

33rd Annual Report 2018 - 2019

BOARD'S REPORT

Your Directors have pleasure in presenting the 33rd Annual Report and Audited Financial Statements for the year ended 31st March, 2019 together with the Independent Auditor's Report.

1. FINANCIAL RESULTS

(Rs. in Lakhs)

Particulars	2018-19	2017-18
Net revenue from operations	1572	4589
Other income	15	28
Profit (Loss) before Depreciation	(881)	(171)
Depreciation	25	29
Exceptional items	735	Nil
Profit (Loss) before Taxation	(122)	(200)
Profit (Loss) after Taxation	(288)	(200)

2. PERFORMANCE OF THE COMPANY:

Last year was a very tough year for your company. Increased competition in the export market resulted in substantial reduced revenue. Reduction in sales affected the profitability.

FUTURE PROSPECTS

Demand for thin clients is expected to witness high growth in the coming years due to the reduced cost and energy consumption, easy and centralized manageability and increased infrastructure security associated with these devices. Rising requirement of cost savings in enterprises is expected to drive the thin client market.

The demand for thin clients is increasing in health care and education sector. Enterprises are looking for the devices that would reduce the desk space and offer an easy replacement option for old systems. The thin clients qualify these requirements which in turn is increasing the demand in these industries.

Quick delivery and installation and preference of the users to our software offering are expected to push the demand for thin clients.

3. **RESERVES:** In view of the losses, the question of transferring any amount to Reserves does not arise.

4. **SHARE CAPITAL:** There were no changes in the Share Capital of the Company during the financial year.

Disclosure regarding Issue of Equity Shares with Differential Voting Rights

During the financial year under review, the Company has not issued Shares under with Differential Voting Rights

Disclosure regarding issue of Employee Stock Options

During the financial year under review, the Company has not issued Shares under Employee Stock Options.

Disclosure regarding issue of Sweat Equity Shares

During the financial year under review, the Company has not issued Sweat Equity Shares.

5. **MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY, BETWEEN THE END OF THE FINANCIAL YEAR AND THE DATE OF THE REPORT:**

There were no material changes and commitments which occurred, between the end of the financial year and the Date of the Report, which affect the financial position of the Company.

6. **EVENTS SUBSEQUENT TO THE DATE OF FINANCIAL STATEMENTS:**

There are no material changes after 31st March, 2019 till the signing of this Report.

7. **CHANGE IN NATURE OF BUSINESS:**

There were no changes in the nature of business during the year under review as prescribed in Rule 8(ii) of the Companies (Accounts) Rules, 2014.

8. **DIVIDEND:**

Whilst your Directors understand the sentiments of the Investors, the financials in the year that has passed, do not enable the Board to recommend any dividend. The Board regrets its inability to recommend any Dividend.

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However, the Directors will strive hard to bring the Company back to dividend track before long and the improving performance of the Company is hoped to continue to facilitate consideration of dividend in the days to come.

9. BOARD MEETINGS:

The Meetings of the Board are held at regular intervals with a time gap of not more than 120 days between two consecutive Meetings. Additional Meetings of the Board of Directors are held when necessary.

The Agenda of the Meeting is circulated to the Directors in advance. Minutes of the Meetings of the Board of Directors are circulated amongst the Members of the Board for their perusal.

The Board of Directors duly met Nine (9) times during the financial year on 30th May 2018, 11th July 2018, 24th July 2018, 31st July 2018, 19th September 2018, 26th September 2018, 31st October 2018, 7th December 2018 and 29th January 2019.

10. DIRECTORS AND KEY MANAGERIAL PERSONNEL:

Sl. No.	Name	Designation	DIN
1.	Mr.ArunKumar Bhuvania*	Chairman and Non-Independent Director	00387445
2.	Mr. M. V. Shetty	Whole Time Director	00515711
3.	Mr. Vivek Gupta	Independent Director	00025519
4.	Mrs. Kumkum Bhuvania	Independent Director	07160610
5.	Mr. Rakesh Shridas Damani	Independent Director	07580652
6.	Mr. Kishan S Rao	CFO	N.A
7.	Ms Shipra Vyas*	Company Secretary & Compliance Officer	N.A

*Mr ArunKumar Bhuvania Resigned from office of Chairmen & Non Independent Director w.e.f. 11th July 2019.

