

26th
ANNUAL REPORT
2010-2011



Capricorn Systems
Global Solutions Limited

People and Solutions

BOARD OF DIRECTORS

- | | | |
|----|------------------------|-------------------|
| 1. | Mr. S. Murali Krishna | Chairman |
| 2. | Mr. S. Man Mohan Rao | Managing Director |
| 3. | Mr. G. Surender Reddy | Director |
| 4. | Mr. Jagadeswar Reddy | Director |
| 5. | Mr. Anand Deshmukh | Director |
| 6. | Mr. K.V. Srinivasa Rao | Director |

Registered Office & Development Centre:

8-2-293/82A/408A,
Plot No: 408A, Road No: 22A,
Jubilee Hills,
Hyderabad – 500 033.

Auditors:

M/s. Satyanarayana & Co.,
Chartered Accountants,
Amar Mansion,
Rani Gunj,
Secunderabad – 500 003.

Bankers:

ICICI Bank Limited,
S.R. Nagar Branch,
Hyderabad – 500 038.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to all the Share holders of the Company that the **26th Annual General Meeting of CAPRICORN SYSTEMS GLOBAL SOLUTIONS LIMITED (CSGSL)** will be held at the Registered Office of the Company at # 8-2-293/82A/408A, Plot No: 408A, Road No: 22A, Jubilee Hills, Hyderabad – 500033 on Wednesday the **28th September 2011**, at 11 A.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider, approve and adopt the Balance Sheet as at 31st March, 2011 and the Profit and Loss Account, Cash Flow Statement for the period ended as on that date along with the Directors' and Auditor's Report thereon.
2. To appoint a director in the place of Sri S. Jagadeshwar Reddy, who retires by rotation and does not offer himself for reappointment.
3. To appoint a director in the place of Sri K. V. Srinivasa Rao, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint M/s. Satyanarayana & Co., Chartered Accountants, Secunderabad as the Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to authorize the Board to fix their remuneration.

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 "RESOLVED THAT pursuant to the provisions of Section 269, 198, 309 and 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals as may be required from time to time, the members of the Company hereby confirm and accords their approval for the appointment of Sri S. Man Mohan Rao as the Managing Director of the Company for a period of 5 years with effect from 1st December, 2010 without any remuneration."

By Order of the Board
For Capricorn Systems Global Solutions Limited

Place : Hyderabad
Date : 27.08.2011

Sd/-
S. Man Mohan Rao
Managing Director

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 PROXY NEED NOT BE A MEMBER. 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.**
2. The 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.
3. Register of members and the Share Transfer Books of the Company shall remain closed from 22nd September 2011 to 28th September 2011 (both the days inclusive).
4. Explanatory Statement as required under the provisions of Section 173 (2) of the Companies Act, 1956 is annexed herewith.
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 handover the same at the venue of the Annual General Meeting.

**PROFILE OF DIRECTORS RETIRING BY ROTARION AS REQUIRED UNDER CLAUSE 49 OF
THE LISTING AGREEMENT:**

Particulars	S. Man Mohan Rao	S. Jagadeswar Reddy	K.V. Srinivasa Rao
Date of Birth	15.04.1948	10.08.1968	16.11.1969
Date of Appointment	01.04.1998	30.06.2008	30.06.2008
Qualification	B.E.	FCA	M.Com
Expertise	Experience in various fields of management over a period of past four decades	Experience in Auditing, Assurance and Taxation of small and medium enterprises over the past 15 years	Experience in the legal and statutory compliances and indirect taxation over the past 15 years
List of Companies in which outside Directorship is held	NIL	NIL	NIL
Chairman / Member of the committee on which he is a director	NIL	NIL	NIL
No of shares held by them in the company	NIL	NIL	NIL

EXPLANATORY STATEMENT AS REQUIRED UNDER THE PROVISIONS OF SECTION 173 (2) OF THE COMPANIES ACT, 1956:

Item No. 5:

Sri S. Man Mohan Rao was appointed as the Managing Director of the Company with effect from 1st December, 2010 without any remuneration for a period of 5 years.

Appointment of Managing Director requires the approval of members by way of an Ordinary Resolution.

None of the Directors except Sri S. Man Mohan Rao and Sri S. Murali Krishna are concerned or interested in the said resolution.

for and behalf of the Board
For Capricorn Systems Global Solutions Limited

Place : Hyderabad
Date : 27.08.2011

S. Man Mohan Rao
Managing Director

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Twenty Sixth Annual Report together with the Audited Accounts of the Company for the year Ended 31st March 2011.

