



LANCO
Global Systems Limited

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Lanco Global Systems Limited

**Eighth Annual Report
2006 -2007**

**BOARD OF DIRECTORS**

Shri L. Madhusudhan Rao	Chairman
Shri G. Bhaskara Rao	Director
Shri Y. Harish Chandra Prasad	Director (upto 23.10.2007)
Shri M.N. Nambiar	Director
Dr. Prasada Rao VDM Ravella	Director
Shri B. Anand	Alternate Director to Dr. Prasada Rao VDM Ravella
Shri Nagarjun Valluripalli	Director & C.E.O. (upto 20.06.2007)
Shri Y. Anand Swaroop	Director & C.E.O. (w.e.f. 20.06.2007)
Shri P.G.K. Murthy	Director (w.e.f. 20.06.2007)
Shri G. Ramesh	Director (w.e.f. 20.06.2007)

COMPANY SECRETARY

Shri K.V.R. Raju

VICE PRESIDENT (F&A)

Shri Y. Srinivasa Rao

AUDITORS

M/s P. Murali & Co.
Chartered Accountants
6-3-655/2/3, 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**

8-2-293/82/A/796/B,
Road No. 36, Jubilee Hills,
Hyderabad - 500 033.
Andhra Pradesh, India
Tel. : + 91-40-66990000
Fax : + 91-40-66994444
www.lgsglobal.com

BANKERS TO THE COMPANY

State Bank of India
Oriental Bank of Commerce
Andhra Bank

**REGISTRARS &
SHARE TRANSFER AGENTS**

Aarathi Consultants Private Limited
1-2-285, Domalguda,
Hyderabad - 500 029.
Andhra Pradesh, India.
Phone : + 91 - 40 - 27634445, 27638111, 27642217, Fax : +91-40-27632184
E-mail : info@aarathiconsultants.com



NOTICE

Notice is hereby given that the Eighth Annual General Meeting of the Members of Lanco Global Systems Limited will be held at 11.00 A.M. on Saturday, 29th December, 2007, at K L N Prasad Auditorium, The Federation of Andhra Pradesh Chambers of Commerce and Industry, Federation House, 11-6-841, Red Hills, Hyderabad-500 004, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet of the Company as on 31st March, 2007 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 Sri L. Madhsudhan Rao, 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 Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration. The present Auditors, M/s. P. Murali & Co., Chartered Accountants, Hyderabad retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

SPECIAL BUSINESS

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

"RESOLVED THAT Mr Y Anand Swaroop, who was appointed as an additional director in the board meeting held on 20th June, 2007 and who holds the office of director upto the date of the ensuing Annual General Meeting and in respect of whom a notice under Section 257 of the Companies Act, 1956 has been

received from a shareholder signifying his intention to propose Mr Y Anand Swaroop as a candidate for the office of director, be and is hereby appointed as a director.

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

"RESOLVED THAT Mr P G K Murthy, who was appointed as an additional director in the board meeting held on 20th June, 2007 and who holds the office of director upto the date of the ensuing Annual General Meeting and in respect of whom a notice under Section 257 of the Companies Act, 1956 has been received from a shareholder signifying his intention to propose Mr P G K Murthy as a candidate for the office of director, be and is hereby appointed as a director.

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

"RESOLVED THAT Mr G Ramesh, who was appointed as an additional director in the board meeting held on 20th June, 2007 and who holds the office of director upto the date of the ensuing Annual General Meeting and in respect of whom a notice under Section 257 of the Companies Act, 1956 has been received from a shareholder signifying his intention to propose Mr G Ramesh as a candidate for the office of director, be and is hereby appointed as a director.

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

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 consent of the members of the Company be and is hereby accorded to the appointment of Shri Y Anand Swaroop as Director & Chief Executive Officer of the Company for a period of 3 years effective from 20.06.2007 on the following terms and conditions.

