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**Lanco Global Systems Limited**  
**FIFTH ANNUAL REPORT**  
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## LANCO GLOBAL SYSTEMS LIMITED

### BOARD OF DIRECTORS

Sri L. Madhusudhan Rao	Chairman & Whole-time Director
Sri Suresh Chukkapalli	Vice Chairman
Sri G. Bhaskara Rao	Director
Sri Y. Harish Chandra Prasad	Director
Sri M.N. Nambiar	Director
Sri V.K. Srinivasan	Director
Dr Prasada Rao VDM Ravella	Director
Dr Kilaru Hanumantha Rao	Director

### COMPANY SECRETARY

Sri C. Krishnakumar

### GENERAL MANAGER (Finance & Accounts)

Sri Y. Srinivasa Rao

### AUDITORS

M/s Mogili Sridhar & Co.,  
Chartered Accountants,  
6-3-655/2/3, 1<sup>st</sup> Floor,  
Somajiguda,  
Hyderabad-500 082.  
Andhra Pradesh, India.

### REGISTERED OFFICE

"LANCO HOUSE",  
141, Avenue # 8, Road # 2,  
Banjara Hills, Hyderabad-500 034.  
Andhra Pradesh, India.

### SOFTWARE DEVELOPMENT CENTRE & CORPORATE OFFICE

"Lanco Towers", 8-3-993,  
Srinagar Colony,  
Hyderabad-500 073.  
Andhra Pradesh, India.

### BANKERS TO THE COMPANY

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

### REGISTRARS & SHARE TRANSFER AGENTS

M/s. Aarhi Consultants Private Limited  
1-2-285, Domalguda,  
Hyderabad-500 029.  
Andhra Pradesh, India.

## 5th Annual Report 2003-2004

### NOTICE

Notice is hereby given that the Fifth Annual General Meeting of the Members of Lanco Global Systems Limited will be held at 3.00 P.M on Tuesday, the 28<sup>th</sup> September, 2004, at Surana Udyog Auditorium, The Federation of Andhra Pradesh Chambers of Commerce and Industry, Federation House, 11-6-841, Red Hills, P.B.14, Hyderabad, to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet of the Company as on 31<sup>st</sup> March, 2004 and the Profit and Loss Account for the year ended on that date along with the Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Dr Prasada Rao VDM Ravella, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sri M.N. Nambiar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sri V.K. Srinivasan, 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 the following Resolution as an Ordinary Resolution:

"WHEREAS a Special Notice has been received pursuant to Section 225(1) of the Companies Act, 1956 from a Shareholder for the appointment of M/s. P.Murali & Co., Chartered Accountants, in place of the retiring Auditors, namely M/s. Mogili Sridhar & Co., Chartered Accountants.

NOW THEREFORE IT IS RESOLVED THAT M/s. P.Murali & Co., Chartered Accountants, Hyderabad be and are hereby appointed as the Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at remuneration as may be decided by the Board of Directors of the Company."

### SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to Section 269 and Schedule XIII to the Companies Act, 1956, the Re-appointment of Sri L. Madhusudhan Rao as a Whole-time Director of the Company for a period of 1 year, with effect from 27<sup>th</sup> January, 2004, on remuneration of Rs. 10,000/- per month be and is hereby approved."

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

"RESOLVED THAT pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 consent of the Company be and is hereby accorded to the Board of Directors of the Company for mortgaging / charging in favour of Bank(s) / Financial Institution(s) / other lender(s) all the immovable and movable properties of the Company both the present and future and the whole of the undertaking of the Company or such of them as may be agreed to between the Board of Directors and the said lender(s) to secure the Loans borrowed or to be borrowed from the said lender(s)."

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to finalize the terms and conditions for creating the aforesaid mortgages and / or charges and to do all such acts, things and deeds as may necessary in this regard."

By Order of the Board  
For LANCO GLOBAL SYSTEMS LIMITED

Place : Hyderabad.  
Date : 29.07.2004.

C. KRISHNAKUMAR  
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 instead of himself/herself and the proxy need not be a member of the Company.
2. The Proxy form is enclosed, which should be deposited at the Registered Office of the Company duly completed and signed not later than 48 hours before commencement of the meeting.
3. The Register of Members and Share Transfer Books of the Company will be closed from Saturday, the 25<sup>th</sup> September, 2004 to Tuesday, the 28<sup>th</sup> September, 2004 (both days inclusive).
4. Members are requested to inform the change of address if any, to the Share Transfer Agents (physical and electronic), M/s. Aarthi Consultants Private Limited, (Unit: Lanco Global Systems Ltd), 1-2-285, Domalguda, Hyderabad - 500 029.
5. Shareholders seeking any information with regard to accounts are requested to write to the Company at an early date so as to enable the management to keep the information ready.
6. 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

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

#### Item No. 6

The Board of Directors at the Meeting held on 16<sup>th</sup> January, 2004, re-appointed Sri L. Madhusudhan Rao as Whole-time Director of the Company u/s 269 of the Companies Act, 1956 and Schedule XIII to the Companies Act, 1956, with effect from 27-01-2004 for a period of 1 year with remuneration of Rs.10,000/- per month, subject to the approval of Members in the 5<sup>th</sup> Annual General Meeting.

