

15TH ANNUAL REPORT 2000-2001



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Board Of Directors

Narendra H. Kale	-	Chairman
Vipul P. Jain	-	Managing Director
Kewal K. Nohria	-	Director
Prabhakar S. Deodhar	-	Director (since 1st February, 2001)
Pandurang G. Kakodkar	-	Director (since 1st February, 2001)
Sudhir H. Kale	-	Director
Harihar D. Kale	-	Director (till 12th February, 2001)

Auditors

M/s. D.G. Kurundwadkar,
Chartered Accountant, Pune

Company Secretary

Kiran M. Chitale

Bankers

Citibank N.A.
ICICI Bank Ltd.
IDBI Bank Ltd.
State Bank of India
Punjab National Bank
Export Import Bank of India
Bank of India
Kolhapur Urban Co - operative Bank Ltd.
Rupee Co - operative Bank Ltd.
Australia And New Zealand Banking Group Ltd.
Deutsche Bank AG
Barclays Bank Plc.

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- Kale Software International Ltd.
- Kale Consultants NZ Ltd.
- Kale Softtech Inc.
- Kale Consultants Australia Pty. Ltd.
- Antah Kale Sdn. Bhd.


Registered Office

Kale Plaza,
63/2-B/6A,
Pune - Safara Road,
Pune 411 009.
Tel : +91 - 20 - 422 1510
Fax : +91 - 20 - 422 1520

Registrar And Share Transfer Agent

Karvy Consultants Ltd.
Karvy House, 46, Avenue 4,
Street No.1, Banjara Hills,
Hyderabad - 500 034.
Tel : +91 - 40 - 331 2454
Fax : +91 - 40 - 331 1968



GEOGRAPHICAL REACH

Development Centres

Chennai

Shakti Towers II,
"J&K" IInd Floor,
766, Anna Salai,
Chennai - 600 002
Tel : +91 - 44 - 851 4237
Fax : +91 - 44 - 851 5755

Mumbai

Plot No. 70, 'C' Cross Road,
MIDC, Marol, Andheri (E),
Mumbai - 400 093
Tel : +91 - 22 - 825 9580
Fax : +91 - 22 - 834 7769

Pune

Kale Enclave
685/2B & 2C,
1st Floor, Sharada Arcade,
Pune - 411 037
Tel : +91 - 20 - 421 9321
Fax : +91 - 20 - 421 9328

Regional Offices

Ahmedabad

103, Himadri - II,
Near Sanskrit Building,
Old High Court Lane,
Ahmedabad - 380 009
Tel : +91 - 79 - 754 1751
Fax : +91 - 79 - 656 1094 (c/o)

Kolhapur

Kale Info House
Plot No. 49, Takala Road,
10th Lane, Rajarampuri,
Kolhapur - 416 008
Tel : +91 - 231 - 522 612
Fax : +91 - 231 - 522 357

Mumbai

3, Candy House,
Mandlik Road, Colaba,
Mumbai - 400 039
Tel : +91 - 22 - 282 0010
Fax : +91 - 22 - 204 5973

New Delhi

68/6 Tolstoy Lane,
Connaught Place,
New Delhi - 110 001
Tel : +91 - 11 - 335 6734
Fax : +91 - 11 - 375 3512

Nagpur

79, Nawabwell Road, Gokul Peth,
Nagpur - 440 010
Tel : +91 - 712 - 555 328
Fax : +91 - 712 - 547 141 (c/o)

Subsidiaries

Kale Software International Ltd.

3, Candy House, Mandlik Road, Colaba, Mumbai - 400 039
Tel : +91 - 22-282 0010 Fax : +91 - 22-204 5973

Kale Consultants NZ Ltd.

40, Redoubt Road, Manukau, Auckland, New Zealand
Tel : +64-9-336 2683 Fax : +64-9-625 1402

Kale Softech Inc.

2, Lincoln Highway, Suite 400, Edison, NJ 08820, USA
Tel : +1-732-516 2100 Fax : +1-732-516 2111

Kale Consultants Australia Pty. Ltd.

