



**ALLSEC
TECHNOLOGIES
LIMITED**



*Annual Report
2005 - 06*



Front elevation



B2K

Corporate Information**ALLSEC TECHNOLOGIES LIMITED****THE BOARD OF DIRECTORS**

Dr. Bala V. Balachandran	<i>Chairman</i>
Mr. T. Anantha Narayanan	<i>Director</i>
Mr. A. Saravanan	<i>Director & President</i>
Mr. A. Sankarakrishnan	<i>Director</i>
Mr. Vinod Ganjoor	<i>Director</i>
Mr. Dilipkumar B Patel	<i>Director</i>
Mr. N.S.Raghuram	<i>Alternate Director to Mr. Vinod Ganjoor</i>
Mr. N. Karthikeyan	<i>Alternate Director to Mr. Dilipkumar B Patel</i>
Mr. R. Jagadish	<i>Director & CEO</i>

MANAGEMENT TEAM

Mr. P. Swaminathan	<i>Chief Financial Officer</i>
Mr. R. Vaithyanathan	<i>Vice President - Operations</i>
Mr. B. Sathya Seelan	<i>Vice President - HR</i>
Mr. Arun P Sowdas	<i>GM - Technology</i>
Mr. C. Mahadevan	<i>Head - HR BPO</i>

COMPANY SECRETARY

Mr. K.S Raghun

AUDITORS

S R Batliboi & Associates
Chartered Accountants,
Chennai.

BANKERS

- Canara Bank
- HDFC Bank Limited
- UTI Bank Limited

REGISTRARS & TRANSFER AGENTS

Karvy Computershare Private Limited,
Karvy House, 46, Avenue 4, Street No. 1,
Banjara Hills, Hyderabad – 500 034.

REGISTERED OFFICE

7H, Century Plaza, 560-562 Anna Salai,
Chennai – 600 018

CORPORATE OFFICE

46B, Velachery Main Road, Velachery,
Chennai – 600 042.

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Notice of Annual General Meeting



ALLSEC TECHNOLOGIES LIMITED

Notice is hereby given that the Seventh Annual General meeting of the Shareholders of **ALLSEC TECHNOLOGIES LIMITED** will be held at 11.00 A.M. on Monday the July 10, 2006 at Narada Gana Sabha, Mini Hall, 314, TTK Salai, Alwarpet, Chennai 600 018 to transact the following business;

Ordinary Business:

1. To consider and adopt the Balance Sheet as at 31st March 2006 and the Profit and Loss Account for the year ended 31st March 2006 along with the Schedules, the report of the Directors and Auditors thereon.
2. To declare a dividend on Equity Shares for the year ended March 31, 2006.
3. To appoint a Director in the place of Mr. R.Jagadish who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Dilipkumar B Patel who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution;

"RESOLVED THAT M/s. S. R. Batliboi & Associates, Chartered Accountants, the retiring auditors of the Company, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the company on such remuneration as may be decided by the Board of Directors plus reimbursement of actual travel and other out-of-pocket expenses"

Special Business

6. **To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution**

RESOLVED THAT Mr.A.Sankarakrishnan a Director who was appointed as an Additional Director and who holds office as such upto the date of Seventh Annual General Meeting of the Company and in respect of whom Notice under section 257 of the Companies Act, 1956 have been received from a member signifying the intention to propose Mr.A.Sankarakrishnan as a candidate for the office of Director of the Company be and is hereby appointed as a Director of the Company liable to retire by rotation".

7. **To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution**

RESOLVED THAT Mr.T.Anantha Narayanan a Director who was appointed as an Additional Director and who holds office as such upto the date of Seventh Annual

General Meeting of the Company and in respect of whom Notice under section 257 of the Companies Act, 1956 have been received from a member signifying the intention to propose Mr.T.Anantha Narayanan as a candidate for the office of Director of the Company be and is hereby appointed as a Director of the Company liable to retire by rotation".

8. **To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution.**

RESOLVED THAT in accordance with the provisions of Section 309(4) and other applicable provisions if any, of the Companies Act, 1956 consent of the Company be and is hereby accorded to payment of remuneration by way of Commission a sum not exceeding 1% of the net profits of the Company for a period of 3 years from 1st April 2006 to 31st March 2009 to Directors including Alternate Directors who are neither in the Whole-time employment of the Company nor the Whole time Director or Managing Director of the Company.