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- a) Salary of Rs.3,00,000/- (Rupees Three Lakhs only) per month
- b) Contribution to Provident Fund as per the rules of the company
- c) Provision of Car and residential Telephone for Office use.

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

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the existing Articles of Association of the Company be altered in the manner following".

"The Second sentence in Article 83 shall be deleted".

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

"RESOLVED THAT the consent of the Company be and is hereby accorded to the Board of Directors under section 293 (1) (d) of the Companies Act, 1956 to borrow any sum or sums of moneys from time to time notwithstanding that the money or moneys to be borrowed, together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say reserves not set apart for any specific purposes, provided however, the total amount so borrowed shall not exceed Rs.200 crores (Rupees Two hundred crores only)."

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

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293 (1) (a) and other applicable

provisions, if any, of the Companies Act, 1956 for mortgaging and/or charging by the Board of Directors of the Company of all the immovable & movable properties of the Company wheresoever situate, both present and future, and whole of the undertaking(s) of the Company and/or conferring power to enter upon and to take possession of assets of the Company in certain events, to or in favour of any Institutions / Banks / Trustees for Debenture holders, Organizations, any other person, to secure Term Loans / Debentures / Deep Discount Bonds / Foreign Currency Convertible Bonds / working capital facilities and other facilities not exceeding Rs.300 crores (Rupees Three hundred crores only) (on first charge basis pari passu with other first charge holders, if any) sanctioned/ to be sanctioned/ lent and advanced/agreed to be lent and advanced / subscribed / to be subscribed by any Institutions/Banks/Organization / Public /any other person to the Company together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, up - front fees, premia on prepayment or on redemption, guarantee commission, remuneration payable to the trustees for the Debenture holders and/or other institutions, costs, charges, expenses and other monies including any increase as a result of devaluation/revaluation/fluctuation in the rates of exchange of foreign currencies involved payable by the company to Banks/ Institutions/ Trustees for the Debenture holders, Organisations, any other person under the loan agreements, debenture trust deeds/letters of sanction / other arrangements etc., entered into/to be entered into by the company in respect of the said term loans/debentures and other facilities.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with Banks/Institutions/ Trustees for the Debenture holders / Organisations, any other person the documents for creating aforesaid mortgage



and/or the charge and to do all such acts and things as may be necessary for giving effect to the above resolution".

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

"RESOLVED THAT, in accordance with the provisions of Sec. 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment or re-enactment thereof), Listing agreement entered in to with the Stock Exchanges and the Issue of Foreign Currency Convertible Bonds, Qualified Institution Placements and Ordinary Shares (through Receipt mechanism) Scheme, 1993 and subject to such approvals, consent, permissions, and/or sanctions, as may be necessary, from the Government of India (GOI), Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI) and/or any competent authorities and enabling provisions of the memorandum and Articles of Association of the Company and in accordance with the guidelines issued by the GOI, RBI, SEBI and / or any other competent authorities and clarifications thereof, issued from time to time and subject to all such approvals, permissions, consents and sanctions, as may be necessary and subject to such conditions and modifications, as may be prescribed or imposed by any of them, while granting such approvals, permissions, consents and sanctions, which the Board of Directors of the Company (hereinafter called "the Board" which term shall include any committee constituted / to be constituted by the Board for exercising the powers conferred on the Board) be and is hereby authorized to accept, if it thinks fit and proper in the best interest of the company and the consent of the company be and is hereby accorded to the Board to create, offer, issue and allot Foreign Currency Convertible Bonds (FCCB)/ American Depository Receipts (ADRs)/ Global Depository Receipts (GDRs)/