15/545, St. Kilda Road, Melbourne VIC 3004, Australia
Tel : +61-3-9510 8588 Fax : +61-3-9510 4288

Overseas Branch

Kale Consultants Ltd.- London Branch

MWB Business Exchange
23, Clayton Road, Hayes, Middlesex UB3 1 AN U.K
Tel : +44-(0)-20-8817 1044 Fax : +44-(0)-20-8817 1238

Joint Venture Company

Antah Kale Sdn.Bhd.

9th Floor, Wisma Antah, Off Jalan Semantan,
Damansara Heights, 50490 Kuala Lumpur, Malaysia.
Tel : +603-271 01133 Fax : +603-271 01100

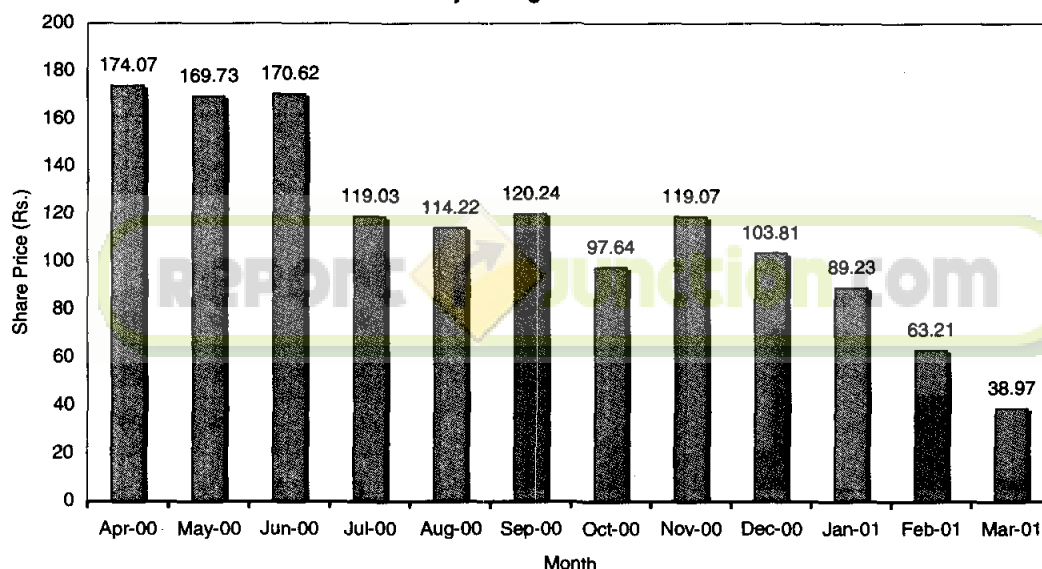
Annual Report 2000 - 2001



SHAREHOLDER DIARY

Date of Book Closure	: 14th August, 2001 to 18th August, 2001
Date and Venue of the Annual General Meeting	: Saturday, 18th August, 2001 at Pudumjee Assembly Hall, Maharatta Chamber of Commerce, Industries and Agriculture, Tilak Road, Pune - 411 002.
Time	: 12 : 30 p.m.
Listing on Stock Exchanges	: Pune Stock Exchange Ltd. The Stock Exchange, Mumbai National Stock Exchange of India Ltd.
Listing Fees	: Paid for the year 2001 - 2002
Dematerialisation of Shares	: Company's shares are included in the list of shares to be traded compulsorily in demat form as prescribed by SEBI
Stock Market data	:
Distribution of Shareholding as on 31st March, 2001	:

