



**CG-VAK<sup>TM</sup>**  
**SOFTWARE & EXPORTS LTD.**

An ISO 9001 : 2008 Certified Company

# **17<sup>th</sup> Annual Report 2012**

**BOARD OF DIRECTORS**

Mr.C. Ganapathy, B.Sc., Agri.  
Mr.M. Durairaj, M.Sc., B.Ed.,  
Mr.S. Mohan, B.E.  
Mr.S. Muthukumar B.Sc., B.E.  
Mr.A.Sankar B.A  
Mr.G.Suresh, B.E., M.B.A

Executive Chairman  
Independent Director  
Independent Director  
Independent Director  
Independent Director  
Managing Director

**COMPANY SECRETARY**

Shainshad Aduvanni

**AUDITORS**

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

**BANKERS**

State Bank of India  
Union Bank of India  
Indian Overseas Bank  
Bank of America

**REGISTERED OFFICE**

171, Mettupalayam Road  
Coimbatore 641 043  
INDIA

**REGISTRARS & SHARE TRANSFER AGENTS**

S.K.D.C. Consultants Limited  
Kanapathy Towers,  
3rd Floor, 1391/A-1 Sathy Road, Ganapathy  
Coimbatore 641 006

**SUBSIDIARY**

CG-VAK Software USA Inc.,  
1661, Tice Valley Blvd,  
Suite#101, Walnut Creek,  
California – 94595

CG-VAK Software USA Inc.,  
100, Overlook Centre  
2nd Floor  
Princeton  
New Jersey - 08540

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**CG-VAK SOFTWARE AND EXPORTS LIMITED**  
**Registered Office: 171, Mettupalayam Road, Coimbatore – 641 043**

**NOTICE TO SHAREHOLDERS**

NOTICE is hereby given that the 17th Annual General Meeting of CG-VAK Software And Exports Limited will be held on Friday the 21st day of September 2012 at 4.30 PM at Hotel Annalakshmi, 106-A, Race Course Road, Coimbatore 641 018, to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Directors' Report, the accounts of the Company for the year ended 31st March 2012 and Auditors' Report thereon.
2. To appoint a Director in the place of Mr.S.Mohan, who retires by rotation and is eligible for reappointment.
3. 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.

**NOTES**

1. ANY MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER. THE PROXIES SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE MEETING.
2. Details pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges in respect of Directors seeking appointment/reappointment at the Annual General Meeting are separately annexed hereto for item no. 2.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday, the 13th September, 2012 to Friday, the 21st September, 2012 (both days inclusive).
4. The practice of distributing copies of Annual Reports at the Annual General Meeting has been discontinued in view of the high cost of paper and printing. Shareholders are therefore, requested to bring their copy of the Annual Report to the meeting.

(By Order of the Board)  
for **CG-VAK SOFTWARE AND EXPORTS LIMITED**

Place: Coimbatore  
Date : 30th May, 2012

**G. SURESH**  
**Managing Director**

**PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES,  
FOLLOWING INFORMATION IS FURNISHED ABOUT THE DIRECTORS PROPOSED TO BE  
APPOINTED / REAPPOINTED, VIDE ITEM NO. 2.**

i. Name of the Director	Mr.S.Mohan
Age	51 years
Date of appointment on Board	28 / 10 / 2004
Date of last reappointment	26/08/2008
Expertise in specific functional areas	Marketing and General administration.
Qualification	B.E.,
No. of Equity Shares held in Company	1000 Equity Shares (as on 31.03.2012)
List of outside Directorships in Public Companies	NIL
Chairman/Member of the Committees of Board of Directors of the Company	1. Member in Audit Committee, 2. Member in Remuneration Committee.
Chairman/Member of the Committees of Board of Directors of other Companies in which he is a Director	NIL
Relationship with other Directors	NIL

(By Order of the Board)  
for **CG-VAK SOFTWARE AND EXPORTS LIMITED**

Place: Coimbatore  
Date : 30th May, 2012

G. SURESH  
**Managing Director**

## DIRECTORS' REPORT

Dear Shareholders,

The Directors of your Company take pleasure in presenting the 17th Annual Report on the business of your Company and the Audited Financial Accounts for the year ended 31st March 2012.

### FINANCIAL RESULTS 2011-12

During the year under review, your Company has achieved a turnover of **Rs. 659.99 Lakhs** as against **Rs. 633 Lakhs** in the previous year. There is a net loss of Rs. 123.67 lakhs as against the net Profit of Rs. 11.27 lakhs in the previous year.