Except Sri L. Madhusudhan Rao none of the Directors is interested or concerned in the said resolution.

#### Item No. 7

The Company has plans to expand the business activity substantially. The activity planned, requires, investments in creating and strengthening the infrastructure and other facilities and also Working Capital facilities.

In that context, the Company may need to approach Banks and Financial Institutions for obtaining Term Loans and Working Capital facilities. To securitize the loans granted, the Company will be required to mortgage / charge its Assets / undertaking in favour of the lender(s). To enable the Board of Directors to do so the approval of the Members in a General Meeting under Section 293(1)(a) of the Companies Act, 1956 is required.

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

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

#### Dr Prasada Rao VDM Ravella

Dr Prasada Rao VDM Ravella (54) is an NRI Director. He took his Medical Degree from Guntur Medical College and General Practice Residency from Ravenswood Hospital, Chicago, IL, USA. He is a Member of American Medical Association, Chicago Medical Society. He holds State of Illinois Medical Licence and Drug Enforcement Agency Licence. From 1980 to 1995, he worked in different capacities in Lincoln West Hospital, Chicago, IL, USA.

#### Sri M.N. Namblar

Sri M.N. Namblar (64) as a Member of the Indian Revenue Service, served with distinction in the Income Tax department. He rose from the post of Asst./Dy. Commissioner of Income Tax, Mumbai to the positions of Under Secretary, Central Board of Taxes, New Delhi, Joint Commissioner - Income Tax, Regional Director - Staff Selection Commission - Western Zone, Additional Commissioner of Income Tax, Mumbai, Commissioner of

Income Tax culminating in his becoming the Chief Commissioner of Income Tax, Andhra Pradesh, Hyderabad. During his career in the Income Tax department, he was associated with various functions at different levels.

#### Sri V.K. Srinivasan

Sri V.K. Srinivasan (64) obtained his Master's Degree in Economics with specialization in "Structure and Problems of Indian Industry", and Labour Problems and Industrial Relations. He was awarded a Gold medal for performance in M.A. examinations.

As a Member of Indian Administrative Service, Sri Srinivasan, mainly served in the Finance and Planning and Industry departments in the initial years, before moving to Education and General Administration Departments of Andhra Pradesh Government in the later part of his career. As a Director in the Plan Finance Division, Ministry of Finance, Government of India he was mainly responsible for Plan Schemes, Capital Budgeting and Investment Appraisals of major projects in the Steel, Petroleum, Power and Heavy Engineering Industries in the Central Public Sector.

He has been a regular contributor to the Hindu and the Indian Express for over three decades and to the Economic Times (1965-85) and the Hindu Businessline (1990s). In his capacity as an Economist, Sri Srinivasan has been a regular invitee to the Union Finance Minister's Pre-Budget consultations.

#### Sri L. Madhusudhan Rao

Sri L. Madhusudhan Rao (38) did his M.Tech. (Mech. Design) and M.S. (Indl.Engg.) in U.S.A. He worked in Meadours Products of Michigan, Waggoner Brighten Corporation, Exotic Rubber & Plastics in U.S.A. He is the Chairman of Lanco Group of Companies. He is on the Board of Directors of Lanco Industries Ltd., Lanco Kondapalli Power Pvt. Ltd., Lanco Infratech Ltd., Clarion Power Corporation Ltd., Rithwik Energy Systems Ltd., Lanco Projects Ltd., Lanco Leasing & Investments Ltd., Lanco Group Services Ltd., Lanco Electric Utility Ltd., Lanco Net Ltd., Lanco Green Power Pvt. Ltd., Lanco Energy Pvt. Ltd., Aban Power Company Ltd., and Lanco Amarkantak Power Pvt. Ltd. He is a Member of prominent Industry and Business Associations.

By Order of the Board  
For LANCO GLOBAL SYSTEMS LIMITED

C. KRISHNAKUMAR  
COMPANY SECRETARY.

Place : Hyderabad.  
Date : 29.07.2004

## 5th Annual Report 2003-2004

### DIRECTORS' REPORT

To  
The Members,

Your Directors have pleasure in presenting the Fifth Annual report on the business and operations of the Company together with the Audited Accounts for the year ended 31<sup>st</sup> March, 2004.

