

# CG-VAK

**SOFTWARE & EXPORTS LTD.**

# FIFTH ANNUAL REPORT 2000



### **Board of Directors**

C. Ganapathy B.Sc., (Agri)  
Chairman

M. Durairaj M.Sc., B.Ed.,  
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  
Indian Overseas Bank

### **Registered Office**

171-171A, Mettupalayam road  
Coimbatore - 641 043.  
INDIA.

### **Subsidiary**

CG-VAK Software USA Inc.,  
100 Wood Avenue South  
Suite 113, Iselin  
New Jersey - 08830

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## **FIFTH ANNUAL REPORT 2000**

## NOTICE TO THE SHARE HOLDERS

Notice is hereby given that the Fifth Annual General meeting of the Company will be held on Friday the 29th September 2000 at 4.30 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 31.03.2000 and the Balance Sheet as at 31.03.2000 and the Report of Directors and Auditors thereon.
2. To declare a Dividend.
3. To appoint a Director in the place of Mr.K.Ramanathan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office till the conclusion of the next Annual General Meeting of the company and to fix their remuneration.

#### **SPECIAL BUSINESS**

5. To Consider and, if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:

“RESOLVED that pursuant to section 94(1) and all other applicable provisions if any, of the Companies Act, 1956 that the Authorised Share Capital of the Company be and is altered by converting the unissued 10,00,000 Preference Shares of Rs.10/- each into 10,00,000 Equity Shares of Rs. 10/- each and accordingly the Authorised Capital be altered as Rs.7,00,00,000 (Rupees Seven Crores only) consisting of 70,00,000 Equity Shares of Rs.10/- each.”

6. To pass the following, with or without modification, as a Special Resolution:

“RESOLVED that the existing clause V of the Memorandum of Association of the Company be deleted and the following new Clause V be substituted as follows:

The Authorised Capital of the Company is Rs.7,00,00,000/- (Rupees Seven Crores only) divided into 70,00,000 equity shares of Rs.10/- each and from time to time, to increase, reduce or modify the capital and divide all or any of the shares in the capital of the Company, for the time being, and to classify and reclassify such shares into other class or classes and to attach thereto respectively such preferential, deferred, qualified or other special rights, privileges, conditions or restrictions as may be determined by the company in accordance with the Articles of Association of the Company and to vary, modify or abrogate any such rights, privileges, conditions or restrictions, in such manner and by such persons as any, for the time being be permitted under the provisions, for the time being in force in that behalf.”

7. To pass the following with or without modifications as a Special Resolution:

“RESOLVED that the existing Clause 4 of the Articles of Association of the company be deleted and the following new Clause 4 substituted as follows:

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The Authorised Capital of the Company is Rs.7,00,00,000/- (Rupees Seven Crores only) divided into 70,00,000 equity shares of Rs.10/- each and from time to time, to increase, reduce or modify the capital and divide all or any of the shares in the capital of the Company, for the time being, and to classify and reclassify such shares into other class or classes and to attach there to respectively such preferential, deferred, qualified or other special rights,

privileges, conditions or restrictions as may be determined by the Company in accordance with the Articles of Association of the Company and to vary, modify or abrogate any such privileges, conditions or restrictions, in such manner and by such persons as any, for the time being be permitted under the provisions, for the time being in force in that behalf”.

8. To pass the following with or without modifications, the following resolution as an ordinary resolution:

“RESOLVED that pursuant to section 198, 269, 309, 311 314 and schedule XIII and other applicable provisions, if any, of The Companies Act, 1956, the Company hereby approves the reappointment of Mr. G. Suresh as the Managing Director of the Company for a period of five years w.e.f. 1.9.2000 on the terms and conditions including remuneration as set out hereunder:

(A) Salary :

Salary of Rs.50,000 per month

Commission on net Profits :

One percent of the net profits of the Company.

(B) Perquisites:

(1) Conveyance :

Free use of the Company's car with driver for official and private purposes.

(2) Club Fees.

Fees of clubs, subject to a maximum of two clubs (excluding admission and life membership fees).

(3) Leave Travel Concession:

Entitled to travel with family, by any mode, i.e., Air, Train, Road, once every two years for visiting any place in India.

Note: Family for the purpose of Leave travel shall besides the Managing Director, consist of spouse, wholly dependent Parents and wholly dependent children of the Managing Director.

(4) Medical Benefit:

Actual expense incurred for the Managing Director and his family members.

(5) Contribution to Provident Fund

(6) Telephones:

The company shall provide telephone at residence for office use.

(7) Personal Accident Insurance

Perquisites shall however be restricted to an amount equal to the annual salary.