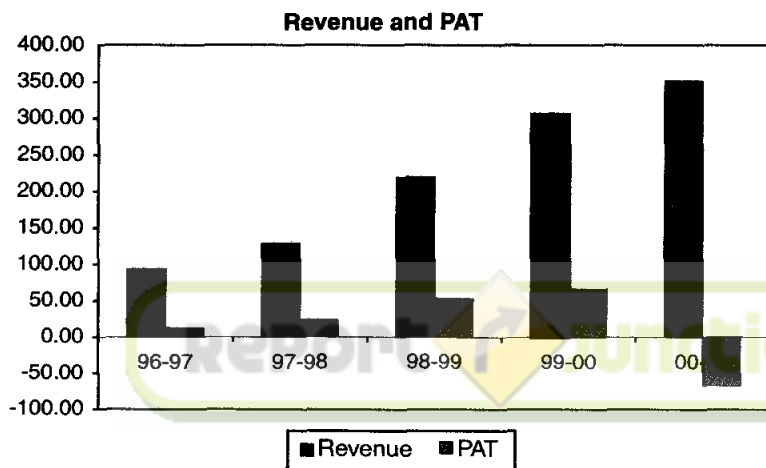
Monthly Average Price at NSE



Category	No. of shares	Percentage
A. Promoters	4234800	36.82
B. Non – Promoter Holding		
Trust	535225	4.65
Employees	417250	3.63
Mutual Funds and UTI	97132	0.84
Banks, Financial Institutions and Insurance Companies	49680	0.43
Foreign Institutional Investors	105318	0.92
Non - Resident Indians/ Overseas Corporate Bodies	90493	0.79
Private Bodies Corporate	934899	8.13
Public (India)	4895175	42.57
NSDL Transit Position	140028	1.22
Total	11500000	100.00

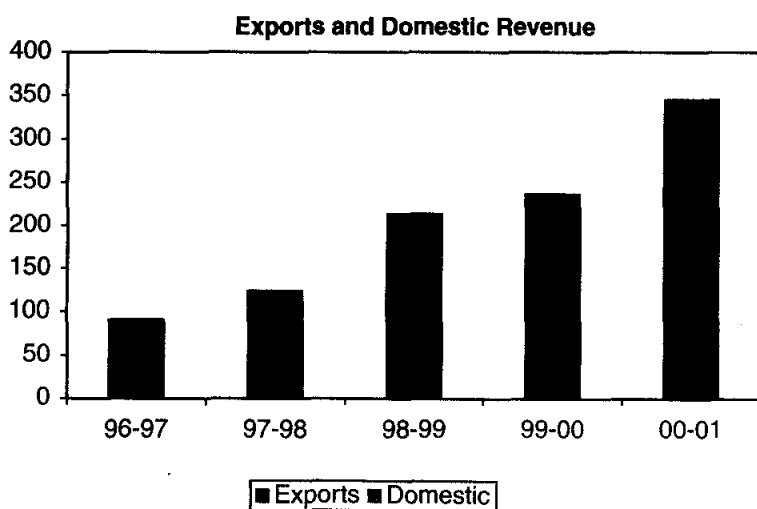
FINANCIAL HIGHLIGHTS

Performance Indicators					(Rs. Million)	
Sr. No.	Particulars	1996-97	1997-98	1998-99	1999-00	2000-01
1	Total Revenue	93.90	128.62	219.39	304.35	350.82
2	Operating Revenue	91.46	124.91	213.86	237.19	345.99
3	PBIDT	24.01	38.81	69.71	91.63	(16.94)
4	PBT	12.89	24.33	52.33	65.76	(66.39)
5	PAT	12.69	24.26	52.24	65.64	(67.31)
6	Net Fixed Assets	34.96	56.96	118.52	162.80	358.15
7	Borrowings	23.23	21.86	28.42	2.77	81.24
8	Equity Capital	12.00	19.65	19.65	114.98	114.99
9	Net Worth	27.67	115.75	163.15	574.73	500.15
10	Capital Employed	65.61	138.18	191.57	577.50	581.39
11	Dividend Per Share	1.20	1.80	3.93	16.64	0
	Dividend (%)	10%	12%	20%	20%	0%
12	EPS - Diluted (Rs.)	10.57	16.19	26.59	5.71	(5.85)



(Rs. Million)

Year	96-97	97-98	98-99	99-00	00-01
Revenue	93.90	128.62	219.39	304.35	350.82
PAT	12.69	24.26	52.24	65.64	(67.31)

