



ABM KNOWLEDGEWARE LIMITED

A Dividend Paying Company

Report  junction.com

15TH ANNUAL REPORT 2007 -2008

Brief profile of ABM's Accelerating growth.....

ABM Knowledgeware Limited (ABM) listed in Bombay Stock Exchange, is one of the few IT companies in India with exclusive focus on e-Government since 1998. Within seven years of its foray into the e-Government space, ABM achieved the distinction of winning the prestigious award of “**The Best Technical Organisation in e-Governance**” in India adjudged by the Ministry of Information and Communication Technology, Govt. of India and IIT, Delhi.

What makes ABM stand out is its exceptional track record of successful project implementation, sustenance over extended duration and delivering Return-on-Investment for all the Stakeholders. In fact, **ABM is one of the few companies in India which possesses IPRs for its various proven and sustained e-Gov solutions.** This journey of ABM is populated by several Milestones signifying growth of ABM in this very challenging and tough market segment.

Equipped with necessary quality certifications and a large team of competent e-Gov professionals, ABM has devised several “Outcome” based e-Government solutions / strategies. These are useful for customers in India and even Commonwealth countries. Providing tangible improvements in service to the two most important stakeholders of e-Government viz. Citizens/Consumers and the Government employees has been the core of our solution strategies. The several prestigious awards, recognitions and accolades won by our Projects, Products and Customers at various forums like IT Industry, State Government, Central Government, International Associations endorse the success of the e-Government expertise cultivated by ABM over past decade. ABM solutions for G2C/G2B/G2G services have been adopted by progressive states and large organisations in India in

domains like Citizen Services Delivery, Municipal Corporations, Water and Electricity Distribution companies.

Our recent business focus is on niche domains like providing e-Government solutions to Municipal Bodies (G2B & G2C); CRM solution for Electricity Distribution Companies (G2C) and Automation of Billing, Accounting and Collection for Water Distribution Authorities (G2B,G2C). Additionally, we have the practice of SAP implementation. We have developed the exclusive skill required for providing Subject Matter Expertise required for SAP implementation in large government organisations. This practice also includes services for enabling 'Change Management' during and after “Go Live” of the SAP implementation. This skill is found to be critical for e-Gov clients for sustaining the investment in e-Gov projects. This skill coupled with ABM's overall e-Gov expertise is unique in the industry.

ABM has achieved credible success in its niche domains and focus states in India. Encouraged by the increasing focus of Indian states on achieving e-Government and by the positive response to our solutions and strategies, we have now plans in place to explore the ever increasing market for e-Government in many other Indian States and commonwealth countries.

On an invitation of the UK Government, Mr. Prakash Rane, Managing Director, had participated in the UK Trade & Investment e-Governance Mission in London in July, 2008. UK Government had selected only 5 Private Sector Companies from India, in addition to 3 Government Officials, to represent the Mission from India. With our participation in an international forum like the British Trade & Investment, London, our company and its achievements have started getting global attention.



15TH ANNUAL REPORT 2007-2008

BOARD OF DIRECTORS

PRAKASH B RANE (Managing Director)

SUPRIYA P RANE

M N AHMED

DR. AJIT C KULKARNI

SHRIKAR B KULKARNI

Registered Office :

5, Unique Industrial Estate, Off Veer Savarkar Marg, Prabhadevi,
Mumbai 400 025, (India)

Tel.: +91 22 24374687/24379402/24310256 • Fax: +91 22 24309953

Corporate Office :

514/515, Swastik Chambers, S. T. Road, Chembur (E), Mumbai 400 071, (India)

Tel.: +91 22 25273567/68/69 Fax: +91 22 25273564

Auditors :

M/s. S. P. Sule & Associates

Bankers :

CANARA BANK

Registrars & Share Transfer Agents :

M/s. Mondkar Computer Private Limited 21, Shakeel Niwas, Mahakali Caves Road,
Andheri (E), Mumbai 400 093. • Tel.: +91 22 28366620 / 28207201