(Rupees in lakhs)

FINANCIAL RESULTS	2003-2004	2002-2003
Income from Operations	287.73	278.07
Other Income	5.43	0.56
Gross Profit before Interest, Depreciation & Tax	79.01	91.69
<b>Less:</b> Interest	6.92	13.17
Depreciation	51.34	50.83
Provision for Tax	1.36	1.46
Profit after Tax	19.39	26.23
<b>Less:</b> Provision for Deferred Tax Liability	-	4.37
<b>Add:</b> Provision for Deferred Tax Asset	2.11	-
Profit after Deferred Tax	21.50	21.86
Balance Brought forward	64.07	43.15
Adjustment pertaining to earlier year	-	0.94
Profit Carried to Balance Sheet	85.57	64.07

During the current year, the Company has generated total revenue of Rs.287.73 Lakhs as against Rs.278.07 Lakhs in the previous year. The profit after deferred tax during the current year is Rs.21.50 Lakhs as against Rs.21.86 Lakhs in the previous year.

### DEVELOPMENTS DURING THE YEAR

#### Voluntary Delisting of the Equity Shares of the Company on the Ahmedabad Stock Exchange.

Consequent to the Special Resolution passed in the last Annual General Meeting, the Company applied to the Stock Exchange, Ahmedabad for Voluntary Delisting the Equity Shares of the Company on that Exchange.

The Ahmedabad Stock Exchange vide their Letter Ref. No.ASE/2004/4044, dated 04.03.2004 approved the Voluntary Delisting of the Equity Shares of the Company on the Stock Exchange, Ahmedabad with effect from 18.03.2004.

### DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Dr Prasada Rao VDM Ravella, Sri M.N. Nambiar and Sri V.K. Srinivasan, Directors retire by rotation and being eligible, offer themselves for re-appointment.

### DEPOSITS

The Company has not accepted deposits falling within the provisions of Section 58A of the Companies Act, 1956 read with Companies (Acceptance of the Deposits) Rules, 1975 during the year under review.

### AUDITORS

The retiring auditors, namely, M/s. Mogili Sridhar & Co., have given a notice in writing of their unwillingness to be re-appointed and a Special Notice in terms of Section 190 of the Companies Act, 1956 read with Section 225 of the Companies Act, 1956 has been received from a Shareholder proposing the appointment of M/s. P. Murali & Co., as the Auditors in place of the retiring auditors. The Company has forthwith communicated to the retiring auditors the Special Notice and the retiring auditors have made no representations in the matter. A written certificate has been obtained from M/s P.Murali & Co., Chartered Accountants to the effect that in case of their appointment as Auditors of the Company, the appointment will be in accordance with the limits prescribed under Section 224 (1B) of the Companies Act, 1956.



### **PARTICULARS REGARDING CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS, AND OUTGO.**

Information pursuant to Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, are as follows:

#### **CONSERVATION OF ENERGY**

Not Applicable

#### **RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION**

Nil

#### **FOREIGN EXCHANGE EARNINGS AND OUTGO**

Foreign Exchange Earnings : Rs. 259.30 Lakhs

Foreign Exchange outgo : Rs. 0.90 Lakhs

#### **PARTICULARS OF EMPLOYEES**

The information required to be published under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended is NIL.

#### **REPORT ON CORPORATE GOVERNANCE**

Corporate Governance report is set out as Annexure to this Report.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

Your Directors hereby confirm:

1. that in preparation of annual accounts containing financial statements for the year ended 31<sup>st</sup> March 2004 the applicable accounting standards have been followed.
2. that the accounting policies are consistently followed and your Directors have applied them to give a true and fair view of the state of affairs of the Company and the profit/loss for that period.

3. that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. the annual accounts have been prepared on a going concern basis.

#### **ACKNOWLEDGEMENTS**

Your Directors would like to express their grateful appreciation for the assistance and cooperation received from the Banks, the Government Authorities and Shareholders during the year under review. Your Directors wish to place on record their sense of appreciation for the sincere services of the all employees of the Company.

#### **FOR AND ON BEHALF OF THE BOARD**

**L. MADHUSUDHAN RAO**  
CHAIRMAN &  
WHOLE-TIME DIRECTOR

**G. BHASKARA RAO**  
DIRECTOR

Place : Hyderabad,  
Date : 29.07.2004.

**5th Annual Report 2003-2004****REPORT ON CORPORATE GOVERNANCE****I. MANDATORY REQUIREMENTS****1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

The basic philosophy of corporate governance of the company is to achieve business excellence and enhance shareholder value keeping in view the interest of all stake-holders. The company stands by transparency in all its dealings and strict regulatory compliance.

