

Aplab

Chairman's Speech

**42nd
Annual General Meeting
of
Aplab Limited**



(2006 - 2007)

Ladies and Gentlemen

I extend to you all a warm welcome to the Forty-second Annual General Meeting of your Company from all of the members of the Board present here. I must however beg your pardon for being away on a business trip. I have therefore taken help of Video Technology even though I won't be able to see the smiles on your faces as I conclude my speech.

The Directors Report on the operations of your company and the Audited Accounts for the year ended on 31st March, 2007 have been with you for sometime now. I am sure you have had the opportunity to peruse the same.

I am pleased to report that your company has joined the "100 CRORE+" group during the year that concluded on 31st March 2007. Our annual sales have grown by about 7.6%, although profits have been under pressure. The additional expense that led to lower profits was however necessary and this has actually strengthened your company. Currently, there is a severe shortage of experienced managers with proven skills. These managers are in high demand, and consequently there is higher than normal attrition. Companies like yours that are in the high technology business suffer the most. So, with some foresight your company raised and revised remunerations to bring them in line with the current market level. As a result your company has had no serious loss of skilled personnel. You will also notice that your management has brought down several other avoidable costs and in spite of a sharp rise in interest rates, company's other expenses have declined. The company is healthier because of this. This is also reflected in the fact that we have begun this year with an order book with almost twice the pending orders as compared to the previous year; that is an order book of over seven months. This is a direct consequence of the increased focus on marketing during the year. I am therefore very happy with our performance and I am sure there would be smiling faces in the meeting even though I am not there to see them.

You will recall that I had predicted sharp increase in operating expenses in 2006-07 due to increasing commodity prices of copper, steel, lead and aluminium in addition to increase in the interest rates. I had warned about increase in cost of conveyance, freight and transport etc. Increased international competition also prevented us from any price escalations. Managing manufacturing industry in Electronics in India is not easy but APLAB is taking the right steps to ensure steady growth. After all, your company has done this successfully for 44 years.

I believe that during this year the quantum business will grow very significantly. More importantly return on investment should rise sharply. That is the reason why your Directors have recommended the same high dividend of 25% despite the lower profits.

APLAB enters Software Services Industry

This is the knowledge age. Information Technology and related service industries in India currently account for almost half of our national GDP. Almost every new product that your company markets today is "intelligent" and has a lot of software embedded in its operation. All this intelligence is developed by your company's software team. Our domain knowledge in Software is of high order and companies like Texas Instruments and HP want us to offer software solutions to their clients. Your company received a proposal to set up an independent software company as an Aplab subsidiary. This proposal has come from a software professional having a Masters in Computer Engineering from a highly reputed US University and over 12 years of experience in the software business in the US with reputed companies like IBM. After due care your company has accepted the offer. I am pleased to announce that APLAB Limited is now forking out into Software Services Sector through its newly formed subsidiary, Sprylogic Technologies Limited. Sprylogic will be an 80% owned subsidiary of APLAB. Sprylogic Technologies Limited has plans to achieve rapid and profitable growth in this new market segment.



In addition, APLAB have invested to build 160,000 sq.ft. for a new Software Park on a three acre land in Bhosari Industrial Estate. The construction work has already begun and the Sprylogic Software Park is expected to be ready by December 2007. I am sure this news will gladden our shareholders since our entry in this exciting market segment is with strong domain knowledge that will further help us win the confidence of large international customers. APLAB, in any case, will continue to gain bigger grounds in every passing year.

Acknowledgements

Before we close this meeting I must take time to acknowledge the efforts by several well-wishers of Aplab. The workers of Aplab deserve the first mention for the peaceful working conditions under which the company has functioned for all of the past 43 years. Several managers of Aplab have given their entire working careers to

this company. Their long careers have built in stability into the company, which has been so important for the sustenance of this company, particularly during difficult times, and will be valuable for years to come.

The shareholders of Aplab need a special mention since most of you hold on to your share. That speaks of your trust in stability and strengths of your company. I thank all of you for the unstinting support and confidence.

APLAB is fortunate to have many loyal customers and they are the real pillars on which this company is built. We intend to expand this list for an enduring success of your company. The company is doing everything possible in today's dynamic scenario to be of better and greater service to the customer and ensure their confidence in Aplab for many more years.

In conclusion

On the whole, I am very optimistic about the future of your company and I feel confident that we are better positioned than ever before and years ahead will be very rewarding both financially and technologically.

Finally, Ladies and Gentlemen, I thank you all for your presence today even though I have to be away to do my bit for our continued success.

P. S. DEODHAR

Chairman