RESOLVED FURTHER THAT the manner and quantum of the aforesaid commission to be paid to each of the said Directors shall be decided by the Board of Directors / Compensation Committee from time to time.

9. **To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution**

RESOLVED THAT pursuant to the provisions of Section 81, 81(1A) and other applicable provisions, if any of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof) and in accordance with the provisions of the Memorandum and Articles of Association of the Company and the regulations /guidelines prescribed by SEBI or any other relevant authority, from time to time, to the extent applicable and subject to such approvals, consents, permissions and sanctions, as may be required and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, consents, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "**Board**" which term shall be deemed to include any Committee including the "Compensation Committee" or any "Sub Committee" thereof, constituted by the Board to exercise its powers, including the powers conferred by this resolution), consent of the Company be and is hereby accorded to the Board to create, issue, offer, allocate and allot equity shares of the face value of Rs.10/- each not exceeding in the aggregate 600000 in number and represented by a maximum of 600000 Options to or for the benefit of such eligible employees of the Company as may be determined by the Compensation Committee of the Company, from time to time, under a Scheme

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titled" Allsec Employees Stock Option Scheme 2006 (hereinafter referred to as ESOS 2006), in one or more tranches and on such terms and conditions as may be fixed or determined by the Board in accordance with the regulations / guidelines prescribed by SEBI or other provisions of the law as may be prevailing at that time.

RESOLVED FURTHER THAT to the extent permitted as per the existing provisions of law in this regard, all/ any equity shares resulting from the conversion of the Options to be allotted as an outcome of the above mentioned resolution shall, upon allotment, rank pari-passu in all respects inter se as also with the then existing Equity shares including dividend entitlement.

RESOLVED FURTHER THAT to determine all other terms and conditions for the purpose of giving effect to any creation, issue, offer, allocation, allotment or listing of equity shares representing the same, as described above, under ESOS 2006, the Board be and is hereby authorized on behalf of the Company to evolve, decide upon and bring into effect the ESOS 2006 and to make any modifications, changes, variations, alterations or revisions in the ESOS 2006 from time to time, not detrimental to the interests of the employees, or to suspend, withdraw or revive the ESOS 2006 from time to time as may be specified by any statutory authority and to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary or desirable for such purpose with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in this regard without being required to seek any further consent or approval of the members of the Company.

RESOLVED FURTHER THAT with regard to ESOS 2006, the Board be and is hereby authorized to delegate all or any of its powers to any Sub Committee consisting of one or more Officers/Directors of the Company and such Sub-Committee shall report periodically to the Board/Compensation Committee.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take necessary steps for listing of the shares allotted under ESOS 2006 on one or more recognized Stock Exchanges, in India or abroad, where the Company's shares are listed, as per the terms and conditions of the Listing Agreement with the Stock Exchanges concerned, and in accordance with such other guidelines, rules and regulations as may be applicable with regard to such listing of shares.

10. **To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution**

RESOLVED THAT pursuant to the provisions of Section 81, 81(1A) and other applicable provisions, if any of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof) and in

accordance with the provisions of the Memorandum and Articles of Association of the Company and the regulations / guidelines prescribed by SEBI or any other relevant authority, from time to time, to the extent applicable and subject to such approvals, consents, permissions and sanctions, as may be required and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, consents, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "**Board**" which term shall be deemed to include any Committee including the "Compensation Committee" or any "Sub Committee" thereof, constituted by the Board to exercise its powers, including the powers conferred by this resolution), consent of the Company be and is hereby accorded to the Board to extend the benefits of the "**Allsec Employee Stock Option Scheme 2006**" (hereinafter referred to as ESOS 2006), to the eligible employees of the **subsidiary companies**, existing and as and when formed, and/or to such other persons, as may from time to time be allowed under the prevailing laws, rules and regulations, and/or amendments thereto from time to time, on such terms and conditions as may be fixed or determined by the Board in accordance with the regulations / guidelines prescribed by SEBI or other provisions of the law as may be prevailing at that time.