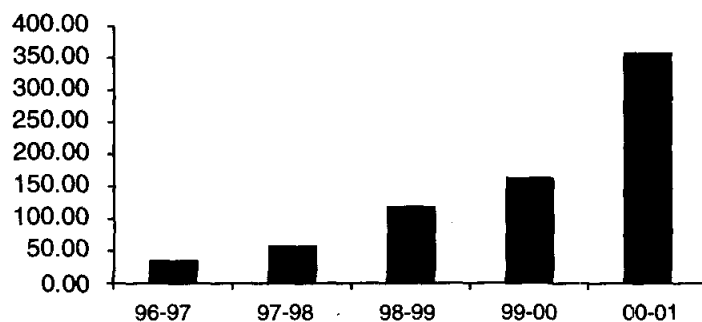


(Rs. Million)

Year	96-97	97-98	98-99	99-00	00-01
Exports	37.42	75.83	162.63	171.59	279.48
Domestic	54.04	49.08	51.23	65.60	66.51
Total	91.46	124.91	213.86	237.19	345.99

FINANCIAL HIGHLIGHTS

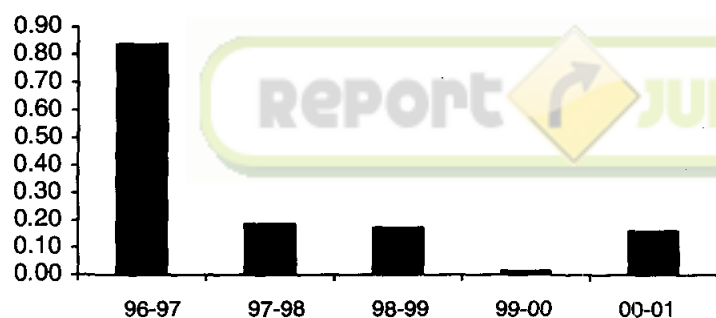
Net Fixed Assets



(Rs. Million)

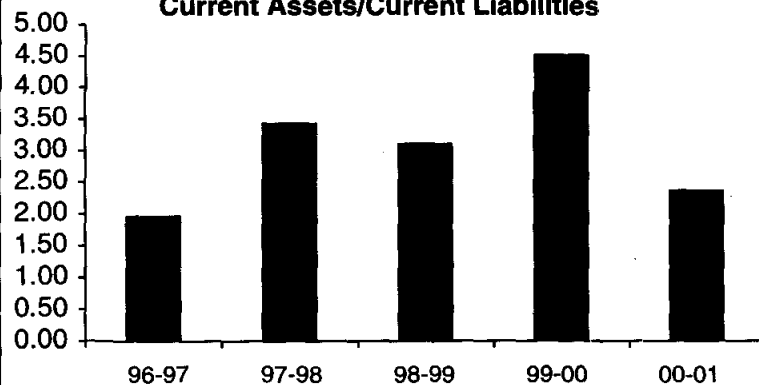
Year	96-97	97-98	98-99	99-00	00-01
Net Fixed Assets	34.96	56.96	118.52	162.80	358.15