CONTENTS

NOTICE	02
DIRECTORS' REPORT	06
MANAGEMENT DISCUSSION AND ANALYSIS REPORT	08
CORPORATE GOVERNANCE REPORT	11
CERTIFICATION BY CHIEF EXECUTIVE OFFICER OF THE COMPANY	19
AUDITORS' REPORT ON CORPORATE GOVERNANCE	19
AUDITORS' REPORT	20
BALANCE SHEET	22
PROFIT & LOSS ACCOUNT	23
SCHEDULES TO ACCOUNTS	24
CASH FLOW STATEMENT	28
NOTES TO ACCOUNTS	30
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE	33



NOTICE

Notice is hereby given that the Fifteenth Annual General Meeting of the Members of **ABM KNOWLEDGEWARE LIMITED** will be held at MIG Cricket Club, 'Polestar', 2nd Floor, Gandhinagar, Bandra (E), Mumbai 400 051, on Thursday, the 25th day of September, 2008 at 9.00 a.m. to transact the following business:-

AS ORDINARY BUSINESS

- I To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2008 and Profit and Loss Account of the Company for the Financial year ended on that date together with the Reports of Directors and Auditors thereon.
- II To declare Dividend.
- III To appoint a Director in place of Mr. M N Ahmed, who retires by rotation and being eligible, offers himself for reappointment.
- IV To appoint a Director in place of Mr. Shrikar Kulkarni, who retires by rotation and being eligible, offers himself for reappointment.
- V To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

- VI To consider and if thought fit, to pass with or without modifications, the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of sections 198, 269 and 309 read with the provision of Schedule XIII and other applicable provisions of the Companies Act, 1956, (including any statutory modification and re-enactment thereof for the time being in force), the relevant provisions of Articles of Association of the Company and subject to the approval of the Shareholders and such other approvals, as may be necessary, and in supersession of the earlier Resolution passed at the Annual General Meeting on 26th September, 2007, the consent of the Company be and is accorded for the revision of remuneration to be paid to Mr. Prakash B Rane, Managing Director, for the residual period of his tenure as Managing Director, and upon terms and conditions as follows and that the Board of Directors (which term shall include Remuneration Committee constituted by the Board), from time to time is authorized to alter the said terms and conditions in such manner, as may be agreed to between the Board of Directors and Mr. Prakash B Rane.

1. Period

The revision of remuneration will be effective for the period of two years i.e. from 1st April, 2008 to 31st March, 2010, with retrospective effect and with a liberty to either party to terminate the appointment by giving 3 month's notice in writing anytime to the other party.

2. Remuneration

- a) Basic salary of Rs.2,30,000/- per month (Rs.27,60,000/- on annualized basis)
- b) Perquisites, Benefits, Allowances: In addition to the Basic Salary referred to in 2(a) above, Mr. Prakash B Rane shall be entitled to the following:
 1. Reimbursement of all medical expenses including hospitalization and surgical charges incurred in India and abroad for self and family.
 2. Leave Travel Concession in accordance with the rules of the Company for self and family not exceeding Rs.2,25,000/- p.a.
 3. Provision of a car with chauffeurs for official as well as personal use.
 4. Provision of credit cards for the use of Company's business, mobile phones, telephones at residence.

15TH ANNUAL REPORT 2007-2008

5. Fees of clubs including admission fee.
6. Gratuity, Contribution to Provident Fund, Contribution to Superannuation Fund, Encashment of accumulated Leave: in accordance with the rules of the company.

c) Commission

At the rate of 3% of the net profits for the year but not exceeding two years' salary in each year, subject to the overall ceilings stipulated in sections 198, 309 (3) of the Companies Act, 1956.

- d) Company's contribution towards Provident Fund and Superannuation Fund, Gratuity payment and Encashment of Leave at the end of the tenure, shall not be included in the computation of limits for remuneration or perquisites as aforesaid and Mr. Prakash B Rane shall be entitled to the same as per Schedule XIII of the Companies Act, 1956.

"RESOLVED FURTHER THAT the Board of Directors are authorized to make necessary changes in the terms of appointment of Mr. Prakash B Rane within the permissible limit set out by sections 198 and 309 of the Companies Act, 1956, in the best interest of the Company."

"RESOLVED FURTHER THAT wherein, in any financial year, the Company has no profit or its profits are inadequate, the remuneration payable to Mr. Prakash B Rane shall be as mentioned in Clause 2(a) and (b) of this Resolution as a minimum remuneration.



By Order of the Board

Place: Mumbai,
Date: 30th July, 2008.

