



LANCO
Global Systems

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Lanco Global Systems Ltd.

SECOND ANNUAL REPORT

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LANCO GLOBAL SYSTEMS LIMITED
BOARD OF DIRECTORS

Mr.L.Rajagopal	Chairman
Mr.L.Madhusudhan Rao	Director
Mr.Suresh Chukkapalli	Director
Mr.M.N.Nambiar	Director
Mr.V.K.Srinivasan	Director
Mr.Prasad Rao VDM Ravella	Director
Dr.Kilaru Hanumantha Rao	Director
Mr.Alyque Padamsee	Director (up to 27-07-2001)
Mr.P.V.Subrahmanyam	CEO & Director (up to 15-06-2001)

Dy. GENERAL MANAGER
(Finance & Accounts)

Mr. Y. Srinivasa Rao

COMPANY SECRETARY

Ms. Susmita Dash

AUDITORS

 M/s.Mogili Sridhar & Co.,
Chartered Accountants
6-3-655/2/3, 1st Floor
Somajiguda
Hyderabad - 500 082.

REGISTERED OFFICE

 "LANCO HOUSE"
141, Avenue # 8, Banjara Hills
Hyderabad - 500 034
Andhra Pradesh, India.

**SOFTWARE DEVELOPMENT
CENTRE & CORPORATE OFFICE**

 LANCO Global Systems Ltd.
8-3-993, Lanco Towers
Srinagar Colony,
Hyderabad - 500 073

BANKERS TO THE COMPANY

- | | |
|---|---|
| 1. Global Trust Bank Limited
S.D.Road, Secunderabad. | 2. Bank of Baroda,
M.G.Road, Secunderabad. |
|---|---|

**REGISTRAR &
SHARE TRANSFER AGENT**

 Aarthi Consultants Pvt. Ltd
1-2-285, Domalguda,
Hyderabad - 500 029

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NOTICE

NOTICE is hereby given that the Second Annual General Meeting of Members of the Company will be held on Friday, the 28th day of September, 2001 at 3.00 P.M. at Hotel Green Park, Greenlands, Begumpet, Hyderabad - 500 016 to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Balance Sheet of the company as on 31-03-2001 and Profit And Loss Account for the year ended on that date along with the Directors' Report and Auditor's Report thereon.
2. To appoint a Director in place of Mr. L. Rajagopal who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Suresh Chukkapalli who retires by rotation and being eligible, offers himself for re-appointment.
4. To reappoint the Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting .The present Auditors M/s. Mogili Sridhar & Co., Chartered Accountants, Hyderabad retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution**:

"RESOLVED that Dr. Kilaru Hanumantha Rao be and is hereby appointed as Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation."

6. To consider and if thought fit, to pass with or without modification(s) the following resolution as a **Special Resolution**:

"RESOLVED that pursuant to the provisions of Sec.163 of the Companies Act, 1956, the Company hereby approves that the register of members and share transfer books, instead of being kept at the registered office of the Company, be kept at the office of the Company's Registrar and Share Transfer Agent, M/s. Aarthi Consultants Pvt Limited, Hyderabad and other statutory registers be kept at the Corporate Office situated at 8-3-993, Lanco Towers, Srinagar Colony, Hyderabad."

By order of the Board of Directors

Place: Hyderabad

Date: 27-07-2001

SUSMITA DASH

COMPANY SECRETARY

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on poll, instead of himself. The proxy need not be a member of the Company.
2. Proxies, in order to be effective, must be received at the Registered Office of the company, not later than 48 hours before the commencement of the meeting.
3. The Register of the members and Share transfer books will remain closed from 22nd September 2001 to 28th September 2001 (both days inclusive).
4. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of special business is annexed hereto.



LANCO GLOBAL SYSTEMS LIMITED

5. Members/ Proxies are requested to bring their copies of Annual Report to the meeting and the attendance slip duly filled in for attending the meeting.
6. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their queries to the Company atleast seven days before the date of the meeting, so that the information required by them may be made available at the meeting.
7. The shareholders are requested to intimate immediately any change in the address registered with the Company. Shareholders holding shares in identical order of names in more than one folio are requested to write to the Company enclosing the share certificates to enable the Company to consolidate their holding in one folio.
8. Trading in the equity shares of the Company is compulsorily in dematerialised form for all investors. The ISIN (International Securities Identification Number) allotted to the Company's equity shares is INE425B 01019.
9. The members who hold shares in dematerialised form are requested to bring their client ID and DPID numbers for easy identification of attendance at the meeting.
10. Members are requested to send all communications relating to shares to the Company's Share Transfer Agents (physical and electronic) at the following address:

Aarthi Consultants Pvt. Limited
(Unit: Lanco Global Systems Ltd)
1-2-285, Domalguda, Hyderabad - 500 029.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 5

Dr. Kilaru Hanumantha Rao was appointed as Additional Director of the Company by the Board at its meeting held on 17th December, 2000 under Section 260 of the Companies Act, 1956 and he holds office as Director upto the date of the ensuing Annual General Meeting. In this regard, the company has received a notice under section 257 of the Companies Act 1956 from a shareholder along with the requisite deposit signifying his intention to propose Dr. Kilaru Hanumantha Rao for the office of the Directors.