### GLOBAL REVENUE

The global revenues for the Company including the business done by the Wholly Owned Subsidiary for the year under review is **Rs. 19.55 crores** as compared to previous year was **Rs. 17.65 crores**.

### REVIEW OF BUSINESS

The year under report had been a very challenging one for your Company due to slow recovery of North American economy, uncertainties in the global market and huge currency volatility.

The contributions of business from various markets were:

Software services contributed to 97% and BPO services 3 %.

Business from Offshore Software Services was Rs. 639.78 lakhs during the year 2011-2012 as against Rs. 527.81 in the previous year. The increase has been at 21% compared with previous year.

Our BPO Service line has done a business of Rs. 20.20 lakhs during the year 2011-12 as against Rs. 63.18 lakhs during the previous year. There is a significant drop of 68% in the business due to many of our customers have stopped outsourcing and moved to EMR (Electronic medical records) as per new policies of the US government.

The company incurred huge loss due to expected projects not materialized for which company has already recruited staffs, Bad debts and Foreign exchange loss.

### QUALITY

Your company has a strict quality assurance and control programs to ensure that high level of Quality service is delivered to the customers. Matured and proven quality management systems are in place based on the requirements of ISO 9001:2008 standards.

### FUTURE PLANS

The global market IT services market is expected to be challenging due to uncertainties in the European market and the slow recovery in the US market. However, the company has been growing positively in the offshore software services business and this momentum is likely to continue this year.

There has been significant success in terms of the Quality of service and we have received many client appreciations and significant amount of repeat business. In addition to North America, our business and customer base from Australia and Europe is also expanding as planned.

The company will continue its focus on the in OPD (Out-sourced Product development) market space where it has achieved significant success. Geographically the company is planning to strengthen its presence in the markets it is operating. The contribution from Software Services is expected to grow positively. The Company should perform better in the ensuing year FY 2012-13.

### 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 31st March, 2012.

**US SUBSIDIARY: CG-VAK SOFTWARE USA INC.**

Your Company's Wholly Owned Subsidiary at USA, CG-VAK Software USA Inc. has made a Sales Turnover of US\$ 2.78 million during this year, compared to the US\$ 2.54 million during the previous 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**

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr.S.Mohan retire from office by rotation, and being eligible offer himself for re-appointment at the ensuing Annual General Meeting of the Company.

Brief profile of the Director proposed to be re-appointed as required under Clause 49 of the Listing Agreement is annexed to the Notice convening the 17th Annual General Meeting forming part of this report.

**AUDITORS**

The Statutory Auditors of the Company M/s. S.Lakshminarayanan Associates, Chartered Accountants, Coimbatore, retire at the conclusion of the ensuing Annual General Meeting. The Statutory Auditors have confirmed their eligibility and willingness to accept the office on re-appointment. The Board recommends their re-appointment for the next term.

**PUBLIC DEPOSIT**

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 there under are complied with. There are no unclaimed deposits as on 31st March, 2012.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

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.

**INFORMATION AS PER SECTION 217 (2A) OF THE COMPANIES ACT, 1956**

As the Company has no employee drawing a salary of Rs.5, 00,000/- per month or above or Rs.60, 00,000/- per annum or above during the year 2011-2012, there are no particulars to be furnished under section 217(2A) of the Companies Act, 1956.

**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 judgments 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 2012 on a going concern basis.

**CONSOLIDATED FINANCIAL STATEMENTS**

The Consolidated Financial Statements of the Company prepared in accordance with the applicable Accounting Standards forms a part of this Annual Report.

**MANAGEMENT DISCUSSION AND ANALYSIS**

The Management Discussion and Analysis Report for the year under review, as stipulated under clause 49 of the Listing Agreement is presented in a separate section forming part of the Annual Report.

**CORPORATE GOVERNANCE**

The Company is committed to maintain the highest standards of Corporate Governance. Company continues to be compliant with the requirements enshrined in clause 49 of the Listing Agreement which relates to Corporate Governance.

A Report on Corporate Governance as stipulated under clause 49 of the Listing Agreement forms part of the Annual Report. A certificate from the Statutory Auditors of the Company, confirming compliance with the conditions of Corporate Governance, as stipulated under clause 49 forms part of this Report.

**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 recognized 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 hard work of the employees working in India, USA and at various client locations to reach our corporate vision.

