

# 17<sup>th</sup> Annual Report



**CERTIFIED TRUE COPY**

~~For~~ Capricorn Systems Global Solutions Ltd.

*S. Parlane*  
Director

**People and Solutions**

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**Capricorn Systems Global Solutions Ltd**



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**BOARD OF DIRECTORS**

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Mr. S. MAN MOHAN RAO

Mr. G. SURENDER REDDY

Mr. S. MURALI KRISHNA

Mr. A. RAJAN DASS

**REGISTERED OFFICE:**

A-41, Nand Jyot Industrial Estate,  
Andheri Kurla Road, Andheri East,  
Mumbai – 400 072

**DEVELOPMENT CENTER**

306, Maitrivanam,  
HUDA Complex, Ameerpet,  
HYDERABAD - 500 038.

**AUDITORS:**

M/s. Satyanarayana & Co.,  
Chartered Accountants,  
Amar Mansion, Ranigunj,  
Secunderabad - 3.

**BANKERS:**

ICICI Bank Limited,  
S.R. Nagar Branch,  
HYDERABAD - 500 038.

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given to all members of the Company that the Seventeenth Annual General Meeting of Capricorn Systems Global Solutions Limited will be held at the Registered Office of the Company at A-41, Nandjyot Industrial Estate, Andheri Kurla Road, Andheri East, Mumbai-400 072 on 12<sup>th</sup> December, 2002 at 03.00 P.M. to transact the following business.

**A) AS ORDINARY BUSINESS:**

1. To receive, consider and adopt the Balance Sheet as at 30th June, 2002 and Profit and Loss Account for the year ended on that date along with the Director's and Auditors Reports thereon.
2. To appoint M/s. Satyanarayana & Co., Chartered Accountants, Secunderabad as the auditors of the company from the conclusion of the 17<sup>th</sup> Annual General Meeting to the conclusion of the 18<sup>th</sup> Annual General Meeting and to authorize the board to fix their remuneration.
3. To appoint a director in place of Mr. A. Rajan Dass who retires by rotation and being eligible offers himself for re-appointment.

Place: Mumbai

By order of the Board

Date: 30-09-2002

**S. Man Mohan Rao**

Director

**Notes:**

1. A member entitle to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. Proxies in order to be effective, should be completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting
4. Register of members and the Share transfer books of the company shall remain closed from 6<sup>th</sup> December 2002 to 12<sup>th</sup> December, 2002 (both days inclusive).
5. Members are requested to intimate immediately to the company, quoting the Registered Folio Number, change in their address, if any with the Pin Code number.
6. Members desirous of obtaining any information concerning the accounts and operations of the company are requested to send their queries to the company at least seven days before the date of the meeting, so that the information required by the members may be made available at the meeting.
7. Members attending the meeting are requested to bring with them the Attendance Slip attached to the Annual Report duly filled in and signed and hand over the same at the venue of the Annual General Meeting.



## DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Seventeenth Annual Report together with the Audited Accounts of the Company for the Year Ending 30th June 2002.

### FINANCIAL RESULTS:

(Rs. Lakhs)

|                                     | 2001-02 | 2000-2001 |
|-------------------------------------|---------|-----------|
| Income                              | 445.91  | 828.04    |
| Profit before Depreciation Taxation | 7.97    | 13.02     |
| Depreciation                        | 5.22    | 8.29      |
| Profit before Tax                   | 2.75    | 4.73      |
| Provision for Tax                   | 0.22    | -         |
| Profit after Tax                    | 2.53    | 4.73      |
| Profit Transferred to Balance Sheet | 2.53    | 4.73      |

### OPERATIONS:

During the year your Company has achieved a turnover of Rs.445.91 Lakhs. The income has originated from software development, placement Consultancy. The Company has entered into Memorandum of Understanding with Capricorn Systems Inc., USA for the purpose of providing the Software Development solutions and services to overseas customers at the Company's development center in Hyderabad. During the period under review company's operations at branch office in Atlanta, Georgia in United States of America suffered due to the slackness in the market. The operations of the branch are being conducted on cost to cost basis. Presently US branch office is engaged in the business of hiring and recruiting skilled manpower required on the basis of specific order of the customers. These efforts of the Company along with the dedicated skilled resources would help the Company in achieving higher revenues and margins.