*Ms Shipra Vyas appointed as Company Secretary & Compliance Officer of the Company w.e.f. 30th May 2019.

11. DECLARATION FROM INDEPENDENT DIRECTORS ON ANNUAL BASIS:

The Company has received necessary declaration from each Independent Director of the Company under Section 149(7) of the Companies Act, 2013 that the Independent Directors of the Company meet with the criteria of their Independence laid down in Section 149(6).

12. COMPOSITION OF AUDIT COMMITTEE, NOMINATION AND REMUNERATION COMMITTEE AND STAKEHOLDERS' RELATIONSHIP COMMITTEES.

Following are the composition of various Committees:

i) Composition of Audit Committee:

- a) Mrs Kumkum Bhuvania - Chairperson
- b) Mr. Vivek Gupta - Member
- c) Mr. Rakesh Shridas Damani - Member

ii) Nomination and Remuneration Committee:

- a) Mr. Vivek Gupta - Chairman
- b) Mr. Rakesh Shridas Damani - Member

iii) Composition of Stakeholders' Relationship Committee:

- a) Mr. Vivek Gupta - Chairman
- b) Mr. Rakesh Shridas Damani - Member

13. RISK MANAGEMENT POLICY:

The Company has not yet formulated a Risk Management Policy and has in place a mechanism to inform the Board Members about risk assessment and minimization procedures and undertakes periodical review to ensure that executive management controls risk by means of a properly designed framework.

14. VIGIL MECHANISM/WHISTLE BLOWER POLICY:

The Company has established an effective Vigil Mechanism pursuant to the provisions of Sections 177(9) and (10) of the Companies Act, 2013 and as per Regulation 4(2)(d)(iv) of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 which is available on website of the Company at url <http://www.vxl.net/percheditor/resources/vxlwhistleblowerpolicy> and there were no cases reported during the last period.

15. INTERNAL FINANCIAL CONTROLS AND THEIR ADEQUACY:

The Directors have laid down internal financial controls to be followed by the Company and such policies and procedures adopted by the Company for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records, and the timely preparation of reliable financial information.

16. PARTICULARS OF LOANS GIVEN, INVESTMENTS MADE, GUARANTEES GIVEN OR SECURITY PROVIDED BY THE COMPANY:

The Company has not given any loan or guarantees covered under the provisions of Section 186 of the Companies Act, 2013.

17. DIRECTORS' RESPONSIBILITY STATEMENT:

In pursuance of Section 134(3)(c) of the Companies Act, 2013, the Directors hereby confirm that:

- a) In the preparation of the Financial Statements, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- b) The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
- c) The Directors had 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;
- d) The Directors had prepared the Financial Statements on a going concern basis;
- e) The Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively, and
- f) The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

18. EXTRACT OF ANNUAL RETURN:

As required pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of Annual return in MGT-9 is attached as a part of this Annual Report as **Annexure – I**.

19. STATUTORY AUDITORS:

Messrs YCRJ & Associates, Chartered Accountants (ICAI Firm Registration No. 006927S) were appointed as the Statutory Auditors of the Company for a period of 5 (Five) years from the conclusion of the 31st Annual General Meeting up to the conclusion of the 36th Annual General Meeting.

20. SECRETARIAL AUDIT REPORT:

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Mr. J V Shivaprakash, Bengaluru, a Company Secretary in Practice to undertake the Secretarial Audit of the Company. The Report of the Secretarial Auditor in the form of MR-3 is annexed to this Report as **Annexure - II**.

Explanations by the Board on the comments of Statutory/Secretarial Auditors:

During the financial year under review, there were no qualifications, reservations or adverse remarks made by the Statutory Auditors/Secretarial Auditors in their respective Reports.

