



Eighth

Annual Report

2003

BOARD OF DIRECTORS

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

Dr. M. Veerappan M.B.B.S.,
Director

M.Durairaj M.Sc., B.Ed.,
Director

K.Ramanathan B.Tech., MBA
Director

S. Muthukumar B.Sc., B.E.,
Director

G.Suresh B.E., MBA.,
Managing Director

K. Manickam B.Sc., MBA.,
Managing Director

AUDITORS

S. Lakshminarayanan Associates
Chartered Accountants
'Lakshya',
1056/1, Avinashi Road
Coimbatore-641018

BANKERS

State Bank of India
Commercial Branch
1443, Trichy Road
P.B. No. 3902
Coimbatore - 641 018

REGISTRARS & SHARE TRANSFER AGENTS

S.K.D.C. Consultants Limited
P.B. No. 2979,
No.11, S.N. Das Layout
Street No.1, Tatabad
Coimbatore - 641 012

Report  junction.com

REGISTERED OFFICE

171, Mettupalayam Road
Coimbatore-641043
INDIA

SUBSIDIARY

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

CALIFORNIA

CG-VAK Software USA Inc.
3428, El Camino Real
Santa Clara,
CA - 95051

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NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the Eighth Annual General Meeting of the Company will be held on Thursday, the 25th September 2003 at 4.30 P.M. at Hotel Annalakshmi, 106-A, Race Course Road, Coimbatore – 641 018 to transact the following business

AGENDA**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2003 and the Profit and Loss Account for the year ended on that date together with the Reports of Directors and Auditors thereon.
2. To appoint a Director in the place of Mr.C.Ganapathy, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in the place of Mr.K.Ramanathan, who retires by rotation and is eligible for re-appointment.
4. To appoint the Auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

Place : Coimbatore
Date : 27.06.2003

By Order of the Board
C. GANAPATHY
Chairman

NOTES

1. A member 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 received by the Company at its Registered Office not later than 48 hours before the commencement of the meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday the 16th day of September 2003 to Thursday the 25th day of September 2003 (both days inclusive).
4. Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.

Place : Coimbatore
Date : 27.06.2003

By Order of the Board
C. GANAPATHY
Chairman

DIRECTOR'S REPORT

To

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

The Director's of your Company have immense pleasure in presenting the 8th Annual Report on the business of your Company and the Audited Financial Accounts for the year ended 31st March 2003.

Financial Results 2003

During the review, your Company has achieved a turnover of Rs.606.70 lakhs as against Rs.1,011.22 lakhs in the previous year. The gross profit for the year is at Rs.95.73 lakhs as compared to Rs.170.86 lakhs in the previous year. The net profit stood at Rs.35.60 lakhs.

Global Revenues

The Global revenues for the Company for the year under review is Rs.15.46 Crores.

Review of Business

The year under report had been the most challenging one for your Company. This is mainly due to the downturn in the US economy combined with uncertain market conditions on war threats. Uncertain economic and market conditions have resulted in lower spending and indefinite postponement of investment decision by companies/clients in the US and Middle East.

The company had embarked on a cost rationalisation programme initiated last year helped to pass on the benefit to the customers and hence you could retain them.

The contribution of business from various markets were:

USA contributed to 55.7% and Middle East 41.5% and domestic market 2.8%.

Future Plans of the Company

However one may say that the situation has bottomed out and anything that should happen in future should only be on the positive side. Expectations are that the US economy should start reviving by the early next year i.e., 2004 and business for the Indian IT industry should be better. Requirements have already started coming up from the East coast from financial services, and core manufacturing companies which is definitely a healthy scene.

The IT industry believes that the US market will remain challenging in the near future and there will be pricing pressures. Your Company has successfully adapted to the challenging market conditions, and to coming years are expected to be better. The Company has also been constantly looking out for new opportunities in the ITES/BPO market space. Your Company has already started working on few pilot projects in this area.

Based on the market understanding and confidence levels that the current year 2003-04 will be much better than the past year. The first quarter of the current year has been better than the previous quarter. The projections are that the further quarters also would be progressively better than one another.

Dividend

As the Company is passing through a very challenging phase, your Directors do not consider prudent to recommend any dividend for the financial year ended March 31, 2003.

US Subsidiary – CG-VAK Software USA Inc.

Your Company's Wholly Owned Subsidiary at USA, CG-VAK Software USA Inc. has achieved a Sales Turnover of US \$2.699 millions during this year, compared to the US\$ 4.028 millions during the last year.

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

Directors

Mr. C. Ganapathy and Mr. K. Ramanathan are retiring by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Auditors

M/s. S. Lakshminarayanan Associates, Chartered Accountants, Coimbatore retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

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 31.03.2003.

