



CG-VAK

SOFTWARE & EXPORTS LTD.

MD	✓		BKC	✓
CS	NA		DPY	NA
RO	✓		DIV	✓
TRA	NA		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓



3rd ANNUAL REPORT 1998



OUR MISSION

Our business is providing IT solutions. Our speciality is, providing Software Products & Services. Our current focus is to serve Clients in the UAE, USA and India.

We are aware that our business existence and success depends on how well we meet our responsibilities to the Customers, Shareholders and our Employees.

Our first responsibility is to our Customers. We will anticipate and satisfy our customer's needs in a professional manner through a very high quality products and services. Our priority is customer service. Our success is dependent on meeting the customer's needs better than our competitors. Userfriendliness will be given importance in all products we develop. We will use the latest technology in all our products & services and our aim is to achieve highest level of professional excellence in the industry.

Our ultimate responsibility is to our shareholders. Our objective is to earn optimum return on the capital employed and build a financially strong organisation. We wish to maintain a steady growth in our profits.

We feel a deep, personal responsibility to our employees. We are committed to provide a healthy environment where an employee is provided an opportunity to develop to his maximum potential. We expect to reward employees commensurate with their contribution to the success of the Company.

We are committed to honesty and integrity in all relationships with our business partners, suppliers and others whom we deal with.

We recognize that there are always better ways to perform many functions. Continuous improvement in the way we do business is a daily objective of the entire organization.

Board of Directors

C.Ganapathy B.Sc (Agri)
Chairman

M.Durairaj M Sc B.Ed.
Director

Dr. S K Subramaniam B.E M.Phil Ph.D (UK)
Director

K.Ramanathan B.Tech, MBA
Director

K.Manickam B Sc, MBA
Managing Director

G.Suresh B.E, MBA
Managing Director

Auditors

S.Lakshminarayanan Associates
Chartered Accountants
Lakshya,
1056/1, Avinashi Road,
Coimbatore - 641 018

Bankers

Union Bank of India

Registered Office

171-171A Mettupalayam Road
Coimbatore - 641 043

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NOTICE TO THE SHARE HOLDERS

Notice is hereby given that the Third Annual General Meeting of the Company will be held on Thursday 24th September 1998 at 4.00 p.m. at Hotel Annalakshmi, Race Course Road, Coimbatore 641 018, to transact the following business:

AGENDA

Ordinary Business

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31.3.98 and the balance sheet as at 31.03.98 and the Reports of Directors and Auditors thereon.
2. To declare a Dividend.
3. To appoint a Director in the place of Sri.C.Ganapathy, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Sri.K.Ramanathan, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office till the conclusion of the next Annual General Meeting and to fix their remuneration.

Place: Coimbatore

For and on behalf of the Board

K. MANICKAM

Managing Director

Date: 19.08.98

NOTES

1. A member who is entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.
2. Proxies in order to be effective must be deposited at the Registered Office of the Company at 171 - 171A, Mettupalayam Road, Coimbatore - 641 043 not less than 48 hours before the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 16.09.98 to 24.09.98 (both days inclusive).
4. Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.



DIRECTOR'S REPORT

To

The Members of CG-VAK SOFTWARE & EXPORTS LTD.,

The Directors of your company have great pleasure in presenting the Third Annual Report on the business operations of your company and the Audited Financial Accounts for the year ended 31st March 1998

1. **Highlights of 1998**

During the year 1998, your Company has registered a remarkable growth with the revenues increasing from 174 lakhs in the previous year to 344 lakhs registering a growth of 96% and also the net profit increasing almost five times from 13.59 lakhs in the previous year to 71.4 lakhs.

The gross profit margin has been at 25.0% as against 16.9% of the previous year.

2. **USA Operations**

During the year under review the Company had opened a Wholly Owned Subsidiary in USA - CG-VAK SOFTWARE USA INC. The Subsidiary was registered during the month of August 1997 and the commercial operations commenced from January 1998.

This Subsidiary specialises in providing on-site software service and marketing for CG-VAK's off-shore projects services. The real business from this Subsidiary would be seen in the Company in the coming years. The CG-VAK Inc's., services has been well received and auger for a good growth for the Company.

3. **UAE Operations**

The UAE Operations has been good. At the UAE, the Company has been concentrating on off-shore software project services. Focus has been on marketing the companies own ERP product, CG-VAK Financials coupled with consulting and off-shore project services.

The UAE operations has completely stabilised and would continue to perform well on the projects front for the coming years.

4. **Aquiring of new premises**

During the year the Company has purchased a property of approximately 10,000 sq.feet. The construction work has been fully completed and the facility is fully ready to house the entire software development unit. The software development set up and the Registered Office of the Company, which were functioning at two different hired location has been shifted to its own premises by 19th August '98.

5. **New Environment Upbeat**

The new premises well laiden would prove to be a place to recon with, for the software professionals. The infrastructure can house approximately 250 professionals with all amenities and a wonderful ambiance leading to quality software development.