Singapore Depository Receipts (SDRs) and /or fully/partially convertible Bonds/ Debentures/ Loans and/or Depository Shares/Receipts and/or any other instruments/securities in the nature of Shares/ Debentures / Bonds and or warrants, naked or otherwise, convertible into shares or otherwise, either in registered or bearer forms, and /or any such securities convertible into equity shares of Rs.10/- each for cash at premium, or otherwise (hereinafter referred to as "Financial Instruments") or any combination of the financial instruments in the International/domestic market through Public Issue, Private Placement, Preferential Allotment, Qualified Institutional placement or through any other mode, as the case may be, from time to time in one or more tranches, whether in India or outside India, with or without premium, whether rupee denominated or denominated in any foreign currency, as may be deemed appropriate by the Board, to Indian Public, Members, promoters, strategic investors, employees, financial institutions, banks, mutual funds, foreign investors, non-resident Indians, foreign institutional investors, Qualified Institutional Buyers, multilateral agencies, venture capital funds, companies, other bodies corporate, other entities or any other person or one or more combinations thereof, on such terms and conditions (including pricing, rate of dividend, amount of premium, if any, at the time of conversions / redemption, manner of conversion/ redemption, conversion/redemption period and matters incidental thereto) as the Board may in its sole discretion decide so that the total amount to be collected by the company shall not exceed Rs.200 Crores.

"RESOLVED FURTHER THAT the above shares when issued shall rank *pari-passu* with the existing equity shares of the company in all respects except that they shall be entitled to pro-rata dividend from the date of allotment".

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"RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate to a committee of directors or any director or the managing director all or any of its powers or authorities or discretion vested in it in terms of this Resolution as permitted by law."

"RESOLVED FURTHER THAT the issue of the shares / securities shall be deemed to have been made in India/Abroad at the place of issue and shall be governed by the law of the country as applicable and the Board be and is hereby authorized to file such prospectus and other documents as may be required to be filed in India and/or foreign country or countries and to seek the listing of such securities in one or more International and/ or Indian Stock Exchanges".

"RESOLVED FURTHER THAT the board be and is hereby authorized to engage the services of, or appoint solicitors, advocates, legal advisors, merchant bankers, underwriters, guarantors, depositories, custodians and any such other agency (ies) to act as managers, lead managers or in any other capacity or to advise or to certify any matter relating to the Company's accounts or otherwise, on such terms as to remuneration by way of commission, brokerage, fees or otherwise as the board may in its absolute discretion deem appropriate".

"RESOLVED FURTHER THAT for the purposes of giving effect to the above resolution the Board be and is hereby authorized on behalf of the company to do all such acts, deeds matters and things, as it may at its discretion deem necessary or desirable for such purposes and to settle any question, difficulties or doubts that may arise in regard to any such issue or allotment as it may in its absolute discretion deem fit".

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

"RESOLVED THAT pursuant to Section 372A and all other applicable provisions, if any, of the Companies Act, 1956, and subject to such other approvals and consents, as may be necessary, consent of the Company be and is hereby accorded to the Board of Directors of the Company for investment of the Company's funds upto Rs.300 Crores to acquire Equity / Preference Shares, Instruments convertible into shares by way of subscription, purchase or otherwise, notwithstanding that the aggregate of the loans, investments so far made in or to be made in and the Guarantees or Securities so far given or to be given to all the Bodies Corporate may exceed the limits prescribed from time to time under the said Section.

FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary for obtaining approvals statutory, contractual or otherwise, in relation to such investment, to settle all matters arising out of and incidental thereto, and to sign and execute all deeds, applications, documents and writings that may be required to be signed, on behalf of the Company, in connection with such investment and generally to do all such acts, deeds and things that may be necessary, proper, expedient or incidental for the purpose of giving effect to the aforesaid resolution."

By Order of the Board
For LANCO GLOBAL SYSTEMS LIMITED

Place : Hyderabad,
Date : 01.12.2007.

K V R RAJU
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. Form of Proxy, 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, is enclosed.
3. The Register of Members and Share Transfer Books of the Company will be closed from Thursday, 27th December, 2007 to Saturday, the 29th December, 2007 (both days inclusive).
4. Members are requested to intimate the change of address if any, to the Share Transfer Agents, Aarthi Consultants Private Limited, (Unit: Lanco Global Systems Limited), 1-2-285, Domalguda, Hyderabad - 500 029, Andhra Pradesh, India. Members whose shareholding as in electronic mode are requested to send the intimation for change of address to their respective depository participants.
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. Members attending the Meeting are requested to complete and bring the attendance slip enclosed with the Annual Report and hand over the same, duly signed, at the entrance of the meeting hall.

