following Article :

17(a) Every member shall be entitled without payment to one certificate for all the shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fee as the Directors may from time to time determine) to several certificates, each for one or more of such shares and the Company shall complete such certificate within three months after the allotment or such period as may be determined at the time of the issue of such capital whichever is longer or within one month after registration of the transfer thereof as provided by the Act. Every certificate of shares shall have the distinctive number and be issued under the Seal of the Company and shall specify the number and distinctive number of the shares in respect of which it is issued and the amount paid thereon and shall be in such form as the Directors shall prescribe or approve; provided that in respect of a share or shares held jointly by several persons, the Company shall not be bound to issue more than one certificate and the delivery of a certificate for a share or shares to one of several joint-holders shall be deemed to be sufficient delivery to all. However, the

Members' right to Certificate

provisions relating to progressive number and entitlement to share certificate(s) shall not apply to the shares of the Company which are dematerialized or may be dematerialized in future or issued in future in dematerialized form.

D. That the following Article be inserted after the existing Article 17 (b) :

17(c) The Company shall be entitled to dematerialize its existing shares, dematerialize its shares held in the Depositories and/or to offer its fresh shares, debentures and other securities in a dematerialized form pursuant to the Depositories Act 1996, and the rules framed thereunder, if any.

**Demateria-
lized Shares**

17(d) The Company shall keep a Register and Index of Members in accordance with all applicable provisions of the Companies Act, 1956 and the Depositories Act, 1996 with details of shares held in material and dematerialized forms in any media as may be permitted by Law including in any form of electronic media.

**Register and
Index of
Members**

E. That the existing Article 47 be substituted with the following new Article :

47 The Company shall keep a Register of Transfers and shall have recorded therein fairly and distinctly particulars of every transfer or transmission of any share held in material form. The transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered on the Register of Members in respect thereof.

**Register of
Transfer**

F. That the following Article be inserted after the existing Article 48 :

48(a) In case of transfer of shares or other marketable securities where the Company has not issued any certificates and where such shares or securities are being held in any electronic and fungible form, the provisions of the Depositories Act, 1996 shall apply.

**Electronic
and fungible
form**

G. That the following Article be inserted after the existing Article 51 :

51(a) Nothing contained in the foregoing Article shall apply to transfer of security effected by the transferor and the transferee both of whom are

**Transfer in
case of
Beneficial
Owner**

entered as Beneficial Owners in the records of Depository

H. That the following Article be inserted after the existing Article 62 :

62(a) In case of transmission of shares or other marketable securities where the Company has not issued any certificates and where such shares or securities are being held in any electronic and fungible form, the provisions of the Depositories Act, 1996 shall apply.

**Transmission
in case of
Beneficial
Owner**

NOTES :

- a) **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.**
- b) Members desirous of getting any information in respect of 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.
- c) Members / Proxies should bring the Attendance Slip sent duly filled in for attending the Meeting.
- d) Members / Proxies attending the Meeting are requested to bring their copy of the Annual Report for reference at the Meeting.
- e) Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 -

Item No. 1 under Special Business.

1. At the Annual General Meeting of the Company held on September 21, 1996, Mr. S. Devarajan was appointed as Whole-time Director, and designated as Executive Director, for a period of 5 years from March 1, 1996, on salary of Rs. 30,000 per month together with such perquisites and performance bonus as specified in the Explanatory statement annexed to the Notice of the Meeting.
2. The Board of Directors at its meeting held on October 28, 1998 had resolved that, subject to necessary approval from the Central Government, remuneration payable to Mr. S. Devarajan be revised and salary scale (with proportionate increases in the value of benefits related to salary) be fixed for the remainder of the tenure of his contract i.e. up to February 28, 2001 with the authority to the Board to fix his salary within the respective scale from time to time. The annual increment would be merit based and take into account the Company's performance.

Abstract in terms of Section 302 of the Companies Act, 1956 was circulated to the shareholders.

Approval under Section 301 of the Companies Act, has since been received from the Central Government for payment of remuneration to Mr. S. Devarajan during the period from April 1, 1998 to March 31, 1999.

3. Further, at the meeting of the Board of Directors held on June 23, 1999, the Board of Directors had decided that, subject to necessary approval of the shareholders and the Central Government; Mr.S. Devarajan be promoted and re-designated as the Managing Director of the Company, with other terms and conditions of his contract except relating to his remuneration, remaining unchanged.
4. Shareholders' approval is requested for the payment of remuneration for the period from April 1, 1998 to March 31, 1999, appointment as Managing Director, as well as fixation of salary scale for the remainder of his term, i.e. up to February 28, 2001.
5. Mr. S. Devarajan, Executive Director may be deemed to be concerned or interested in the above since it relates to the terms of his appointment and remuneration.
6. Application would be made to the Central Government for its approval under Section 310, and other applicable provisions, if any, of the Companies Act, for payment of remuneration to Mr. S. Devarajan, in excess of the limits prescribed under Schedule XIII to the said Act, and any other such approvals that may be required.
7. This may be treated as an abstract of the draft Agreement between the Company and Mr.S. Devarajan pursuant to section 302 of the Companies Act.