(By Order of the Board)  
for **CG-VAK SOFTWARE AND EXPORTS LIMITED**

Place: Coimbatore  
Date : 30th May, 2012

C.GANAPATHY  
**Chairman**

**Addendum to the Auditors' Report to the members of M/s. CGVAK Software And Exports Limited**

With reference to the auditors' remark on non provision of gratuity claim (note no.4.11), we wish to state that no provision has been made as:

- a) The terms of appointment of former Managing Director, does not contain provisions for payment of gratuity and
  - b) The director was a Non Executive Director and did not take salary and hence he is not eligible for gratuity.
- The company has disputed the claim and the same is pending before the Labour Court.

(By Order of the Board)  
for **CG-VAK SOFTWARE AND EXPORTS LIMITED**

Place: Coimbatore  
Date : 30th May, 2012

C.GANAPATHY  
**Chairman**

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

**FORM A**

**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**

**FORM A - NOT APPLICABLE**

**FORM B**

**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION**

- 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**
- |                               |                 |
|-------------------------------|-----------------|
| 1. Foreign Exchange Earnings: | Rs. 6,71,64,394 |
| 2. Foreign Exchange Outgo:    |                 |
| (a) Foreign Travel :          | Rs. 5,54,321    |
| (b) Cost of Services :        | Rs. 1,80,028    |
| (c) Others :                  | Rs. 1,89,350    |
| Total:                        | Rs. 9,23,699    |

(By Order of the Board)  
for **CG-VAK SOFTWARE AND EXPORTS LIMITED**

Place: Coimbatore  
Date : 30th May, 2012

**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 <sup>st</sup> March, 2012        |
| 3. No. of shares held in the Subsidiary<br>As on the above date  | : | 750 equity shares of \$ 1000/- each |
| 4. Percentage of holding of equity   | : | 100%                                |
| 5. Net aggregate of profits or losses<br>for the current financial year of the<br>Subsidiary so far as it concerns the<br>members of the holding company       | : |                                     |
| a. Dealt with or provided in the<br>accounts of the holding company  | : | Nil                                 |
| b. Not dealt with or provided in<br>the accounts of the holding company  | : | USD 38, 469                         |
| 6. The net aggregate of profit or losses<br>for the previous financial years of the<br>subsidiary so far as it concerns the<br>members of the holding company, | : |                                     |
| a. Dealt with or provided in the<br>accounts of the holding company  | : | Nil                                 |
| b. Not dealt with or provided in<br>the accounts of the holding company  | : | USD 4,61,840                        |

**G.Suresh**  
**Managing Director**

**C.Ganapathy**  
**Executive Chairman**

**S.Muthukumar**  
**A.Sankar**  
**Directors**

**Shainshad Aduvanni**  
**Company Secretary**

Place : Coimbatore  
Date : 30th May 2012



**REPORT OF CORPORATE GOVERNANCE**  
(In Compliance with Clause 49 of the Listing Agreement)

**I. Company's Philosophy on Corporate Governance**

Your Company believes that good Corporate Governance practice enables the Management to direct and control the affairs of the Company in an efficient manner and to achieve its ultimate goal of maximizing value for all its share holders. The Company's efforts are towards efficient conduct of its business and fulfilling its obligations towards employees and shareholders, guided by a strong emphasis on transparency, accountability and integrity.

**II. Board of Directors**

The Board consists of one Executive Chairman, one Managing Director and four Independent Directors. The composition of Directors and their attendance at the Board Meeting during the year and the last Annual General Meeting are as follows:

Sl No	Name of Director	Category of Directorship	No. of Board Meetings (From 01.04.2011 to 31.03.2012)	Attendance at Last AGM	No. of other Directorships held in Public Companies*	No. of Membership (M)/ Chairmanship (C) in other Board Committee(s)*
(As on 31.03.2012)						
1.	Mr.C.Ganapathy, Executive Chairman	Promoter, Executive Director	8	Yes	NIL	NIL
2.	Mr.G.Suresh, Managing Director	Promoter, Executive Director	8	Yes	NIL	NIL
3.	Mr.M.Durairaj	Independent, Non-Executive Director	1	No	NIL	NIL
4.	Mr.S.Muthukumar	Independent, Non-Executive Director	8	Yes	NIL	NIL
5.	Mr. S.Mohan	Independent, Non-Executive Director	3	No	NIL	NIL
6.	Mr.A. Sankar <sup>1</sup>	Independent, Non-Executive Director	6	Yes	NIL	NIL

Eight Board Meetings were held during the 12 month period ended 31.03.2012. The dates of the Board Meetings were held are 15.04.2011, 29.04.2011, 30.05.2011, 20.07.2011, 30.07.2011, 18.10.2011, 14.11.2011 and 09.02.2012.