“RESOLVED FURTHER that in the event of absence or inadequacy of profits in any financial year, the Managing Director shall be paid a minimum remuneration of the Salary mentioned above and the Perquisites and Allowances will be within the overall ceiling as specified by Section II of Part II of Schedule XIII to The Companies Act, 1956, as in force, from time to time.

9. To pass the following with or without modifications, the following resolutions as a Ordinary Resolution:

“RESOLVED that pursuant to section 198, 269, 309, 311, 314 and schedule XIII and other applicable provisions, if any, of The Companies Act, 1956, the Company here by approves the reappointment of Mr. K.Manickam, as the Managing Director, for a period of five years w.e.f.1.12.2000on the terms and conditions including remuneration as set out hereunder:

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(A) Salary :

Salary of Rs.50,000 per month

Commission on net Profits :

One percent of the net profits of the Company.

(B) Perquisites:

(1) Conveyance :

Free use of the Company's car with driver for official and private purposes.

## (2) Club Fees:

Fees of clubs, subject to a maximum of two clubs (excluding admission and life membership fees).

## (3) Leave Travel Concession:

Entitled to travel with family, by any mode, i.e., Air, Train, Road, once every two years for visiting any place in India.

Note: Family for the purpose of Leave travel shall besides the Managing Director, consist of spouse, wholly dependent Parents and wholly dependent children of the Managing Director.

## (4) Medical Benefit:

Actual expense incurred for the Managing Director and his family members.

## (5) Contribution to Provident Fund

## (6) Telephones:

The company shall provide telephone at residence for office use.

## (7) Personal Accident Insurance

Perquisites shall however be restricted to an amount equal to the annual salary.

"RESOLVED FURTHER that in the event of absence or inadequacy of profits in any financial year, the Managing Director shall be paid a minimum remuneration of the Salary mentioned above and the Perquisites and Allowances will be within the overall ceiling as specified by Section 11 of Part II of Schedule XIII to The Companies Act, 1956, as in force, from time to time."

10. To consider and if thought fit to pass with or without modifications, the following resolutions as a SPECIAL RESOLUTION:

"RESOLVED that pursuant to the provisions of Section 81(1A) and other applicable provisions of the Companies Act, 1956 and in accordance with the provisions of the Memorandum and Articles of Association of the Company and the regulations/guidelines, prescribed by the Securities and Exchange Board of India or any other relevant authority, from time to time, to the extent

applicable and subject to such approvals, consents, permissions and sanctions, the Board of Directors of the Company be and is hereby authorised on behalf of the company to grant from time to time options to apply for equity shares of the company to or for the benefit of such person/persons, who are in the permanent employment of the company (including the Directors of the Company whether Whole-time Directors or not) and consequent<sup>ly</sup> create, issue, offer and allot at any time and from time to time, equity shares in terms of such options. The options and the consequential issue offer and allotment of shares shall be at such price, in such manner, during such period, in one or more branches and on such other terms and conditions as the Board may decide, provided the total number of options granted in the aggregate, shall not exceed 6,00,000 equity shares of Rs.10/- each."

"RESOLVED FURTHER subject to the terms stated herein, the equity shares allotted pursuant to the aforesaid resolution shall in all respects rank pari passu inter se as also with the then existing equity shares of the company."

"RESOLVED FURTHER for the purpose of giving effect to any offer, issue or allotment of equity shares or

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securities or instruments representing the same, as described above, under any Scheme of Employee Stock Option (ESOP), the board be and is hereby authorised on behalf of the company to do all such acts, deeds matters and things as it may, in its absolute discretion, deem necessary or desirable for such purpose and with power on behalf of the company to settle all questions,

difficulties or doubts that may arise in this regard to such issue(s) or allotment(s) (including to amend or modify any of the terms of such issue or allotment).

“RESOLVED FURTHER that the board be and is hereby authorised to delegate all or any powers herein conferred to any committee of directors including the Compensation Committee.”

11. To consider and if thought fit to pass with or without modifications, the following resolution as a SPECIAL RESOLUTION:

“RESOLVED that the benefits of the Scheme of Employees Stock Option (ESOP) contained in Resolution No.11 in this Notice be extended to eligible employees (including directors whether wholtime directors or not) of the subsidiary company of the Company on the terms and conditions as may be decided by the Board of Directors of the Company or the Compensation Committee.

By order of the Board

**C.GANAPATHY**  
Chairman

Place : Coimbatore  
Date : 30.06.2000

Note :

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 Compnay will remian closed from Saturday 16th September 2000 to Friday 29th September 2000 (both days inclusive).
4. Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.