None of the Directors except Dr. Kilaru Hanumantha Rao to the extent of his appointment is interested in this resolution.

The resolution is placed before the members for their consideration and approval.

ITEM NO 6

In July 2000 the Company issued 26,70,000 equity shares of Rs. 10/- each for cash at par aggregating Rs. 2,67,00,000/- with the result that the Company has to now keep the register of members and share transfer books at the office of its Registrar and Share transfer agent that is AARTHI CONSULTANTS PRIVATE LIMITED and other statutory registers in the Corporate Office of the Company at 8-3-993, Lanco Towers, Srinagar Colony, Hyderabad -73.

Since maintenance of register of the members, share transfer books and other statutory registers at a place other than the Registered office requires the approval of shareholders by way of passing the Special Resolution as set out at Item No 6 of the notice is recommended to the shareholders for their approval.

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An advance copy of the special resolution set out under Item No 6 of the Company's Notice, and which is proposed to be passed at this meeting has been delivered at the Office of the Registrar of Companies, Andhra Pradesh, Hyderabad, as required by the said section 163.

None of the Directors is concerned or interested in the passing of this resolution.

**ADDITIONAL INFORMATION ON DIRECTORS
RECOMMENDED FOR APPOINTMENT/RE-
APPOINTMENT AT THE ENSUING ANNUAL
GENERAL MEETING.**

Mr. L. Rajagopal

Mr.L.Rajagopal, (37) Mechanical Engineer (B.Tech) is one of the promoters of the LANCO Group that has an asset base of US\$ 350 million (RS. 1600 Crore). He is also the chairman of Lanco Infratech Limited, Lanco Kondapalli Power Private Limited, Lanco Net Limited, Lanco Kalahasthi Castings Limited and Lanco Solutions Inc, USA. He is Vice Chairman of Lanco Industries Limited and Managing Director of Third Millennium Investments Limited.

Mr. L.Rajagopal is also a Member of the Confederation of Indian Industry, Federation of Andhra Pradesh Chambers of Commerce & Industry, Builder's Association of India, Pig Iron Manufacturers Association of India, All India Manufacturers Association, All India Institute of Management and Indo German Chamber of Commerce.

Mr.L.Rajagopal promoted Lanco Infratech Ltd,(formerly Lanco Constructions Ltd) to undertake infrastructure and engineering projects such as Dams, Highways, Pipelines, High rise constructions,Roads & Bridges etc.

He also promoted and established Lanco Industries Ltd with a capacity to produce 90,000 TPA of Pig Iron in a record time of 11 months in 1994. A cement plant was set up in 1996 to produce 90,000 TPA. He promoted Lanco Kondapalli Power Private Limited, the only short gestation power project in Andhra Pradesh which commenced production in June 2000.

Mr. Suresh Chukkapalli

Mr. Suresh Chukkapalli, (39) is an Engineering Graduate. He was president of the Guntur District Automobile Association during 1990-93. He also served as a Member of Zonal Railway Users' Consultative Committee. He is currently a Member of Confederation of India Industry and Director on Board of Lanco Industries Limited, Lanco Projects Limited, Lanco Net Limited and Frontline Constructions Limited.

Dr.Kilaru Hanumantha Rao

Dr Kilaru Hanumantha Rao,(53) is a fellow Member of American College of Emergency Physicians .He is one of the major investors in the Lanco Group Companies and is currently serving in various hospitals in the United States. Dr.Kilaru Hanumantha Rao is a visiting faculty in Provena Saint Joseph Medical Center and served as President of Kurnool Medical College Alumni of North America from 1986-1991.

By order of the Board of Directors

Place: Hyderabad

Date: 27-07-2001

SUSMITA DASH
COMPANY SECRETARY



LANCO GLOBAL SYSTEMS LIMITED

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Second Annual Report along with the audited accounts of the company for the Year Ended 31st March, 2001.