RESOLVED FURTHER THAT to the extent permitted as per the existing provisions of law in this regard, all/ any equity shares resulting from the conversion of the Options to be allotted as an outcome of the above mentioned resolution shall, upon allotment, rank pari-passu in all respects interest as also with the then existing Equity shares including dividend entitlement.

RESOLVED FURTHER THAT to determine all other terms and conditions for the purpose of giving effect to any creation, issue, offer, allocation, allotment or listing of equity shares representing the same, as described above, under ESOS 2006, the Board be and is hereby authorized on behalf of the Company to evolve, decide upon and bring into effect the ESOS 2006 and to make any modifications, changes, variations, alterations or revisions in the ESOS 2006 from time to time, not detrimental to the interests of the employees, or to suspend, withdraw or revive the ESOS 2006 from time to time as may be specified by any statutory authority and to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary or desirable for such purpose with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in this regard without being required to seek any further consent or approval of the members of the Company.

RESOLVED FURTHER THAT with regard to ESOS 2006, the Board be and is hereby authorized to delegate

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all or any of its powers to any Sub Committee consisting of one or more Officers/Directors of the Company and such Sub-Committee shall report periodically to the Board/Compensation Committee.

RESOLVED FURTHER, THAT the Board be and is hereby authorized to take necessary steps for listing of the shares allotted under ESOS 2006 on one or more recognized Stock Exchanges, in India or abroad, where the Company's shares are listed, as per the terms and conditions of the Listing Agreement with the Stock Exchanges concerned, and in accordance with such other guidelines, rules and regulations as may be applicable with regard to such listing of shares.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXIES NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.
2. Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956 is appended hereto.
3. The Register of Members of the Company and Transfer Books thereof will be closed from 7th July 2006 to 10th July 2006 (both days inclusive).
4. The dividend on equity shares, as recommended by the Board of Directors, if declared at this Annual General Meeting, will be paid to those shareholders whose names stand on the Register of Members after giving effect to all valid transfer deeds in physical form lodged with the Company on or before 6th July 2006 and in respect of shares held in the dematerialized form to those "deemed members" whose names appear in the

statements as furnished by the depositories for this purpose as at the end of the business hours on 6th July 2006. The dividend declared shall be paid within the prescribed time limit.

5. Members holding shares in **physical form** are requested to lodge transfer deeds, communications for change of address, mandates(if any) with the Company's Share Transfer Agents M/s. Karvy Computershare Private Limited, Unit Allsec, Karvy House, 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad 500 034, Phone: 91 40 23312454 on or before 6th July 2006.
6. The Securities and Exchange Board of India has made it mandatory for all companies to use the bank account details furnished by the depositories for payment of dividend through Electronic Clearing Service (ECS) to investors wherever ECS facility is available. Hence, the members holding shares in **dematerialised form** are requested to intimate all changes pertaining to their bank details, ECS mandates, power of attorney, change of address/name, etc., to their depository participant only and not to the Company's Registrar and Transfer Agent. Changes intimated to the depository participant will help the Company and its Registrars to provide efficient and better services to the Members.
7. The proxies appointed, should bring their attendance slips sent herewith, duly filled in, for attending the meeting.

By Order of the Board

Chennai,
28th April 2006

R.Jagadish
Director

Registered Office :

7H, Century Plaza, 560-562, Anna Salai,
Teynampet, Chennai 600 018



Annexure to Notice

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

For Item No.6

Mr.A.Sankar Krishnan was appointed as an Additional Director by the Board of Directors at their meeting held on 23rd July 2005. The Additional directors appointed shall hold office only up to the date of the next Annual General meeting of the Company. The Company has received a notice under Section 257 of the Companies Act, 1956 from a member of his intention to propose the candidature of Mr. A.Sankar Krishnan as Director of the Company liable to retire by rotation.

Hence the proposed resolution. The Directors recommend that the resolution be passed.

None of the Directors except Mr. A.Sankar Krishnan is concerned or interested in the resolution.

For Item No.7

Mr. T.Anantha Narayanan was appointed as an Additional Director by the Board of Directors at their meeting held on 20th October 2005. The Additional directors appointed shall hold office only up to the date of the next Annual General meeting of the Company. The Company has received a notice under Section 257 of the Companies Act, 1956 from a member of his intention to propose the candidature of Mr. T.Anantha Narayanan as Director of the Company liable to retire by rotation.