**2. BOARD OF DIRECTORS**

(i) *The details of the Directors on the Board of the Company for the year 2003-2004 are given below:*

Name	Category	Designation	Number of membership in Boards of other Public Companies	Only Chairmanship in Committees of Boards of Other Companies	Only Membership in Committees of Boards of Other Companies
Sri L. Madhusudhan Rao	Executive	Chairman & Whole-time Director	10	NIL	2
Sri Suresh Chukkapalli	Non-Executive Independent	Vice Chairman	4	NIL	NIL
Sri G. Bhaskara Rao	Non-Executive	Director	10	5	5
Sri Y. Harish Chandra Prasad	Non-Executive	Director	5	2	5
Sri M.N. Nambiar	Non-Executive Independent	Director	NIL	NIL	NIL
Sri V.K. Srinivasan	Non-Executive Independent	Director	NIL	NIL	NIL
Dr Prasada Rao VDM Ravella	Non-Executive Independent	Director	2	NIL	NIL
Dr Kilaru Hanumantha Rao	Non-Executive Independent	Director	NIL	NIL	NIL

**(II) Meetings & Attendance during the year**

5 Board Meetings were held during the year 2003-2004. The dates on which the Meetings were held are as follows:

16.04.2003, 30.07.2003, 18.10.2003, 16.01.2004 and 25.03.2004.

The attendance of each Director at Board Meetings during the year 2003-2004 and the last AGM is given below:

Name	Number of Board Meetings attended	Attendance at the last A.G.M.
Sri L. Madhusudhan Rao	3	Yes
Sri Suresh Chukkapalli	5	Yes
Sri G. Bhaskara Rao	5	Yes
Sri Y. Harish Chandra Prasad	2	Yes
Sri M.N. Nambiar	4	No
Sri V.K. Srinivasan	4	Yes
Dr Prasada Rao VDM Ravella	1	No
Dr Kilaru Hanumantha Rao	NIL	No

Agenda papers along with detailed notes were circulated to the Directors in advance for each of these meetings. All relevant information, as recommended by the SEBI Committee on Corporate Governance as well as items required under Clause 49 of the Listing Agreement were placed before the Board from time to time.

None of the non-executive directors has any pecuniary or material relationship or transaction with the Company.

**3. AUDIT COMMITTEE****(I) Brief descriptions of terms of reference**

The Audit Committee consists of only Non-Executive Independent Directors and discharges all the responsibilities statutorily prescribed.

The functions of the Audit Committee include:-

Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

Recommending the appointment and removal of external auditor, fixation of their audit fee and also approval for repayment for any other services.

Reviewing with management the quarterly and annual financial statements before submission to the Board.

Reviewing the adequacy of Internal Control Systems and Internal Audit Reports, and their compliance thereof etc.

## 5th Annual Report 2003-2004

### (II) Composition

The Audit Committee comprises of the following Four Non-Executive Independent Directors.

Sri M.N. Nambiar	-	Chairman
Sri Suresh Chukkapalli	-	Member
Dr Prasada Rao VDM Ravella	-	Member
Sri V.K. Srinivasan *	-	Member

\* Sri V.K. Srinivasan has been appointed as a Member of Audit Committee effective April 16, 2003.

### (III) Meetings & Attendance during the year

5 Audit Committee Meetings were held during the year 2003-2004. The dates on which the Meetings were held are as follows:

16.04.2003, 30.07.2003, 18.10.2003, 16.01.2004 and 25.03.2004.

The attendance record of the Directors during the year 2003-2004 is given below:

Name	No. of Meetings held during the year	Number of Meetings attended during the year
Sri M.N. Nambiar	5	4
Sri Suresh Chukkapalli	5	5
Dr Prasada Rao VDM Ravella	5	1
Sri V.K. Srinivasan *	5	3

\* Appointed as Member with effect from 16.04.2003.

The Meetings of the Audit Committee were attended by the Head of Finance and Internal Auditors and Statutory Auditors as Invitees. The Quarterly and Annual audited financials of the Company were reviewed by the Audit Committee before consideration and approval by the Board of Directors. The Committee reviewed the adequacy of Internal Control Systems and Internal Audit Reports and the various compliances.

## 4. REMUNERATION COMMITTEE

### (I) Composition and terms of reference

The Remuneration Committee consists of the following three Non-Executive Independent Directors. Remuneration Committee determines Compensation and Benefits for Executive Directors.

Sri V.K. Srinivasan	-	Chairman
Sri M.N. Nambiar	-	Member
Sri Suresh Chukkapalli	-	Member

### (II) Attendance

The Remuneration Committee met once on 16.01.2004 and all the Members of the Remuneration Committee attended the same.