Debt/ Equity



Year	96-97	97-98	98-99	99-00	00-01
Debt/Equity Ratio	0.84	0.19	0.17	0.00	0.16

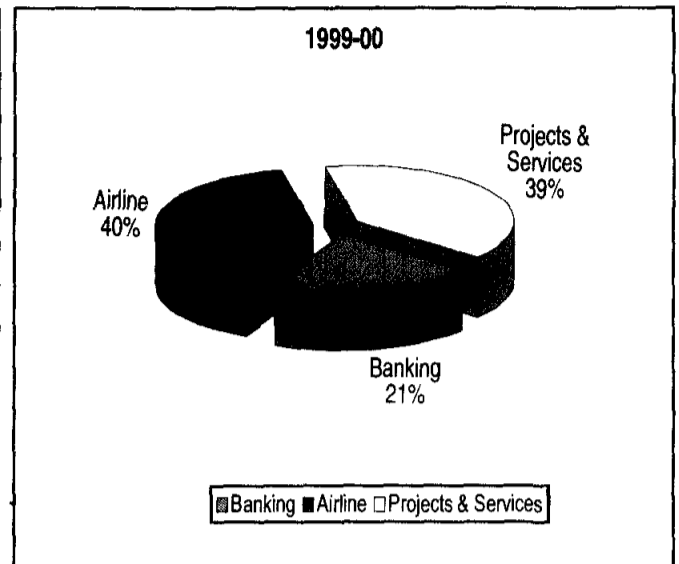
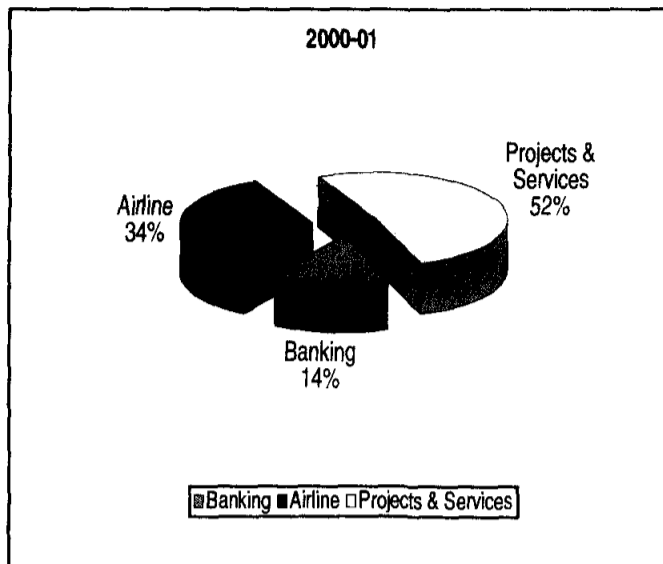
Current Assets/Current Liabilities



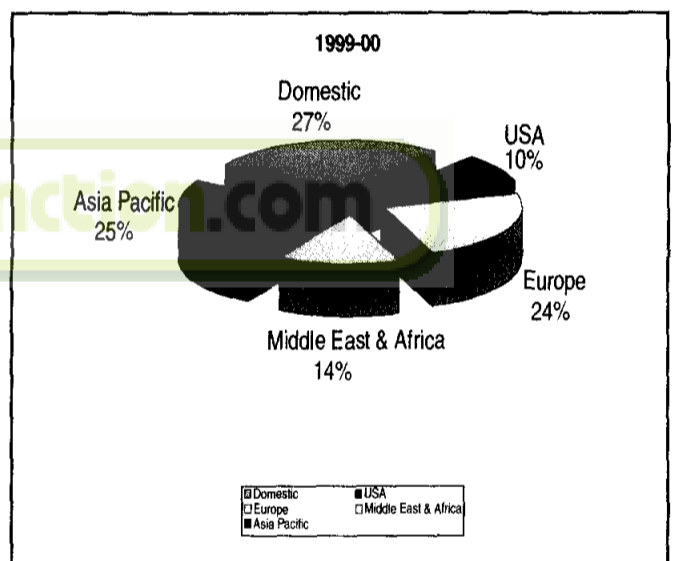
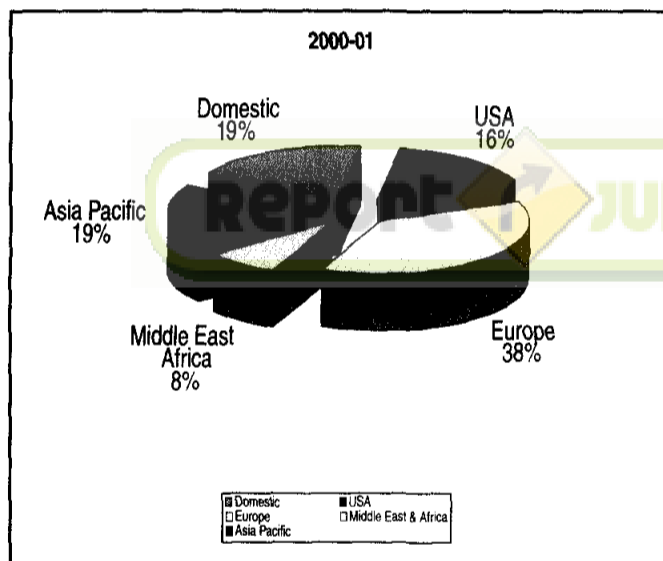
Year	96-97	97-98	98-99	99-00	00-01
Current Ratio	1.97	3.44	3.12	4.53	2.38

FINANCIAL HIGHLIGHTS

Divisionwise Break-up of Revenue



Geographical Break-up of Revenue



DIRECTORS REPORT

To
The Members,

Your directors present the Fifteenth Report on the business and operations of the Company for the year ended 31st March, 2001.