6. **Business Strategy**

a. **The Product Approach**

In the Software Industry, low cost services helps to gain an entry into the Overseas market. But to reap real rewards and margins in the industry, we have to work upon the following: Place strategic emphasis on moving up on the value chain with a focus on Intellectual Property Region(IPR) based business and cash in on intellectual capital earned in the course of different projects, acquire wide skills in project management, leading edge technologies, Domain expertise and develop more non-price based competitive strengths.

As a result of wide thought and research, CG-VAK has chosen to adopt a strategy of a combination of product route coupled with service and consultancy. CG-VAK FINANCIALS has placed the company as one of the first few Indian IT Companies who have taken the product approach, branding and packaging. Your company has been continuously using wide resources and time during the year in developing this product. The product route will be a boon to the future years for the company in terms of minimising operational issues and ensuring higher margins and profitability.

b. **CG-VAK Financials**

CG-VAK Financials, a comprehensive enterprise management system, developed by the company is truly an international product which is a result of extensive product/market research in the west. It is positioned for medium and large scale enterprises, in the vertical segment of Trading and Distribution Industry.

The Company is using latest client server technology in development. The product is GUI based and hence highly user friendly.

7. **Quality**

***Quality is never an accident. It is always the result of intelligent effort.
There must be a will to produce superior things.***

Your Company believes very firmly in Quality

The quality standards set by the company are one of the most stringent in the industry. As a project vendor, quality has played big role in CG-VAK's success. The quality standards that your Company has formulated and adheres to, will ensure CG-VAK is always at the helm of success.

8. **Projections**

The projections given in the prospectus dated 02.11.95, for the year ended 30.11.97 and the actuals achieved during the 12 months period ended 31.03.98.

	Year ended 30.11.97	Period ended 31.03.98
Software Sales	567.15	343.00
Profit after Tax	125.82	71.41
Gross Profit Margin	25.86%	25%



9. **Dividend**

The Directors are very pleased to recommend a dividend of 10% for the year ending 31st March 1998 on the fully paid-up capital, subject to the approval of the shareholders at the ensuing Annual General Meeting to be held on 24.09.98.

10. **Subsidiary**

As required under Section 212 of the Companies Act 1956, the Annual Report of CG-VAK software USA Inc., is annexed to this report.

11. **Shifting of Registered Office**

The Directors are pleased to inform you that the Registered Office of your Company has been shifted to the Company's own premises at 171 - 171A, Mettupalayam Road, Coimbatore - 641 043. All future correspondence may please be addressed to the Investor Service Cell in the new address.

12. **Directors**

Shri. C. Ganapathy and Shri. K. Ramanathan Directors are retiring by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

13. **Auditors**

M/s. S.Lakshmi Narayanan Associates, Chartered Accountants, Coimbatore retires at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

14. **Public Deposits**

The Deposits accepted by your company are within the prescribed limits and the provision of section 58-A of the Companies Act, 1956 and the rules framed thereunder are complied with. There are no unclaimed deposits as on 31.3.1998

15. **Information pursuant to section 217 of the Companies Act, 1956**

As per the requirement of 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, the information regarding conservation of energy, technology absorption and foreign exchange and outgo are appended hereto and form part of this report

16. **Particulars of Employees**

Information in accordance with sub-section(2A) of Section 217 of the Companies Act 1956 read with Companies (Particulars of Employees) Rules 1975 and forming part of the Director's Report for the year ended 31st March 1998 is annexed

17. **Acknowledgement**

The Directors wish to express their grateful appreciation for the abundant assistance and co-operation received from Banks, Government Authorities and Shareholders.

They also wish to place on record their sincere appreciation for the hardwork and dedicated service put in by the employees at all levels.

Place: Coimbatore

Date : 19.08.98

For and on behalf of the Board

K. MANICKAM

Managing Director



STATEMENT PURSUANT TO SECTION 212 (3) OF THE COMPANIES ACT, 1956.

CG-VAK Software & Exports Ltd, held the entire issued Share capital of 68 Equity Shares of USD 1,000 each in CG-VAK Software USA Inc., CG-VAK Software USA Inc., has earned a profit of USD 4000 for the year ended 31st March 1998. The net aggregate profit of CG-VAK Software USA Inc.; for the financial year upto 31st March, 1998 amounts to USD 4000 has not been dealt with in the books of CG-VAK Software & Exports Ltd.,

Place: Coimbatore
Date: 19.08.98

For and on behalf of the Board
K. MANICKAM
Managing Director

INFORMATION PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF DIRECTORS) RULES 1988

NOT APPLICABLE

FORM A

FORM B

A. RESEARCH AND DEVELOPMENT

The nature of the business of software development involves inbuilt, constant Research and development as a part of its process of manufacturing (development). The company is developing application engines, re-usable codes and libraries as a part of its R&D activities.

B. TECHNOLOGY ABSORPTION : The company has not absorbed technology from outside

C. FOREIGN EXCHANGE EARNING AND OUTGO

Foreign Exchange Earnings : Rs. 1,55,00,100

Foreign Exchange Outgo : Rs. 96,88,060

Place: Coimbatore
Date: 19.08.98

For and on behalf of the Board
K. MANICKAM
Managing Director