Hence the proposed resolution. The Directors recommend that the resolution be passed.

None of the Directors except Mr. T.Anantha Narayanan is concerned or interested in the resolution.

For Item No.8

The Non-executive directors of the Company are not paid any remuneration by the Company. In the present corporate scenario the independent directors of other companies are all paid remuneration by way of sitting fees, fixed Salary

and Commission etc.. Considering the contributions made by our non-executive directors so far and the efforts, responsibilities that are expected from them in the future, it is appropriate that the Non-executive Directors of the Company be paid commission for a period of 3 years from 1st April 2006 to 31st March 2009 as set out in the Special Resolution under item No.8 of the accompanying Notice.

The aforesaid payment does not amount to increase in remuneration within the meaning of Section 310 of the Companies Act, 1956.

The eligible directors may be deemed to be concerned or interested in the payment of Commission to them.

For Item No.9 & 10

Intellectual capital is a source of competitive advantage for organisations in most industries, especially for those in the services industry. The success of these organisations to a large extent depends on its ability to attract, retain and motivate its human resources. Stock options and similar other equity linked plans have been long recognised to be an effective tool in this regard.

With this in view, the Company proposes to launch an Employee Stock Option Scheme titled 'Allsec Employees Stock Option Scheme 2006' (hereinafter referred to as **ESOS 2006**) in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as the "**SEBI Guidelines**") and issue Options to eligible employees of the Company and its subsidiaries so as to attract and retain talent and remain competitive in the talent market and to strengthen interdependence between individual and organization prosperity. The ESOS 2006 will also enable the employees of the Company to participate in the long-term growth and financial success of the Company.

Accordingly, the approval of the shareholders is sought by way of resolution for issue of Options to the employees of the Company and its subsidiaries. The Board recommends the passing of the resolution as Special Resolution.

The salient features of the Scheme are set out below:

Total options to be allocated	6,00,000 options, each entitling the holder thereof to be issued and allotted one Equity Share of Rs. 10/- each in the Company.
Identification of classes of employees entitled to participate in the Scheme	Persons who are "employees" of the Company and subsidiaries, including Directors, as defined in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("SEBI Guidelines") (including any statutory modification(s) or re-enactment of the guidelines, for the time being in force), and as may be decided by the Board and or Compensation Committee (hereinafter referred to as "the Committee"), from time to time. As per the SEBI Guidelines an employee who is a promoter or belongs to the promoter group or a Director

Annexure to Notice



ALLSEC TECHNOLOGIES LIMITED

	<p>who holds directly or indirectly more than 10% of the equity shares of the Company, will not be eligible to participate in the Scheme</p>
Requirements of vesting and period of vesting	<p>Vesting of options will commence after a minimum period of 1 year from the date of grant of options.</p> <p>The vesting period would be 2 years as given below:</p> <ul style="list-style-type: none"> • 50% of the Options – One year from the date of the offer/grant • 50% of the Options – Two years from the date of the offer/grant <p>The vesting may occur in tranches, subject to the terms and conditions of vesting, as may be stipulated by the Committee, in its absolute discretion, and which may include performance appraisal of the employee and achievements of other performance or other milestones.</p>
Maximum period within which the options shall be vested	<p>The options shall vest with a maximum period of two years from the date of offer/grant of options.</p>
Exercise Price or pricing formula of options	<p>15% discount to the prevailing market price. For this purpose, "Market Price" means the latest available closing price, prior to the date of the meeting of the Board of Directors in which options are granted, on the stock exchange on which the shares of the Company are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date shall be considered.</p>
Exercise Period and the process of exercise	<p>Options can be exercised within the exercise period of 60 months from the date of offer/grant by paying in full the stipulated exercise price per share.</p> <p>The options shall become exercisable in part or whole, but within the overall exercise period permitted under the Scheme.</p>
Appraisal Process for determining the eligibility of employees to the Scheme	<p>The appraisal process for determining the eligibility of the employees will be specified by the Committee, and will be based on criteria such as the seniority of the employee, length of service, performance record, merit of the employee, and/or any such other criteria that may be determined by the Committee at its sole discretion.</p>
Maximum number of options to be issued per employee and in aggregate	<p>The maximum number of options granted to any one employee in a year will not be equal to or exceed 1% of the issued equity share capital of the Company at the time of granting the Option. As such, it is proposed that options not exceeding 6,00,000 equity shares of Rs.10/- each in the aggregate can be granted under ESOS 2006.</p>