The last year was one filled with exciting developments and mixed results. Some of the important highlights are:

1. The corporate initiative of orbital change

Your Company has embarked on a planned three-year orbital change program to transform it from a small local player to a strong global player. This program has the following key objectives:

- Enhance the global market presence
- Increase customer base
- Increase the "KALE" Brand awareness
- Expand the range of products and
- Prepare the Company for growth and global customer base.

This involves making heavy investments in resources, processes, organizational structure and infrastructure areas. All of this is a long haul flight and will take time before your Company starts reaping the fruits of these efforts.

2. Significant increase in number of customers

Your Company added 30 new clients during the year. This now means that the Company has clients in each and every continent in the world and is poised to expand this base still further in the years to come. This provides an excellent cross selling opportunity for Company's product offerings.

3. Integration of the software assets acquired from Speedwing

Your Company acquired four software products from Speedwing, a division of British Airways Plc. UK, in July, 2000. The Company completed the integration process for the Speedwing assets that it acquired during the year. This major initiative involved transfer of know how and product portfolio, creating fully equipped and trained teams for development, sales, implementation & support and taking over all the existing customer base and a seamless transfer of the customer service. The Company has completed this transition in a short time and has already started supporting all customers of the entire product portfolio.

4. Opening and staffing the London branch office operations

Your Company opened its branch in London and has started full-fledged operations during this year. This involved setting up the office infrastructure and staffing the office with experienced and competent staff to shoulder development, sales, sales support and customer care responsibilities.

5. Significant growth in the operational revenues

In line with the corporate initiative of orbital change to increase revenues, Company's operational revenues went up from Rs. 237.19 Mn. to Rs. 345.99 Mn., i.e. 46% growth in this financial year.

6. Increase in expenditure

As per the orbital change initiative the Company significantly invested in anticipation of the future growth. These included investments in brand building, participating in trade shows, seminars, marketing infrastructure, opening of branch office in London, staffing for the new products acquisition and support, building infrastructure for sales, delivery & support and preparing the organization with right processes, people and structure. All of the above as planned has increased the expenditure of the Company from Rs. 212.72 Mn. to Rs. 367.76 Mn., i.e. 73% increase.

7. Organizational Alignment

Building an organization that would be able to handle and support planned expansion and growth requires a structure that would be customer - centric and most efficient in the entire process from sales to delivery & support. The Company re-aligned its structure into three Strategic Business Units (SBUs) viz. Airlines, Banking and Projects & Services to position itself towards these objectives.



DIRECTORS' REPORT

Financial Results

	2000-2001 (Rs. Million)	1999-2000 (Rs. Million)
Revenue		
Domestic	66.51	65.60
Overseas	279.47	171.59
Other Income	4.84	67.16
Total Revenue	350.82	304.35
Total Expenditure	367.76	212.72
Operating Profit/(Loss) (PBIDT)	(16.94)	91.63
Interest	11.47	5.56
Depreciation	35.29	20.31
Amortisation of Product Cost	2.69	-
Profit/ (Loss) before Tax (PBT)	(66.39)	65.76
Provisions for Tax	0.91	0.12
Profit/(Loss) after Tax (PAT)	(67.30)	65.64
Provisions no longer required	(2.23)	0.38
Profit brought forward from earlier year	42.62	43.40
Profit/ (Loss) available for appropriation	(26.91)	109.42
Appropriations		
Transferred to/(from) General Reserves	(26.91)	48.33
Dividend	-	16.64
Corporate Dividend Tax	-	1.83
Balance transferred to Balance Sheet	-	42.62

Future Plans

Your Company has plans to harness the exciting opportunities before it. Some of these are :

- Set up a processing center to support the initiative for revenue accounting services for Airlines
- Establish partnership for Cargo suite of products
- Exploit the cross selling opportunities to expand the customer base.