Explanatory Statement Pursuant to section 173 (2) of the Companies Act, 1956

Item No. 5

During the year Mr Y Anand Swaroop had a long tenure of two decades of service with HCL Infosystems Limited and rose to the level of Vice President. Subsequent to that he worked as Executive Vice President of Indu Group. During the year, he has been appointed as an additional director of your company under Section 260 of the Companies Act, 1956 in the Board Meeting held on June 20, 2007. He shall hold the office of director upto the ensuing Annual General Meeting. A notice under section 257 of the Companies Act, 1956 has been received from a shareholder signifying his intention to propose the candidature of Mr Y Anand Swaroop for the office of Director. The approval of members is required for his appointment as Director.

Except Mr Y Anand Swaroop, being the proposed appointee, to the extent of his appointment, no other director of the company is interested or concerned in the resolution.

Item No. 6

During the year Mr P G K Murthy, a Fellow Member of The Institute of Chartered Accountants of India and The Institute of Company Secretaries of India and Former Managing Director Allbank Finance Limited, has been appointed as an additional director of your company under Section 260 of the Companies Act, 1956 in the Board Meeting held on June 20, 2007. He shall hold the office of director upto the ensuing Annual General Meeting. A notice under section 257 of the Companies Act, 1956 has been received from a shareholder signifying his intention to propose the candidature of Mr P G K Murthy for the office of Director. The approval of members is required for his appointment as Director.

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Except Mr P G K Murthy, being the proposed appointee, to the extent of his appointment, no other director of the company is interested or concerned in the resolution.

Item No. 7

During the year Mr G Ramesh, a great Athlete, Entrepreneur, Philanthropist and a founder President of Delhi Public School in Hyderabad, has been appointed as an additional director of your company under Section 260 of the Companies Act, 1956 in the Board Meeting held on June 20, 2007. He shall hold the office of director upto the ensuing Annual General Meeting. A notice under section 257 of the Companies Act, 1956 has been received from a shareholder signifying his intention to propose the candidature of Mr G Ramesh for the office of Director. The approval of members is required for his appointment as Director.

Except Mr G Ramesh, being the proposed appointee, to the extent of his appointment, no other director of the company is interested or concerned in the resolution.

Item No. 8

The Board of Directors at their Meeting held on 20th June, 2007 appointed Sri Y Anand Swaroop as Director and Chief Executive Officer of the Company for a period of 3 years with effect from 20.06.2007 with remuneration of Rs.3,00,000 per month plus Provident fund, car and residential telephone for official use, subject to the approval of Members in the General Meeting. Hence, this resolution requires the approval of members.

Except Sri Y Anand Swaroop, none of the Directors is interested or concerned in the said resolution.

As required under Schedule-XIII to the Companies Act, 1956, a Statement of information is given as follows:

STATEMENT OF INFORMATION FORMING PART OF THE EXPLANATORY STATEMENT AS REQUIRED UNDER SCHEDULE XIII TO THE COMPANIES ACT, 1956.

I. GENERAL INFORMATION:

- (1) Nature of industry Information Technology and Information Technology Enabled Services.
- (2) Date or expected date of commencement of commercial production.
Certificate of Commencement of Business was issued on 10.02.1999.
- (3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.
Not Applicable.



(4) Financial performance based on given indicators.

Particulars	(Rs. In Lakhs)	
	Audited for the Financial Year ended	
	31.03.2007	31.03.2006
Income from Operations & Other Income	4556.56	3585.72
Profit After Tax	562.05	178.12

(5) Export performance and net foreign exchange collaborations.

Income from Exports for the Financial Year 2006-2007 is Rs. 1031.36 Lakhs

(6) Foreign investments or collaborators, if any.