\* Directorships in Private Limited Companies, Foreign Companies and Companies under section 25 of the Companies Act, 1956 are excluded for this purpose.

<sup>1</sup> Mr. A. Sankar was appointed as additional director by the Board w.e.f. 30th May, 2011. He was also appointed as a Director by the Shareholders at the Annual General Meeting held on 26th August, 2011.

**III. Audit Committee**

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, 1956.

The Audit Committee consists of Four Independent Directors. The Composition of the Committee is as below:

Sl.No	Name of the Director	No. of Meetings Held	No. of Meetings Attended
1.	Mr.S.Muthukumar, Chairman	5	5
2.	Mr. S.Mohan	5	2
3.	Mr.M.Durairaj	5	0
4.	Mr.A. Sankar <sup>1</sup>	5	3

The Committee met five times during the year on 29.04.2011, 28.05.2011, 30.07.2011, 14.11.2011 and 09.02.2012.

<sup>1</sup> Mr. A. Sankar was appointed as a Member of Audit Committee by the Board w.e.f 20.07.2011

**IV. Remuneration Committee**

The Remuneration Committee has been constituted for the purpose of approving from time to time, the remuneration payable to the Managing Director and Executive Director's and to discharge any other statutory duties & functions as may specified under the law, or to perform such tasks as may be entrusted by the Board of Directors from time to time.

The Remuneration Committee consists of three Independent Directors. The Composition of the Committee is as below:

Sl.No	Name of the Director
1.	Mr.S.Muthukumar, Chairman
2.	Mr. S.Mohan
3.	Mr.M.Durairaj

The Committee has not met during the year under review.

Details of the remuneration paid to the Directors during the year ended 31st March 2012.

**I. Executive Directors**

Name & Position	Salary	Commission	Total Remuneration
Mr.G.Suresh, Managing Director	Rs.30.00 lakhs	Nil	Rs.30.00 lakhs
Mr.C.Ganapathy, Executive Chairman	Rs.3.00 lakhs	Nil	Rs.3.00 lakhs

The Company is of the opinion that the computation of net profit under Sec.349 of the Companies Act, 1956 is not required to be made as no commission is paid/payable to the Directors for the year end 31.03.2012.

**II. Non-Executive Directors**

Remuneration by way of sitting fees is paid to all non-executive directors at the rate of Rs. 2000/- for attending each meeting of the Board.

Sl. No.	Name	Sitting Fees(Rs.)
1.	Mr.S.Muthukumar	16,000
2.	Mr.S.Mohan	6,000
3.	Mr.M.Durairaj	2,000
4.	Mr.A.Sankar	12,000

**Details of Equity Shares of the Company held by Non-Executive Directors as on 31st March 2012:**

Sl. No.	Name	No.of Equity Shares
1.	Mr.S.Muthukumar	2,500
2.	Mr.S.Mohan	1,000
3.	Mr.M.Durairaj	10,000
4.	Mr.A.Sankar	Nil

**V. Share holder's/Investor's Grievance Committee**

During the year 2011-2012, No complaint were received from shareholders to the Company.

The Investor's Grievance Committee consists of One Executive Director and Three Independent Directors. The Chairman of the Committee is an Independent Director.

The Committee met five times during the year on 29.04.2011, 28.05.2011, 30.07.2011, 14.11.2011 and 09.02.2012

Sl.No	Name of the Director	No. of Meetings Held	No. of Meetings Attended
1.	Mr.S.Muthukumar, Chairman	5	5
2.	Mr. C. Ganapathy	5	5
3.	Mr. S.Mohan	5	2
4.	Mr.A.Sankar <sup>1</sup>	5	3

<sup>1</sup> Mr. A. Sankar was appointed as a Member of Investors' Grievance Committee by the Board w.e.f 20.07.2011

Mr. Shainshad Aduvanni, the Company Secretary is the Compliance Officer of the Company.

The Company has exclusively designated the following e-mail id for Investor Relations: [shainshad@cgvakindia.com](mailto:shainshad@cgvakindia.com), [chandru@cgvakindia.com](mailto:chandru@cgvakindia.com). Members can also send e-mail to [investorservices@cgvak.com](mailto:investorservices@cgvak.com)