### DIVIDEND :

As the company is in the process of stabilizing its operations in the changed market conditions no dividend is proposed for the year.

### MARKET AND FUTURE OUTLOOK:

The company is making efforts to strengthen its presence by venturing into new market such as Africa. With an established presence in the US market through Capricorn Systems Inc. and through the new contacts in the Africa the company would be in a position to utilize its resources in a more effective manner.

### CHANGE OF NAME:

In terms of the scheme of Amalgamation, the name of your Company has been changed to CAPRICORN SYSTEMS GLOBAL SOLUTIONS LIMITED (from Badal Exports & Consultants Ltd.) with the approval of the Registrar of Companies, Maharastra on 5th October 2001.

### DEMATERIALISATION OF SHARES:

Pursuant to the directions of the Securities and Exchange Board of India effective from 2<sup>nd</sup> January 2002 the trading in the Company's Scrips in dematerialized form has been made compulsory. The company has registered with National Securities Depository Limited and Central Depository Securities Limited to facilitate the scrip less trading.

M/s Venture Capital and Corporate Investments Limited, Hyderabad has been appointed as the Registrar for the company for handling the share transfers.

**LISTING WITH STOCK EXCHANGES**

As per the requirement of Clause 49 of the listing agreements with Stock Exchanges, the company hereby declares that the listing of the shares continued throughout the year with the Stock Exchange, Mumbai and the listing fee for the year 2001-2002 i.e. upto 31.3.2002 was paid.

**FIXED DEPOSITS**

The company has not accepted fixed deposits during the period under review.

**PERSONNEL**

There are no employees in the company whose particulars are required to be given pursuant to section 217(2A) of the Companies Act, 1956.

**DIRECTORS**

There has been no change in the constitution the Board of Directors since the date of the last meeting.

**DIRECTOR'S RESPONSIBILITY STATEMENT**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the annual accounts for the financial year ended 30<sup>th</sup> June, 2002, the applicable accounting standards had 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 were reasonable and prudent so as to give a true and fair view of the state of affairs of the company for the year under review.
- (iii) that the directors had 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.
- (iv) that the directors had prepared the accounts for the financial year ended 30<sup>th</sup> June, 2002 on a going concern basis.

**AUDITORS**

M/s. Statyanarayana & Co. auditors of the company hold office till conclusion of the ensuing annual general meeting and are eligible for reappointment. The company has received a letter from M/s. Satyanarayana & Co, Chartered Accountants to the effect that their appointment if made would be within the limits under Section 224(1B) of the Companies Act, 1956.

**AUDIT REPORT**

The Board of Directors wishes to state about the observations made by the Auditors in their report as below:

- (i) Regarding Item No.2 (a) of Auditors Report, the Company is taking steps to reconcile the balances appearing under Sundry Debtors, Sundry Creditors, Loans and Advances.
- (ii) Regarding Item No. X of to the Annexure referred to in Paragraph (1) of the Report, the Company is taking steps to implement an Internal Audit System.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO:**

The information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 with respect to these matters is as under:

- A. Conservation of Energy  
Though the Company's operations involve low energy consumption, there is a constant endeavor to conserve energy.
- B. Absorption of Technology  
The company has an in-house R&D team for upgradation/ development of the technologies and products.

|   |                |
|---|----------------|
| C. Foreign Exchange earnings and Outgo    |                |
| Foreign Exchange earnings (on cash basis) | *Rs. 52,28,518 |
| Foreign Exchange Outgo:                   | -nil-          |

\*Does not include the operations of the US branch office since the receipts and payments are effected in US dollars only without any remittances from/to India.

### COMPLIANCE CERTIFICATE

The Company has compiled with the provisions of Corporate Governance under listing agreement, excepting with regard to Board composition and the composition of the Audit Committee.