Prakash B Rane
Managing Director

**NOTES:**

1. The relevant explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Item No. 6 of the notice set out above is annexed herewith.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL ONLY, INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK PROXY FORM IS ENCLOSED HEREWITH.**
3. Proxies in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the Meeting.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 20th September, 2008 to 24th September, 2008 (both days inclusive) for the purpose of payment of dividend.
5. All the documents referred to in the Accompanying Notice, Explanatory Statement and other Statutory Registers are open for inspection at the Registered Office of the Company on all working days between 11.00 am to 1.00 pm up to the date of Annual General Meeting.
6. Members are requested to notify immediately any change of address to their Depository Participant / Company's Registrars viz: Mondkar Computer Pvt. Ltd in respect of their holdings in electronic form and in respect of shares held in physical form, to the Secretarial Department at the Registered Office of the Company or to Company's Registrars viz: Mondkar Computer Pvt. Ltd.
7. Payment of Dividend through ECS:
 - Member holding shares in physical form, are advised to submit particulars of their bank account, viz. name and address of the branch of the bank, 9 digit MICR code of the branch, type of account and account number latest by 20th September, 2008 to the Registrars & Share Transfer Agent of the Company
 - Member holding share in demat form are advised to inform the particular of their bank account to their respective Depository Participants.
8. The Equity Shares of the Company are meditated for trading in the compulsory demat mode. The ISIN allotted for the Company's shares is INE850B01018.
9. In terms of Section 109A of the Companies Act, 1956, Members are entitled to make nomination in respect of shares held by them in physical form. Members desirous of making nominations are requested to send their requests in Form 2B, in duplicate, to the Secretarial Department at the Registered Office of the Company or Company's Registrar.
10. Members informed that in case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
11. A brief profile of the Directors retiring by rotation and eligible for re-appointment/appointment as required by Clause 49(IV)(G) of the Listing Agreement signed by the Company with the Stock Exchange, Mumbai is given in Corporate Governance Report on Page No. 15

REQUEST TO THE MEMBERS:

1. Members desiring any relevant information on the accounts at the Annual General Meeting are requested to write to the Company at least seven days in advance of the Meeting, so as to enable the Company to keep the information ready.
2. Members are requested to bring their copies of the Annual Report to the Meeting.
3. Members/Proxies should bring the attendance slip, duly filled in, for attending the Meeting.



15TH ANNUAL REPORT 2007-2008

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACTS, 1956 IN RESPECT OF SPECIAL BUSINESS :

Mr. Prakash B Rane was appointed as Managing Director of Company for a period of 5 years w.e.f. 27/04/2005 as per the terms and conditions approved by the Shareholders at the Annual General Meeting held on 30.09.2005. Mr. Prakash B Rane is B Tech, M.M.S and has been associated with the company for past 8 years. He was first appointed as Managing Director on 27.04.2000 by the Board of Directors.

The Company has made significant progress and has successfully completed several projects under the leadership of Mr. Prakash B Rane. Over the period of 8 years the Company has fared exceedingly well and declared dividend for the second year consecutively.

The Board had recommended the revision of the monthly remuneration for the said post payable to Mr. Prakash B Rane as a Managing Director for the period of three years, w.e.f. 01.04.2007 to 31st March, 2010. The special resolution to this effect was passed in the 14th Annual General Meeting of the Company held on 26th September, 2007.

The Board would like to draw attention of the Shareholders to the fact that the company has made a record pre-tax profit of Rs. 958.37 Lacs for the financial year 2007-08 as against Rs. 245.12 Lacs of the previous year. This was made possible only under the able leadership of Mr. Prakash B Rane. The Board is of the opinion that as a Managing Director, his remuneration should be in commensurate with his overall responsibilities and more significantly with the industry standards. Considering this fact, at the recommendation of Remuneration Committee, the Board of Directors thought is prudent to pay a commission on net profits earned by the Company, besides the monthly remuneration for the residual period of his service. The Board has also revised the perquisites to be paid to Mr. Prakash B Rane as Managing Director as stated in the Special Resolution.

The draft letter for the said revised remuneration is open for inspection by the Members of the Company at the Registered Office of the Company between 10.00 a.m. To 1.00 p.m. on any working day until the day of Annual General Meeting or any adjournment thereof.