During the year 2006-07, there is no foreign investment or collaboration.

II. INFORMATION ABOUT THE APPOINTEE:

(1) Background details

Sri Y Anand Swaroop (42) did his B.E. (Mech.) from Osmania University, Hyderabad. He has worked with HCL Infosystems Limited from 1987 to 2006 and rose to the level of Vice President and during 2006-07, he was Executive Vice President of Indu Group & COO of Retail Infra SBU.

(2) Past remuneration Rs.4,68,000 Per month

(3) Recognition or Awards

Sir Chewing Scholarship – UK, Joseph Rowntree Scholarship – UK and HCL's First among Equals Award – 1989, 1990 & 1991

(4) Job profile and his suitability

The job requires a person, who can bag customers and orders and also has the ability to develop solutions, verticals etc.

Sri Y Anand Swaroop with established track record and contacts along with the requisite technical expertise is considered suitable for the position.

(5) Remuneration proposed

As per the Special Resolution.

(6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin).

Generally, in the case of Software industry, for a Company of this size and for a person of this profile, the remuneration payable is much higher. Therefore, the remuneration proposed is well within the industry standards.

(7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any. Nil

III. OTHER INFORMATION:

(1) Reasons for inadequate profits

Because of the constraints of market penetration and competition, the profits are not adequate as defined under Sections 198, 269, 310 & 311 of the Companies Act, 1956 and Schedule-XIII to the Companies Act, 1956.

(2) Steps taken or proposed to be taken for improvement

Plans are afoot to increase the operations and budgets are made for an increased level of turnover and profit for the Financial Year 2007-2008 and subsequent years.

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(3) Expected increase in productivity and profits in measurable terms.

As Budgeted, the Gross Income and Profit after Tax for the Financial Year 2007-2008 are expected to increase by 50% over the actuals for the Financial Year 2006-2007.

IV. DISCLOSURES:

All disclosures as stipulated have been made by way of disclosures in the Notice of Annual General Meeting and the Report on Corporate Governance.

Item No. 9

As per article 83 of the existing articles of association of the company unless otherwise approved by a special resolution of the company in general meeting, the company can have only 9 directors in addition to the 3 nominee directors. The existing sublimit of 3 nominee directors within the total limit of 12 is sought to be removed.

To enhance the effectiveness of the Company and to meet the new challenges, it is imperative that the Company's Board is to be strengthened.

Presently, it is not possible to appoint any director other than nominee director once the total number of non nominee directors crosses 9. To enable the appointment of directors other than nominee directors beyond 9, Article 83 of the Articles of Association of the Company is to be amended in the manner as set out in the resolution. The aforesaid amendment requires approval of the members by special resolution.

Your Directors commend the resolution for your approval. None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

Item No.10

Your company is contemplating some expansion plans and for that purpose some infusion of funds may be required. One of the methods of infusion could be by debt. This borrowing is mainly required for issuing Foreign Currency Convertible Bonds (FCCB) and such other debt. In excess of the FCCB borrowing, the remaining limit could be utilized for further borrowings. Pursuant to the provisions of Section 293 (1) (d) of the Companies Act, 1956, if the Board of Directors borrow money (apart from temporary loans obtained from Company's Bankers in the ordinary course of business) in excess of its paid-up capital and free reserves, approval of the members is required to be obtained. The existing borrowing power of the Board of Directors of the Company may not be sufficient to complete the expansion being contemplated. Hence, the resolution is proposed to be passed under Section 293 (1) (d) of the Companies Act, 1956 to obtain the consent of the members to enable the Board of Directors to borrow upto Rs.200 crores apart from temporary loans obtained from Company's Bankers in the ordinary course of business. Hence the resolution is proposed for members' approval.

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

Item No.11

While sanctioning / subscribing to the term loans / debentures / bonds, the lenders require the properties of the Company to be mortgaged in favour of the lenders to secure the repayment of their