Information pursuant to Section 217(1)(e) 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 earnings and outgo are appended hereto and form part of this report.

Particulars of Employees

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

Director's Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors have :

1. Followed in the preparation of the Annual Accounts, the applicable accounting standards..
2. Selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the financial position of the Company for the period.
3. 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 and
4. Prepared the attached statement of accounts for the year ended 31st March 2003 on a going concern basis.

Corporate Governance

The Board of Directors of your company has taken all necessary steps to comply with Clause 49 of the Listing Agreement with The Stock Exchanges, which becomes applicable to the Company from the Financial Year 2002 – 2003.

Acknowledgment

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 recognised software solutions vendor in the industry. The faith and confidence shown on your Company by banks, global clients, government authorities and shareholders has propelled our enthusiasm and strengthen our determination to achieve our vision.

Finally your Directors would like to express their sincere thanks to the dedication and committed hardwork of the employees working in India, USA and at various client locations overseas, turning every milestone to reach our corporate vision.

Place : Coimbatore
Date : 27.06.2003

By Order of the Board
C. GANAPATHY
Chairman

ADDENDUM

With reference to the Auditor's remark on non-provision of gratuity liability, we wish to state that the same will be recognised on actual payment.

Place : Coimbatore
Date : 27.06.2003

By Order of the Board
C. GANAPATHY
Chairman

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

FORM A

NOT APPLICABLE



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 applications 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. 5,91,38,655
Foreign Exchange Outgo	Rs. 3,81,77,008

Place : Coimbatore
Date : 27.06.2003

By Order of the Board
C. GANAPATHY
Chairman

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956
RELATING TO SUBSIDIARY COMPANY.**

1. Name of the Subsidiary : CG -VAK Software USA Inc.
2. Financial year ended : 31.03.2003
3. No. of shares held in the Subsidiary : 500 equity shares of \$ 1000/- each
as on the above date
4. Percentage of holding of equity : 100%
5. Net aggregate of profits or losses
for the current financial year of the Subsidiary
so far as it concerns the members of the
holding company
 - a. Dealt with or provided in the : Nil
accounts of the holding company
 - b. Not dealt with or provided in : USD 33,091/-
the accounts of the holding company
6. The net aggregate of profit or losses
for the previous financial years of the
subsidiary so far as it concerns the
members of the holding company,
 - a. Dealt with or provided in the accounts of : Nil
the holding company
 - b. Not dealt with or provided in the : USD 1,37,255
accounts of the holding company

C. GANAPATHY
Chairman

K. RAMANATHAN
Director

S. MUTHUKUMAR
Director

G. SURESH
Managing Director

Place : Coimbatore
Date : 27.06.2003

REPORT OF CORPORATE GOVERNANCE

(In compliance with Clause 49 of the Listing Agreement)

I. Company's Philosophy on Corporate Governance

Your Company is committed to good Corporate Governance and emphasizes the importance of shareholder value. Your Company's endeavor shall always be directed to providing high levels of transparency in reporting to the shareholders.

II. Board of Directors

The Board consist of one Non-Executive Chariman, two Managing Directors, three Independent Directors and one Promoter Director. The composition of Directors and their attendance at the board meetings during the year and at the last Annual General Meeting are as follows:

Name of the Director	Category of Directorship	No.of Board Meetings Attended	Attendance in the last AGM	No.of other Directorship held in other Companies
Sri .C. Ganapathy	Non-Executive Chairman	9	Yes	3
Mr. G. Suresh	Managing Director	10	Yes	3
Mr. K. Manickam	Managing Director	10	Yes	3
Mr. K. Ramanathan	Promoter Director	9	Yes	Nil
Mr. M. Durairaj	Independent Director	1	No	Nil
Dr. M. Veerappan	Independent Director	6	No	Nil
Mr. S. Muthukumar	Independent Director	6	Yes	Nil

Ten Board Meetings were held during the 12 month period ended 31.03.2003. The dates on which the meeting were held are as follows :

Date of meeting	No.of Directors present
10.04.2002	4
01.06.2002	4
27.06.2002	4
22.07.2002	6
25.09.2002	6
30.09.2002	6
31.10.2002	6
25.11.2002	6
23.12.2002	3
27.01.2003	6

III. Audit Committee

This Committee was originally formed on 16.03.2001 with Mr. C. Ganapathy, Mr. K. Ramanathan and Mr. M. Durairaj as members, as required under The Companies (Amendment) Act, 2000.

Subsequently, the said Committee was re-constituted on 25.09.2002 with Mr. K. Ramanathan, Dr. M. Veerappan and Mr. S. Muthukumar as members, as required by SEBI under Clause 49 of the Listing Agreement. The Committee met three times during the year on 18.06.2002, 20.10.2002 and 20.01.2003.