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## DIRECTOR'S REPORT

To,  
The Members of **CG-VAK SOFTWARE AND EXPORTS LTD**

The Directors of your company have great pleasure in presenting the 5th Annual Report on the business of your company and the Audited Financial Accounts for the year ended 31st March 2000.

### Financial Results of 2000

During the year your Company's total business has been Rs. 11.64 crores including that of the USA Subsidiary which has generated a business of 1.179 million US Dollars (equivalent to Rs. 5.17 crores) for the year ending 31st March 2000.

CG-VAK Software & Exports Ltd.	}	Rs. 646.96 lakhs
	}	

CG-VAK Software USA Inc.,	}	\$ 1.179 million
	}	

Your company has achieved a turnover of Rs. 646.96 lakhs as against Rs. 402.48 lakhs in the previous year, showing an increase of 60.74%. The gross profit had increased to Rs. 144.45 Lakhs as against Rs. 101.07 lakhs in the previous year. The net profit for this year has been Rs. 113.51 lakhs.

### Performance Review

During the year under review the operations in your company has been satisfactory. In the technology front, we have mastered the Internet and e-commerce development technology.

Business from the Middle East has been good and USA Subsidiary has also helped establish our presence in the USA. During the current year our business focus has been on both e-commerce and Client/Server technology areas.

### Performance of the Subsidiary

Your Company's Wholly Owned Subsidiary in the USA, CG-VAK Software USA Inc., has performed exceedingly well

showing an increase in revenue of 300% i.e. from 384 thousand dollars to 1.179 million dollars for the year under review. The core focus areas of the Subsidiary is similar to that of your Company, ensuring synergies at all levels leading to better and optimal management and utilisation of resources. The Subsidiary has opened its first branch in California, Silicon Valley during the month of February 2000 exclusively to focus on Internet and e-commerce software services.

### ESOP

Your company is in a high profile industry where employees are the best assets of the Company. In order to recruit and retain the best talent, your management has initiated an Employee Stock Option plan to recognize reward performand and retention.

In an industry, where employee productivity is not necessarily proportional to his physical presence or the number of hours of work put in, it is just sheer attitude of belongingness that can make software companies grow. Again, in a market place where knowledge is power and ultimate, acquiring and retaining professional manpower with productivity becomes critical. ESOPs goes a long way in ushering such talents for continuous growth and profits.

Your company is farmulating an ESOP plan addressing these mission critical resource areas. A ESOP Compensation

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Committee is being formed to look into the details of the implementation of this scheme.

### Business Outlook

The software industry is booming and is today recognized as one of the most successful sectors of the Indian economy. The Prime Minister's IT task force has set a target of 50 billion US Dollars to be achieved in software exports by the year 2008. Though software exports are seen to be big

business in India, India serves a very very small portion of the world's IT needs. The software opportunities are extremely large, particularly in the areas that your company has chosen. Your company's strategy is designed to put it on the value chain of the global software industry. Your company is confident of building significant business systems in the highly profitable areas of enterprise management software services and e-commerce.

E-commerce and Enterprise Resource Planning will be our core competence areas, where we would continuously focus for the coming year.

The management and the technology team is also well in place consisting of young and skilled professionals, committed to ensuring that your company achieves its global vision. Your Company has built strong methodologies and systems to handle the highly changing needs of technology.

The hard work of the enthusiastic and committed members of the CG-VAK family will continue to enhance the shareholder value for its shareholders, who are a part of the family.

#### **Dividend**

The Directors are pleased to recommend a dividend of 10% for the year ending 31st March 2000 on the fully paid up equity shares of the company, subject to the approval of the same by the holders at the ensuing Annual General Meeting to be held on 29.09.2000.

#### **Directors**

Mr. K. Ramanathan, Director retires by rotation at the ensuing Annual General Meeting and being eligible offer himself for reappointment. The required resolution is placed before you for your approval.

#### **Auditors**

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

#### **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 31.03.2000

#### **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 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.

#### **Particulars of Employees**

There is no employee who is in receipt of remuneration in excess of the limits set under Section 212(2A) of the Companies Act 1956, read with Companies (Particulars of Employees Rules 1975.

#### **Acknowledgement**

The Directors of your Company would like to take this opportunity to thank one and all associated with it enabling it to scale greater heights and emerge as a force to reckon with in the software industry. The faith and confidence shown in your company by banks, global clients and government authorities and shareholders has propelled our enthusiasm and strengthened our determination to achieve our vision.

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Finally your directors would like to express their sincere thanks to the dedication and committed hard work from the employees working at India and at various client locations overseas, turning every milestone to reach our corporate vision.

By order of the Board

Place : Coimbatore  
 Date : 30.06.2000

**C.GANAPATHY**  
 Chairman.