Mr. Prakash B Rane is related to Mrs. Supriya P Rane as husband. None of the Directors except Mrs. Supriya P Rane is interested in the said resolution. The Explanatory Statement together with the Accompanying Notice is and should be treated as an abstract u/s 302 of the Companies Act, 1956.

The Board recommends the passing of the resolution as a Special Resolution in the best interest of the Company.



DIRECTORS' REPORT

Your Directors are pleased to present the 15th Annual Report together with the Audited Statements of Accounts highlighting the business operations and achievements during the financial year ended 31st March, 2008.

1. FINANCIAL RESULTS:

	(Rupees in lacs)	
	Year ended 31.03.2008	Year ended 31.03.2007
Gross Income	3151.59	1930.78
Less: Service Tax	304.05	89.88
Gross Income (net of Serv.Tax)	2847.54	1841.10
Less : Total expenditure	1877.07	1618.40
Gross Profit before Depreciation & Taxation	970.47	222.70
Less : Depreciation	12.10	(22.42)
Net Profit before Tax	958.37	245.12
Provision for Taxation	330.41	128.41
Net Profit after Tax	627.96	116.71

2. OPERATIONS OF THE COMPANY

Your Directors are pleased to draw your attention to the Gross Income of Rs.3151.59 Lacs as compared to Rs. 1930.78 Lacs of the previous year. In spite of increased provision for Taxation, the Company has managed to perform exceedingly well during the year under review.

Next year, Your Company expects to post higher sales revenues with good PAT.

Your Company has entered into new segments like ERP and will have to incur substantial expenditure in developing the skills and necessary knowledge transfer in the next years. This may result into moderation of profits in the short term.

3. DIVIDEND

Your Directors recommend for the consideration of the Members, final dividend @ 5% per share for the year under review. The total cash outflow on account of this dividend payment including the tax thereon will be Rs.58.50 Lacs.

4. SEBI REGULATION & LISTING FEES

Since SEBI has stipulated electronic filing of Annual Report, Corporate Governance Report, Shareholding Pattern, etc on its website www.sebidifar.nic.in, the statements of Your Company can also be accessed at this website. The annual listing fees for the year under review have been paid to Bombay Stock Exchange Ltd where Your Company's shares are listed.

5. CORPORATE GOVERNANCE

A Report on the Corporate Governance Code along with a certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance as also Management Discussion and Analysis Report, stipulated under Clause 49 of the Listing Agreement are annexed to this report.

6. PUBLIC DEPOSITS

Your Company has neither invited nor accepted any deposits during the year under review.



15TH ANNUAL REPORT 2007-2008

7. RETIRING DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Article of Association of the Company, Mr. M N Ahmed and Mr. Shrikar B Kulkarni, the Directors, are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The brief resume of these Directors are appearing on Page No. 15 forming part of the Corporate Governance.

Your Directors recommend the re-appointment of Mr. M N Ahmed and Mr. Shrikar B Kulkarni as Director, for your approval.

8. AUDITORS

M/s S. P. Sule & Associates, Chartered Accountants retire as Statutory Auditors at the conclusion of the ensuing Annual General Meeting. The Audit Committee of the Board has recommended their re-appointment as Auditors for the year 2008-2009. M/s S. P. Sule & Associates have confirmed their eligibility and willingness to continue to act as Auditors of the Company.

9. REVISION OF THE REMUNERATION OF MANAGING DIRECTOR

Previous year the Board proposed to the Shareholders at the 14th Annual General Meeting, the revision of remuneration payable to Mr. Prakash B Rane pursuant to Clause B of Part II of Section II of Schedule XIII of the Companies Act, 1956, by passing of the Special Resolution for the period of three years, w.e.f. 01.04.2007 to 31.03.2010, as the profits were still inadequate to provide for a reasonable remuneration to the Managing Director. Accordingly he was entitled to the remuneration of Rs. 30.00 Lacs on annualized basis.

However during the year under review, the Company has fared exceedingly well and as a result the Net Profits Before Tax have seen a new high of Rs. 9.58 Crores. In view of the performance of the Company on all the fronts as well as continued efforts and efficient leadership by Mr. Prakash B Rane, the Remuneration Committee in its Meeting dated 30th July, 2008, recommended to the Board for the revision of his remuneration and suggested that he should be paid the remuneration as per section 198 and 309 of the Companies Act, 1956 instead of Schedule XIII thereof for the residual period of 2 years upto 31st March, 2010, which would be in commensurate with his overall responsibilities and more significantly with the industry standards.