(Rupees in Lakhs)

FINANCIAL RESULTS	2000-2001	1999-00
Turnover	317.42	4.35
Other Income	16.40	—
Depreciation	25.67	0.03
Operating & Admin Exp.	76.52	1.29
Preliminary Exp.	4.54	0.07
Net Profit	9.62	0.95

The year 2000-2001 has been a very significant year for the IT industry in India. Most IT companies including your company have been dependent on business inflows from the US. The slowdown in the US economy has therefore affected Indian IT companies. Most companies in the US have deferred their investments in IT and have also become very price sensitive. Revenues from onsite placements have fallen, as these companies are preferring to outsource their projects directly. This has called for a shift in the marketing initiatives. It has also created a situation wherein IT companies in India have cut down on their Human Resources and staffing and have initiated measures to control expenses. It has become imperative for Indian IT companies to look for and develop new markets like Europe, Middle East etc.

PERFORMANCE REVIEW

The Company has been primarily involved in offering Information Technology solutions, products and services. During the year the company could generate revenues of Rs.317.42 Lakhs and a net profit of Rs.9.62 Lakhs. This year too, LGSL's focus was on building up a good management team and hiring of skilled resources in its areas of expertise. The company

also made efforts to step up marketing efforts in USA and UK and also succeeded in bagging new projects from clients, predominantly in the US. The company successfully developed and beta tested two products developed internally - LANCOPAY, a utility bill payment system and Hyper LANCO, a knowledge management tool. The company is looking at marketing these products in the domestic markets primarily. During the year the company bagged new software development projects from companies such as Metalogic Solutions, Inc, Revlon, World Fuel Services Corporation, Stam, Inc., etc. The company has also initiated discussions with a number of premier IT companies to explore possibilities of joint ventures and thereby enhance market reach.

FIXED DEPOSITS

The company has not accepted any deposits so far. There was no deposit that was claimed and remained unpaid by the Company as on 31st March, 2001.

DIRECTORS

During the Year Dr. Kilaru Hanumantha Rao was appointed as Additional Director whose term will come to an end at the ensuing Annual General Meeting unless appointed as Director by the shareholders. In this regard, the company has received a notice is under section 257 of the Companies Act, 1956 from a shareholders along with the requisite deposit signifying his intention to propose Dr. Kilaru Hanumantha Rao for the office of Directors.

Mr. P.V.Subrahmanyam who was the CEO & Director during the year under report resigned subsequently from the services of the Company and the Board accepted the same w.e.f. 15th June, 2001. Your Directors are in the process of identifying a suitable person for the vacated post.

Mr. L. Rajagopal and Mr. Suresh Chukkapalli, Directors retire by rotation and being eligible offer themselves for re-appointment. Your Directors recommend their re-appointment.

2nd Annual Report 2000-2001**AUDITORS**

M/s Mogili Sridhar & Co, Chartered Accountants, Hyderabad will retire at the conclusion of the forthcoming Annual General Meeting and have confirmed their eligibility and willingness to accept the Office for the financial year 2001-2002, if re-appointed.

DIRECTORS' RESPONSIBILITY STATEMENT:

Your Directors wish to state as per Sub-section 2AA of Section 217 of the Companies Act, 1956

- (i) That in the preparation of the annual accounts for the year ended March, 31st 2001, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- (ii) That 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 or loss of the company for that period;
- (iii) 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;
- (iv) That the directors had prepared the annual accounts on a going concern basis.

EMPLOYEE STOCK OPTION PLAN:

The Company has created an Employee Welfare Trust by name "LANCO FOUNDATION" to implement the Employee Stock Option Plan and allotted 9,90,650 shares

to the Trust. The following are the details of Stock Options granted etc.

- Options granted - 100502
- The pricing formula - Market price on the date of joining
- Options Vested - 0
- Options exercised - 0
- Total No. of Options in force - 100502
- Employee wise details of options granted to senior Managerial personnel: 80000

COMPLIANCE OF CODE OF CORPORATE GOVERNANCE AS PER CLAUSE 49 OF THE LISTING AGREEMENT.**1. Company's Philosophy on Corporate Governance:**

Your Company believes that Corporate Governance is a continuous process of accountability to the various intermediaries involved, wherein the company's core promoters and its Associates accept the responsibilities that come with ownership. The company also believes that it has a responsibility to the society, of which it is an integral part. As part of this belief, your company will be transparent and accessible to the investors and general public.

2. Composition and Category of Directors:

To have a more professional outlook, your Company is having more number of Independent Directors than promoter Directors. There are 4 promoter directors and 5 independent Directors. The Chairman is also a Non-Executive Director.