Item No. 2 under Special Business

At the meeting of the Board of Directors held on May 21, 1999, Mr. D.S. Pendse was appointed as an Additional Director of the Company to hold office till the conclusion of this Annual General Meeting. Mr. D. S. Pendse is a qualified Company Secretary and the Managing Director of Tata Finance Ltd. He is also on the Board of several other Tata companies. He brings with him rich experience in the areas of finance and legal matters.

As required under Section 257 of the Companies Act, notice has been received from a member signifying his intention to propose appointment of Mr. D.S. Pendse as Director of the Company.

The resolution is recommended for the approval of the Members.

None of the Directors except Mr. D.S. Pendse is concerned or interested in the said Resolution.

Item No. 3 under Special Business

At the meeting of the Board of Directors held on June 23, 1999, Mr. Syamal Gupta was appointed as an Additional Director of the Company to hold office till the conclusion of this Annual General Meeting. Mr. Syamal Gupta is a Fellow of the Imperial College of Science, Technology & Medicine, London, and a Foreign Member of the Royal Academy of Engineering, UK. He is a Director of Tata Sons Ltd. and is on the Board of several other Tata Companies.

As required under Section 257 of the Companies Act, notice has been received from a member signifying his intention to propose appointment of Mr. Syamal Gupta as Director of the Company.

The resolution is recommended for the approval of the Members.

None of the Directors except Mr. Syamal Gupta is concerned or interested in the said Resolution.

Item No. 4 under Special Business

Consequent to the passing of the Depositories Act, 1996 and the introduction of the Depository System, your Company is proposing to enter into an agreement with National Securities Depository Limited (NSDL), to facilitate holding and trading of the Company's Equity Shares in the electronic form. Accordingly, some of the provisions of the Companies Act, 1956 pertaining to issue, holding, transfer/transmission and dealing in shares thereof have been amended to facilitate the Depository System. A few Articles in the Articles of Association which were in line with the erstwhile provisions of the Companies Act, 1956 are being amended to conform to the requirements of the Depositories Act, 1996.

The Board recommends passing of the resolution as set out in Item No 4 under Special Business of the Notice.

None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

By Order of the Board of Directors
For and on behalf of
TATA ELXSI LIMITED

Mumbai, June 23, 1999

Registered Office :
123, Richmond Road,
Bangalore 560 025.

V. RAMAKRISHNAN
General Manager (Finance)
& Company Secretary

SHAREHOLDERS' DIARY

ANNUAL GENERAL MEETING

Date : 3rd September, 1999
 Day : Friday
 Time : 10:30 AM
 Venue : J N Tata Auditorium
 National Science Seminar Complex,
 IISC, Bangalore 560 012

INVESTOR RELATIONS CELL

The Company's Shares Department is
 functioning at

Secretarial Department
 123, Richmond Road,
 Bangalore - 560 025
 Fax No. : 080-5583168
 Phone No. : 080-5563945, 080-5363956

REGISTRARS & SHARE TRANSFER AGENTS

Tata Consultancy Services
 Unit : Tata Elxsi Limited
 Lotus House,
 5, Sri Vithaldas Thackersey Marg,
 Mumbai - 400 020.
 Fax No. : 022 - 2016689
 Phone No. : 022 - 2039136

BOOK CLOSURE DATES

From : 17th August, 1999
 To : 3rd September, 1999

EXCHANGES LISTED AT

Bangalore, Mumbai & Delhi

Listing fees have been paid to the above Exchanges for
 the years 1998-99 and 1999-2000

SHARE HOLDING PROFILE (as on March 31, 1999)

Category	No of Shares	% to Total Equity
Individuals	17,154,660	55.09
Banks, Mutual Funds, Public Financial Institutions	421,100	1.35
Tata Group Companies	11,939,760	38.35
Other Companies	612,700	1.97
Foreign Financial Institutions	1,010,000	3.24
Total	31,138,220	100.00

DISTRIBUTION OF SHARE HOLDING (as on March 31, 1999)

No. of Equity Shares Held	No of Shareholders	% of Shares held	No of Shares held	% of Shareholding
1-500	78,433	97.15	14,142,960	45.42
501-1000	1,555	1.93	1,291,200	4.15
1001-10000	713	0.88	1,759,500	5.65
Over 10000	29	0.04	13,944,560	44.78
Total	80,730	100.00	31,138,220	100.00

STOCK PRICE MOVEMENT

The High & Low Quotations of the shares of the Company on the BSE during the period April 1998 to March 1999 were (in Rupees)

Month	High	Low
April 1998	60.20	36.50
May	52.30	40.45
June	44.35	26.25
July	43.15	31.00
August	65.60	40.80
September	68.70	48.85
October	63.60	57.15
November	56.25	49.80
December	69.80	50.85
January 1999	110.80	69.40
February	104.90	79.20
March	136.90	92.30

The Company has entered into an Agreement on 2nd July, 1999 with National Securities Depository Limited (NSDL) to facilitate holding and trading of Company's Equity Shares in electronic form. The Shareholders are requested to avail of this facility. For any clarifications, the Shareholders may contact the Investors Relation Cell or Tata Consultancy Services, the Share Transfer Agents, of the Company.



TATA ELXSI LIMITED

123, Richmond Road, Bangalore - 560 025 Tel : 91 - 80 - 5563945 Fax : 91 - 80 - 5583168

Visit us at <http://www.tataelxsi.com>