Subsidiaries

During the year, the Company further strengthened its wholly owned subsidiaries. It opened a branch office in London and also started a Joint Venture Company in Malaysia named Antah Kale Sdn. Bhd. These entities function as marketing arms of the Company and contribute towards the growth of the Company, while rendering software services and front-end systems delivery functions for the organization.

Directors' Responsibility Statement

Your directors confirm –

- that in the preparation of the annual accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures.
- that the directors had selected such accounting policies and applied them consistently and made judgements 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 loss of the Company for that period.
- that 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.
- that the directors had prepared the annual accounts on a going concern basis.

Corporate Governance

A report on Corporate Governance is set out separately, which forms part of this report.

Management Discussion and Analysis

Management Discussion and Analysis is set out separately, which forms part of this report.

Audit Report

Auditor's comment in their Report under para 2(f) read with Note No.18 of Schedule 18 is self explanatory.

DIRECTORS' REPORT

Contributions to National Cause

The employees and the Company made a contribution to the tune of Rs. 0.5 Mn. towards Gujarat Earthquake Victims Relief Fund.

Dividend

In view of the loss for the year, the directors do not recommend any dividend.

Directors

The Company has broadened its Board during the year and added two independent directors as additional directors viz. Mr. P. S. Deodhar and Mr. P. G. Kakodkar. Both Mr. P.S. Deodhar and Mr. P.G. Kakodkar will hold office till the date of the Annual General Meeting. Your directors recommend their appointment at the Annual General Meeting.

Mr. H. D. Kale resigned from directorship on health grounds. The Board places on record its appreciation for the services and valuable guidance of Mr. H. D. Kale as a member of the Board.

Mr. N. H. Kale and Mr. K.K.Nohria retire by rotation and being eligible, offer themselves for re-appointment.

Utilisation of IPO Funds

Actual utilisation of funds as against projected in the offer document upto 31st March, 2001 is detailed below :

(Rs. Mn.)

Sr. No.	Particulars	Projected	Actual	Variance
1	Repayment of loans	39.00	64.76	(25.76)
2	Augmenting working capital resources	98.00	56.86	41.14
3	Strengthening of infrastructure	57.00	109.28	(52.28)
4	Overseas offices and investment in subsidiaries	40.00	100.45	(60.45)
5	Preliminary and issue expenses	23.50	35.17	(11.67)
	Total	257.50	366.52	(109.02)

Explanation for variation :

- Item No. 1 : The Company pre-paid loans to reduce interest cost.
- Item No. 2 : The Working Capital requirement has decreased during the year, as a result of efficient current asset management.
- Item No. 3 : The Company acquired leasehold premises at MIDC, Andheri and Kolhapur.
- Item No. 4 : The Company has increased its investment in subsidiaries to facilitate export business development.
- Item No. 5 : Additional expenses were incurred due to heavy oversubscription.

Fixed Deposits

Your Company has not accepted fixed deposits from the public during the year under consideration.

Particulars of Employees

As required under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars are set out separately, which forms part of this report.

Auditors

The auditors M/s. D.G. Kurundwadkar retire at forthcoming Annual General Meeting. They have offered themselves for re-appointment and have confirmed their eligibility under Section 224(1B) of the Companies Act, 1956. You are requested to re-appoint the auditors to hold office from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings And Outgo

The particulars prescribed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out separately, which forms a part of this report.

Acknowledgements

Your directors extend their gratitude to customers, alliance partners and employees for their continued valuable support. The unrelenting contribution made by our employees to ensure customer care deserves a special acknowledgement. Your directors place on record their appreciation for the excellent continued co-operation from Central & State governments, bankers, financial institutions, vendors and various government and non-government agencies including SEBI, Stock Exchanges, Registrar of Companies, DoE, STPI, RBI, NASSCOM, VSNL & others and look forward to their continued support in the future.

For and on behalf of the Board of Directors

Place: Mumbai
Date : 13th June, 2001

N. H. Kale
Chairman

V. P. Jain
Managing Director