The primary objective of this committee is to monitor and provide effective supervision of the financial control and reporting process. The terms of reference of the Audit Committee are in tandem with those laid down by Stock Exchange regulations and the provisions of the Companies Act.

Name of the Member	Number of meeting attended
Mr. K. Ramanathan	3
Mr. C. Ganapathy	3
Mr. M. Durairaj	Nil
Dr. M. Veerappan	2
Mr. S. Muthukumar	2

IV. Remuneration Committee

This Committee was originally formed on 10.04.2002 with Sri.C.Ganapathy, Mr.K.Ramanathan and Mr.M.Durairaj as members.

Subsequently, the said committee was re-constituted on 25.09.2002 with the following members, as required by SEBI under Clause 49 of the Listing Agreement.

Name of the Member	Status
Mr. K. Ramanathan (Chairman)	Non-Executive – Promoter
Dr. M. Veerappan (Member)	Non-Executive – Independent
Mr. S. Muthukumar (Member)	Non-Executive – Independent

No meeting was held during the year 2002-2003.

Details of Remuneration paid to the directors for the year ended 31st March 2003

(I) Executive Directors

Name	Position	Total Remuneration
Mr. G. Suresh	Managing Director	Rs.3,00,000/-
Mr. K. Manickam	Managing Director	Rs.3,00,000/-

(I) Non-Executive Directors

Name	Sitting Fees
Sri. C. Ganapathy	Rs.2,000/-
Mr. K. Ramanathan	Rs.2,000/-
Mr. S. Muthukumar	Rs.2,000/-
Dr. M. Veerappan	Rs.2,000/-

V. Investors' Grievance Committee

The Board clubbed the shareholder's Grievance Handling Committee and Share Transfer Committee and re-designated as the Investors' Relation Committee at its meeting held on 10.04.2002 with Mr. C. Ganapathy, Mr. K. Ramanathan and Mr. M. Durairaj as members.

COMPLIANCE OFFICER – Mr.V.Venugopalan

The terms of reference of this Committee encompasses formulation of shareholder's servicing policies, looking into redressal of shareholders complaints.

No.of complaints received : Nil
Pending Transfers : Nil

Name of the Member	Status	No. of meetings attended
Mr. K. Ramanathan (Chairman)	Non-Executive	19
Sri. C. Ganapathy (Member)	Non-Executive	19
Mr. M. Durairaj (Member)	Non-Executive – Independent	Nil

VI. Annual General Meetings

AGM	Financial Year	Date	Time	Venue
5 th	1999-2000	29.9.2000	4.30 PM	Hotel Annalakshmi, 106-A, Race Course, Coimbatore-641 018
6 th	2000-2001	27.9.2001	4.00 PM	Hotel Annalakshmi, 106-A, Race Course, Coimbatore-641 018
7 th	2001-2002	23.9.2002	4.30 PM	Hotel Annalakshmi, 106-A, Race Course, Coimbatore-641 018

The special resolutions as set out in the respective notice to the members were passed by the shareholders. No special resolution requiring a postal ballot was placed before the last Annual General Meeting.

VII. Disclosures

1. None of the transaction with any of the related parties were in conflict with the interest of the Company.
2. There has been no instances of any penalty / stricture imposed on the Company by Stock Exchanges / SEBI / any statutory authorities on any matter relating to capital market, during the last three years.

VIII. Means of Communications.

Half yearly report sent to each household of shareholders – No.

The Management Discussion and Analysis forms part of the Annual Report.

Period	Name of the newspaper – English	Name of the newspaper – Tamil
1 st Quarter	Business Line	Makkal Kural
2 nd Quarter	Trinity Mirror	Makkal Kural
3 rd Quarter	Trinity Mirror	Makkal Kural
Year ended	Afternoon	Pirpagal

IX. Shareholder's Information

AGM – Date & Venue	: Thursday 25 th September 2003 Hotel Annalakshmi, 106-A, Race Course, Coimbatore-641 018
Financial Calender for the year 2003-2004	
First Quarter Results	: July 2003
Second Quarter Results	: October 2003
Third Quarter Results	: January 2003
Results for the year ended 31.03.2004	: June 2004
Date of Book Closure	: 16.9.2003 to 25.9.2003
Dividend Payment Date	: No dividend recommended.
Listing on Stock Exchange	: The Coimbatore Stock Exchange Ltd., Stock Exchange Building, 683 – 686, Trichy Road, Singanallur, Coimbatore – 641 005. The Madras Stock Exchange Limited Exchange Building, P.B. No.183 11, Second Line Beach, Chennai – 600 001.