(Rs. Lakhs)

Particulars	2010-11	2009-10
Income	151.87	129.40
Profit before Depreciation and Taxation	10.80	12.01
Depreciation	6.46	9.09
Profit before Tax	4.34	2.92
Provision for Tax	2.35	1.83
Profit after Tax	1.98	1.09

OPERATIONS:

The company has successfully executed software development works for the overseas customers, recording a turnover of Rs.148 lakhs registering an increase of 15% growth compared to the previous year. The company is presently working on various new initiatives including the development of Business Process Outsourcing for overseas customers. The company is confident that the various initiatives taken up by the company for business development would result in higher revenues in the coming years.

DIVIDEND:

No dividend is proposed for the year as the company need to conserve its resources for the enhanced operations for the ensuing years

MARKET AND FUTURE OUTLOOK:

The vagaries in the global economic scenario coupled with the reported slow down on the markets in the USA, the major market in which the company operates may have impact on the business growth of the company. However the long standing association which the company enjoys with its customers and the high quality work force the company would enable to sustain and improve the business in the coming periods.

DEMATERIALISATION OF SHARES:

12.70% Shares of the Company has been dematerialized up to 31st March, 2011.

LISTING WITH STOCK EXCHANGES:

The Share of the Company were suspended by BSE during the year from July '2005, citing the non – receipt of the Book Closure Notice for the Year 2004 – 2005. The Company has received in principle sanction for the revocation of suspension from BSE during the month of August' 2011. The company is in the process of complying with the various conditions stipulated for the revocation and the final permission revoking the suspension and resuming the trading is expected to be completed during October' 2011.

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:

Sri S. Jagadeshwar Reddy and Sri K. V. Srinivasa Rao, Directors of the Company retire by rotation at the ensuing Annual General Meeting. Sri S. Jagadeswar Reddy did not offer himself for reappointment and Sri K. V. Srinivasa Rao being eligible offers himself for re-appointment.

Sri S. Man Mohan Rao was appointed as the Managing Director of the Company with effect from 1st December, 2010 for a period of 5 years.

DIRECTORS' 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 period ended 31st March 2011, 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 period ended 31st March 2011 on a going concern basis.

AUDITORS:

M/s. Satyanarayana & 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.

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 up gradation/ development of the technologies and products.

C. Foreign Exchange earnings and Outgo:

Foreign Exchange earnings (on cash basis)	: Rs.1,49,64,656 /-
Foreign Exchange Outgo	: -nil-

COMPLIANCE CERTIFICATE:

The Company has complied with the provisions of Corporate Governance under 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, customers business associates, shareholders and banks towards conducting the operations of the company.

For and on behalf of the Board

Place : Hyderabad

Date : 27.08.2011

Sd/-

S. Man Mohan Rao
Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS:

INDUSTRY STRUCTURE AND DEVELOPMENTS:

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

REVIEW OF OPERATIONS:

The Company has ramped up its head count during the year in line with the expected business. The company continues to invest in enabling its workforce to be future ready by imparting them training in new technologies.

FINANCIAL REVIEW:

The Company has achieved a total turnover of Rs.151.87 Lakhs. The Gross Profit (earnings before interest, depreciation and taxes) was Rs.10.08 Lakhs. The paid-up share capital as at 31st March 2011 amounts to Rs.399.96 Lakhs.

OPPORTUNITIES:

The outlook for the services rendered by the company is encouraging. The company with its strengths and business alliances is exploring the new markets. With long standing relations with the customers and also the with the proven track record of the company delivering as per the expectations of the customers, the company is confident of identifying the new areas of business with the existing customers and in new markets.

CHALLENGES:

Capricorn Systems Global Solutions Limited (CSGSL) encounters normal market competition from other similar companies. One of the major challenges would be to ensure the retention of the skilled work force in the face of the increased demand for the trained personnel in the software market in general. Further one of the main challenges would be to optimize the cost of operations in the face of the pressure on the margin in the highly matured markets the company operates.

OUTLOOK:

With improved spend of the companies on the software services and with the industry expected growth rate of 15-20% CSGSL is targeting a growth rate of around 15% 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 affected 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 are ISO 9001:2000 certified.

HUMAN RESOURCE DEVELOPMENT AND INDUSTRIAL RELATIONS:

CSGSL has 38 employees. 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.