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Method which the Company shall use to value its options	The Company shall use the fair value to value its options.
Corporate Action	The number of options granted and/or the exercise price will be proportionately adjusted in the event of corporate actions such as bonus issues, rights issues, merger and amalgamations, demerger and all such actions which may call for proportionate adjustment in the number of options and/or the Exercise Price.
Accounting Policy	The Company shall conform to the accounting policies specified in Clause 13.1 of the SEBI Guidelines.

Subject to the approval of the stock exchanges, the relevant equity shares issued on the exercise of the options shall be listed on the stock exchanges. None of the Directors of the Company are interested or concerned in the passing of the resolution.

It is clarified that 6,00,000 Equity Shares to be issued under the Scheme include shares to be granted to employees of the subsidiary companies existing and as and when formed and/or to such other persons as may be allowed under law.

The Board recommends the resolution for the approval of the Members of the Company.

Information required as per the Listing Agreement/Companies Act, 1956

For Item No.3 & 4

The Profile of Directors retiring by rotation namely Mr.R.Jagadish and Mr.Dilipkumar B Patel is provided below:

Mr. R.Jagadish aged 44 is a Qualified Chartered Accountant from India and a Management Accountant from the Institute of Management Accountants, London. He has over 18 years of experience in Enterprise creation and corporate Management, which he has effectively used whilst being the co-promoter of the Allsec Group of Companies. He has been managing the operations of the Allsec Group of Companies for 13 years and has handled departments like merchant banking, investment banking, treasury operations, portfolio management and debt syndication. Prior to setting up the Allsec Group of Companies, he worked for Ashok Leyland for four years in various departments including management information systems, budgets and planning & treasury. As the Chief Executive Officer and Whole Time Director, he is responsible for the day to day operations of the Company.

He is also on the Board of Allsectech Inc, B2k Corp Pvt. Ltd the wholly owned subsidiaries and Allsec Agencies Pvt. Ltd an associate company.

The Reappointment of Mr. R.Jagadish retiring by rotation will not alter terms of his appointment and the original terms of his appointment as Whole Time Director approved by

the shareholders of the Company in the Annual General Meeting held on 23rd July 2005 remains unchanged.

Mr. Dilipkumar B Patel aged 57 has a Bachelor of Science degree in Engineering from the University of Portsmouth, England and Master of Science in Engineering from Columbia University, NY, USA. Mr. Dilipkumar B Patel worked at Bell Labs for more than 27 years. He joined Bell Labs as an individual technical contributor and went on to become Director - CRM -IVR R&D programs. His responsibilities included business analysis, strategy planning and implementation, general and program management, technical management and operations management across a broad range of products within Lucent Bell Labs. From 1996 until 1997, he was the Managing Director of the Tata/Lucent joint venture in India and managing director of the first Bell Labs in India at Pune. He received various awards while at Lucent, including Lucent GROWS and Lucent Trailblazer Awards, for successfully operationalising the Tata/Lucent joint venture and achieving superior sales results, Jon Wiese International VP Award for Business Excellence, Trailblazer Award for setting up the first Bell Labs R&D Facility in India and CTO Golden Pyramid Award for excellence in software development. Mr. Dilipkumar B. Patel has vast experience in the use of technology in the customer services industry having been involved in research and development, product development and other technology areas including development of the computer telephony industry. Mr.Dilipkumar B Patel holds 10,000 equity shares in the Company issued under the ESOP 2004.

For Item No 6 & 7

The Profile of Directors namely Mr. A.Sankarakrishnan and Mr. T.Anantha Narayanan is provided below:

Mr. A.Sankarakrishnan aged 63 is a graduate from Guindy Engineering College, Chennai. He joined as Graduate Engineer in India Pistons Limited a leading automatic ancillary manufacturing industry in the year 1965. Elevated as Executive Director in India Pistons Limited in the year 1984. Joined as Managing Director in Kone Elevator India Pvt. Ltd., a leading manufacturing industry, a wholly owned