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21. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO:	
(A) Conservation of energy: Steps taken / impact on conservation of energy,	The Company's operations are not power intensive. Nevertheless, your Company has introduced various measures to conserve and minimize the use of energy wherever it is possible.
(i) Steps taken by the company for utilizing alternate sources of energy including waste generated	Nil
(ii) Capital investment on energy conservation equipment	Not Applicable
Total energy consumption and energy consumption per unit of production as per Form A	Not Applicable
(B) Technology absorption: Efforts in brief, made towards technology absorption, adaptation and innovation	Nil
Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.	Not Applicable
In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:	Nil
Technology imported	Not Applicable
Year of Import	Not Applicable
Has technology been fully absorbed	Not Applicable
If not fully absorbed, areas where this has not taken place, reasons therefore and future plan of action	Not Applicable
(C) Research and Development (R&D)	
Specific areas in which R & D carried out by the company	Research & Development Expenditures in respect of Development of Thin Client Embedded Operating Systems.
Benefits derived as a result of the above R & D	Not Applicable
Future plan of action	Not Applicable
Expenditure on R & D	
(a) Capital	Nil
(b) Recurring	Nil
(c) Total	Nil
(d) Total R & D expenditure as a percentage of total turnover	Nil

(D) Foreign exchange earnings and Outgo

Activities relating to exports	Company is an Exports Oriented Unit and focuses mainly on Exports.
Initiatives taken to increase exports	We are putting continuous efforts to increase Exports.
Development of new export markets for products and services	Efforts are on to develop new Export market.
Export plans	Efforts are on to develop new Export market.
Total Exchange used (Cash basis)	As on 31 st March, 2019: Rs. 1,78,296/-
Total Foreign Exchange Earned (Accrual Basis)	As on 31 st March, 2019: Nil.

22. DEPOSITS:

Your Company has not invited/accepted/renewed any deposits from public as defined under the provisions of Companies Act, 2013 and Companies (Acceptance of Deposits) Rules, 2014 and accordingly, there were no deposits which were due for repayment on or before 31st March, 2019.

23. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company continued to maintain, high standards of internal control designed to provide adequate assurance on the efficiency of operations and security of its assets. The adequacy and effectiveness of the internal control across various activities, as well as compliance with laid-down systems and policies are comprehensively and frequently monitored by your Company's management at all levels of the organization. The Audit Committee, which meets at least four times a year, actively reviews internal control systems as well as financial disclosures with adequate participation, inputs from the Statutory, Internal and Corporate Secretarial Auditors.

24. MATERIAL ORDER PASSED BY ANY COURT OR REGULATOR OR TRIBUNAL IMPACTING GOING CONCERN STATUS OF COMPANY:

No order was passed by any court or regulator or tribunal during the period under review which impacts going concern status of the Company.

25. RELATED PARTY TRANSACTIONS (RPTs):

All Related Party Transactions are placed before the Audit Committee as also the Board for approval. Prior omnibus approval of the Audit Committee is obtained for the transactions which are of a foreseen and repetitive nature. The transactions entered into pursuant to the omnibus approval so granted are audited and a statement giving details of all related party transactions is placed before the Audit Committee and the Board of Directors for their approval.

The Policy on Related Party Transactions as approved by the Board is uploaded on the Company's website. Web link for the same is <https://www.vxl.net/investors/disclosures>. Particulars of Contracts or Arrangements with Related parties referred to in Section 188(1) of the Companies Act, 2013 in Form AOC- 2 annexed to this Report as **Annexure - III**.

26. HUMAN RESOURCES AND INDUSTRIAL RELATIONS:

Your Company recognizes the critical significance of competent and experienced employees. The team VXL Instruments continued to stand by the Company during tiring and tough times and your Board places its appreciation for these relentless efforts, untiring dedication and sense of belongingness exhibited by the employees at all levels. Your Company focuses on long term Human Resources planning aimed at managing change more efficiently, grooming internal talent for future roles and also driving efficiency within the Organization.