The Company is in the process of broad basing the Board to make it in consonance with clause 49 of the listing agreement.

A Certificate from the Auditors of the company regarding compliance of conditions of Corporate Governance as stipulated under clause 49 of the listing agreement is attached to this report.

### ACKNOWLEDGEMENTS

Your Board would like to place on record its sincere appreciation for the wholehearted support and contributions made by its employees, business associates, shareholders and banks towards conducting the operations of the company.

Place: Mumbai  
Date: 30-09-2002

for and on behalf of the Board

**S. Man Mohan Rao**  
Director

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY STRUCTURE AND DEVELOPMENTS

The company is engaged in the business of software development, providing consultancy services and also imparting training in the fields of software and allied services.

As in the earlier year period 2001-02 has also witnessed a great change in the industry. These changes are on account of the general recession in the industry effecting lower volumes of business and the falling margins. More importantly the recession in the USA had an adverse impact on the industry as majority of the business was originally originated from there. Though there has been new avenues for business, due to the increase in the competition prevailing in the market profitability has been effected.

### REVIEW OF OPERATIONS

During the year company has successfully executed software projects for the overseas customers in USA. And through the branch office at Atlanta, USA the company has conducted the business of providing man power services to software industry. Though the company has carried on substantial business on account of this it could contribute much to the company's profitability due to the slackness in the market and the increased competition.

### FINANCIAL REVIEW

The company has achieved a total turnover of Rs. 445.91 lakhs the Gross Profit (Earnings before interest, depreciation and taxes) was Rs. 7.97 Lakhs. Paid up share capital as at 30<sup>th</sup> June, 2002 amounts to Rs. 399.96 Lakhs on allotment of 30,00,000 equity shares of Rs. 10/- as fully paid up under the scheme of amalgamation to the shares holders of the transferee company.

### OPPORTUNITIES

The outlook for the services rendered by the company is encouraging. The company with its strengths in adopting to new technologies and business alliances is exploring the new markets. The company with its quality standards and qualified work force is poised to increase its presence in the market.



## **CHALLENGES**

CSGSL encounters normal market competition from other similar companies. The company is gearing up for the same by enhancing its service range effectively backed up by adopting appropriate combination of the strategies.

## **OUTLOOK**

The software industry is poised to register a growth rate of 10-15% per annum over the coming years, and CSGSL is targeting a growth rate of around 100% for the current year.

## **RISKS AND CONCERNS**

The domestic and international economic environment directly influences the spending patterns of the industry on the Information Technology. And also the margins of the companies are effected by any changes in the government regulations like taxation and also the increased competition from other countries.

## **ADEQUACY OF INTERNAL CONTROLS**

CSGSL has a proper and adequate system of internal control to ensure that all the assets are safeguarded and protected against loss or misuse or disposition and the transactions are authorized, recorded and reported correctly.

The internal control systems are supplemented by management review.

The internal control system is designed to ensure that the financial and other records are reliable and also maintaining accountability of assets.

## **QUALITY**

The software development activity of the company was awarded ISO 9002 certification.

## **HUMAN RESOURCE DEVELOPMENT AND INDUSTRIAL RELATIONS**

CSGSL employs 22 people.

CSGSL recognizes the contributions of its people in creating a company which ranks as one of the best facilities with highly skilled people.

CSGSL provides continuous learning and personal development programs by conducting training and evaluation of its personnel. Industrial relations have been very cordial in the organization during the year.

## **COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE**

To

The Board of Directors of CAPRICORN SYSTEMS GLOBAL SOLUTIONS LTD.

We have reviewed implementation of Corporate Governance procedure set by CAPRICORN SYSTEMS GLOBAL SOLUTIONS LTD (The Company) for the year ended 30th June 2002 with relevant records and documents maintained by the company and furnished to us for our review.

Based on our verification and information and explanations give to us we certify that the Company has complied with the conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement with Stock Exchange.

For Satyanarayana & Co.,  
Chartered Accountants

**J. Jagannadha Rao**  
Partner