The Board reviewed the recommendation and came to a conclusion that the recommendation of the Remuneration Committee should be adopted and be placed before the Shareholders at the 15th Annual General Meeting. Therefore, the Board hereby recommends the passing of special resolution to pay remuneration to Mr. Prakash B Rane as per sections 198 and 309(3) of the Companies Act, 1956 after considering all the provisions as per sections 349 and 350 of the Act.

It may be noted that as per Section 309(3) of the Companies Act, 1956, Mr. Prakash B Rane would be paid remuneration within the overall limit of 5% of the Net Profit calculated as per the provisions of 349 and 350 of the Act. In any financial year, if the Company has no profit or its profits are inadequate, the remuneration payable to Mr. Prakash B. Rane shall be as mentioned in Clause 2(a) and (b) of this Resolution as mentioned above which is governed by Clause B of Section II of Part II of Schedule XIII of the Companies Act, 1956.

The details of the remuneration package are forming part of the Special Resolution and Corporate Governance Report on Page Nos. 2, 3 and 14 respectively.



10. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A. Industry Structure and Developments:

The e-Government industry in India has a disadvantage of lack of reliable and consolidated data on various vital parameters. Some of these parameters on which reliable data is not available, are overall IT spending, distribution of budgets in different components like hardware, software, services, training, status of capacity building etc. This is due to the very nature of the e-Government initiatives, which are necessarily decentralized. The IT spend takes place at various levels such as Central Govt., State Govt., PSUs, Defense, State Run Utilities, Urban Local Bodies and other autonomous govt. bodies etc .

As per newspaper reports, in August 2008, Shri Somnath Chatterjee, Speaker of the Lok Sabha, while addressing the final plenary at the Commonwealth Parliamentary Conference at Kuala Lumpur, has stated the India e-Government plan at Central, State and Local Bodies to be around Rs. 23,03,000 Million.

There are some centrally sponsored schemes in recent years which will help in some amount of consolidation. Useful Schemes like State Wide Area Network, State Data Centers, Community Service Centers (CSCs) are bringing predictability and uniformity in the e-Gov initiatives by different states.

Developed countries like UK have more institutionalized mechanism to drive e-Government initiatives with annual budgets in the range of UK £ 12 Billion. India has to apportion much larger amount of funds for facilitating e-Government, which, in turn, will be opening up opportunities for companies like ABM who have proven track record in this space.

B. Existing opportunities and outlook

The increasing focus by various levels of govt. on e-Government continues to indicate very positive outlook for the IT companies operating in the space of e-Government.

The industry continues to be driven by the "outcome based" performance in the areas of citizen services. Citizen Services has been strength of Your Company right from the beginning.

The focus areas for Your Company continue to be Urban Administration, Utility Sector, IT enabling Citizen/Consumer services and ERP practice. These areas cover almost the entire range of the e-Government solutions giving Your Company access to a wide spectrum of customers across the country.

C. Business Threats:

In India, unlike developed countries, e-Government is still not driven by any institutional mechanism. It is still driven by a few individuals. This in itself causes constraints in growth targets. Your Company is addressing this challenge by creating replication of its offerings whereby business results are produced in much shorter time and thereby reducing the dependence on the initiative by any individual.

Your Company operates in niche verticals, which offer opportunities across the country. Hence, the primary concern is to sustain the ongoing scaling up of operations to address these abundant business opportunities. This is being tackled by establishing strategic partnerships with companies having complementary strengths in different states.

In the recent years, Your Company has undertaken very large and ambitious IT projects requiring specialized skills for implementation and sustenance of the projects. The process of building such skills will involve high expenditure and selective outsourcing with planned knowledge transfer. Your Company is addressing this challenge by engaging only with reputed IT companies and with plans to leverage the skills in more projects profitably.

D. Business Strategies and Planning:

The business strategy of Your Company continues to be building intrinsic value in the Company by continuously undertaking business model innovation. The business model innovation, in turn, has been growing strengths from the productisation of services. By virtue of implementation of innovative business models, your Company is increasingly