There were various cases pending with the Honourable High Court of Karnataka and in the Court of Industrial Tribunal. This was mainly on account of the closure of the unit manufacturing CRT Terminals which were phased out in the national and international market. Further, on 18th July, 2018 settlement with 31 workmen was reached (more than 50% of the workmen included in all the pending cases) and the same recorded by the Honourable High Court and in the Industrial Tribunal. The payments to the settled workmen were done from the deposit placed with the Honourable High Court and there is no cash outflow for the

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Company. There are 28 workmen involved in various cases who have not taken the settlement. Further, after taking into account the deposit and interest thereon placed with the Honourable High Court, the outflow would be minimal, if they were to be settled.

Industrial relations have been cordial and constructive, which have helped your Company to meet customers' demands.

27. DETAILS OF HOLDING COMPANY/SUBSIDIARIES/JV:

VXL Instruments Limited, UK a Subsidiary Company was wound up by the Honourable High Court of Justice Chancery Division, Companies Court, United Kingdom vide its Order dated 7th November, 2016. Further to the Insolvency Proceedings under the Insolvency Act, 1986 VXL UK was dissolved on 11th March, 2018. Pursuant to this the Company has requested permission from the Reserve Bank of India for writing off the Investments of ₹ 108,000 in the Joint Venture.

28. ANNUAL BOARD EVALUATION:

Pursuant to the provisions of the Companies Act, 2013 and the Listing Regulations, the Board has carried out an annual performance evaluation of its own performance and the Directors individually. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report.

29. CORPORATE SOCIAL RESPONSIBILITY:

Since the Company does not meet the criteria for the applicability of Section 135 of the Companies Act read with the Companies (Accounts) Rules, 2015, the same is not applicable.

30. NOMINATION AND REMUNERATION COMMITTEE POLICY:

On the recommendation of the Nomination and Remuneration Committee, the Board has framed a Policy for selection and appointment of Directors, Senior Management and for other employees and their remuneration. The same has been disclosed on the website of the Company.

31. RATIO OF REMUNERATION TO EACH DIRECTOR:

Pursuant to Section 197(12) of the Companies Act, 2013 and Rule 5(1)(2)(3) of the Companies (Appointment and Remuneration) Rules, 2014, details/disclosures of Ratio of Remuneration to each Director to the median employee's remuneration is annexed to this report as **Annexure-IV**.

32. LISTING WITH STOCK EXCHANGE:

The Company confirms that it has paid the Annual Listing fees for the financial year 2019-20 to BSE Limited where the Company's Shares are listed.

33. CORPORATE GOVERNANCE AND SHAREHOLDERS' INFORMATION:

A separate Report on Corporate Governance in terms of Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 along with a Certificate from a Practising Company Secretary regarding compliance to the Conditions stipulated under Chapter IV of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is attached to this report as **Annexure V**.

34. CAPITAL EXPENDITURE:

As on 31st March, 2019, the gross tangible and intangible assets stood at ₹. 8,47,01,706/- and the net tangible and intangible assets, at ₹. 7,36,99,835/-. Additions during the financial year amounted to ₹. 20,47,365/-. The Company has not purchased any assets under lease.

35. DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013:

The Company has in place an Anti Sexual Harassment Policy in line with the requirements of the Sexual Harassment of women at the workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy.

The following is a summary of sexual harassment complaints received and disposed off during the financial year 2018-19:

No. of complaints received: NIL

No. of complaints disposed off: NIL

36. MANAGEMENT DISCUSSION AND ANALYSIS:

As requisite and appropriate Management Discussion and Analysis is covered under this Report itself, a separate note on the same is not being furnished.

37. ACKNOWLEDGEMENTS:

The Directors place on record their appreciation for valuable contribution made by employees at all levels, active support and encouragement received from the Government of India, Government of Maharashtra, Government of Karnataka, Company's Bankers, Customers, Principals, Business Associates and other Acquaintances.

Your Directors recognize the continued support extended by all the Shareholders and gratefully acknowledge with a firm belief that the support and trust will continue in future also.

For and on behalf of the Board of Directors

Place: Bangalore
Date : 29th July, 2019

Vivek Gupta
Independent Director
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M. V. Shetty
Whole Time Director
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