

18th Annual Report 2013



CG-VAKTM
SOFTWARE & EXPORTS LTD.

An ISO 9001 : 2008 Certified Company



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., M.B.A
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**Unit I**

171, Mettupalayam Road
Coimbatore 641 043
INDIA

Unit II

S.F.No. 174/2, Thiruvalluvar Street
Vellakinar Pirivu Road, G.N.Mills Post,
Coimbatore – 641029.

REGISTRARS & SHARE TRANSFER AGENTS

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

SUBSIDIARY (USA)

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

CONTENTS

Notice to Shareholders	-	2
Directors' Report	-	6
Corporate Governance Report	-	11
Management Discussion and Analysis Report	-	18
Auditors' Report	-	20
Balance Sheet	-	22
Profit and Loss Statement	-	23
Cash Flow Statement	-	24
Notes forming part of the Financial Statements	-	25
Auditors' Report on Consolidated Financial Statement	-	34
Consolidated Balance Sheet	-	35
Consolidated Profit and Loss Statement	-	36
Consolidated Cash Flow Statement	-	37
Notes forming part of the Consolidated Financial Statements	-	38

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

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 18th Annual General Meeting of CG-VAK Software And Exports Limited will be held on Friday the 23rd day of August 2013 at 4.30 PM at Ardra Hall, Kaanchan, 9, North Huzur 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 2013 and Auditors' Report thereon.
2. To declare dividend, if any.
3. To appoint a Director in the place of Mr.S.Muthukumar, who retires by rotation and is eligible for reappointment.
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.

SPECIAL BUSINESS:

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

“RESOLVED THAT pursuant to the provisions of Sections 198, 269 and 309 and other applicable provisions, if any, of the Companies Act, 1956 and Schedule XIII to the Act, approval of the members of the Company be and is hereby accorded to the re-appointment of Mr.G.Suresh as the Managing Director of the company for a further period of 3 years from 1st September 2013 to 31st August 2016, on the following terms and conditions with liberty to the Board of Directors to alter and vary the terms and conditions of the remuneration within the overall limits specified in schedule XIII of the companies act, 1956.

(A) Salary
Salary of Rs.2,50,000/- Per month
Commission on net profit: 1% of the net profits of the company computed in accordance with the sections 198,309& 349 of the Companies act, 1956.

(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 fee)
- (3) Leave Travel Concession: Entitled to travel with family by any mode ie., Air, Train, Road once in every two years for visiting any place in the world.
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 Expenses incurred for the Managing Director and his Family Members
- (5) Contribution to Provident Fund
- (6) Telephone: 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 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”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things and execute all such documents, instruments, and writings as may be required to give effect to the aforesaid resolution.”

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. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special business to be transacted at the ensuing Annual General Meeting is annexed hereto and forms part of the Notice.
3. 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. 3 & 5.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from **Monday, the 12th August, 2013 to Friday, the 23rd August, 2013 (both days inclusive)**.
5. The dividend if declared at the Annual General Meeting will be paid within 30 days from the date of the Annual General Meeting.
6. Members who are holding shares in physical form are requested to intimate/update immediately their change of address / change of bank account/ email ID, if any, to **M/s. S.K.D.C. Consultants Limited, Kanapathy Towers, 3rd Floor, 1391/A-1 Sathy Road, Ganapathy, Coimbatore 641 006**, our Registrar & Share Transfer Agents. Please quote your Folio Number and our Company's name in all your correspondence.
7. Members who are holding shares in Electronic Form are requested to intimate/update immediately their change of address / change of bank account/ email ID, if any, to their respective Depository Participant.
8. 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 & EXPORTS LIMITED

Place : Coimbatore
Date : 29th May, 2013

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. 3 & 5.

i.	Name of the Director	Mr.S.Muthukumar
	Age	51 years
	Date of appointment on Board	23/09/2002
	Date of last reappointment	31/08/2009
	Expertise in specific functional areas	Business
	Qualification	B.Sc., B.E., M.B.A
	No. of Equity Shares held in Company	2500 Equity Shares (as on 31.03.2013)
	List of outside Directorships in Public Companies	NIL
	Chairman/Member of the Committees of Board of Directors of the Company	1. Chairman of the Audit Committee 2. Chairman of the Shareholders Grievance Committee 3. Chairman of the Remuneration Committee.
	Chairman/Member of the Committees of Board of Directors of other Companies in which he is a Director	NIL
ii.	Relationship with other Directors	NIL
	Name of the Director	Mr.G.Suresh
	Age	48 years
	Date of appointment on Board	01/09/1995
	Date of last reappointment	30/08/2010
	Expertise in specific functional areas	Business
	Qualification	B.E., MBA.
	No. of Equity Shares held in Company	921677 Equity Shares (as on 31.03.2013)
	List of outside Directorships in Public Companies	NIL
	Chairman/Member of the Committees of Board of Directors of the Company	NIL
	Chairman/Member of the Committees of Board of Directors of other Companies in which he is a Director	NIL
	Relationship with other Directors	Son of Executive Chairman Mr.C.Ganapathy

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956 ANNEXED TO THE NOTICE OF THE 18TH ANNUAL GENERAL MEETING OF THE COMPANY IN RESPECT OF ITEM NO. 5 OF NOTICE DATED 29TH MAY 2013

The period of appointment of Sri G.Suresh as Managing Director, approved by the shareholders at the Annual General Meeting of the Company held on 30th August, 2010 will expire by the close of 31st August, 2013. The Board of Directors of the Company at its meeting held on 29th May, 2013 has reappointed Sri G.Suresh as Managing Director for a further period of 3 years with effect from 1st September, 2013. During the Annual General Meeting held on 30th August, 2010, the Resolution for reappointment of Mr.G.Suresh was passed for 5 years and since no appointment can be made for a period exceeding 3 years, the Resolution is brought before the Shareholders for their approval. The terms of reappointment of the Managing Director have been finalised by the Remuneration Committee of the Board of Directors at its meeting held on 13th February, 2013. The terms finalised by the Remuneration Committee and recommended for approval by the Board of Directors are specified in the resolutions.

Sri G.Suresh, Managing Director, will be in charge of the day-to-day management of the Company and perform his duties and exercise his powers subject to the superintendence, direction and control of the Board of Directors.

The resolution in the item no. 5 in the Notice together with this explanatory statement maybe treated as an abstract u/s. 302 of the Companies Act, 1956.

The Board of Directors recommends the resolutions to shareholders for approval.

Interest of Directors:

Sri G.Suresh, Managing Director, is interested in this resolution as it concerns his appointment. Sri C.Ganapathy, Executive Director is interested in this resolution as Sri G.Suresh is related to him. No other Director is directly or indirectly concerned or interested in this resolution.

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

Place : Coimbatore
Date : 29th May, 2013

G. SURESH
Managing Director

DIRECTORS' REPORT

Dear Shareholders,

The Directors of your Company take pleasure in presenting the 18th Annual Report on the business of your Company and the Audited Financial Accounts for the year ended 31st March 2013.

FINANCIAL RESULTS 2012-13

During the year under review, your Company has achieved a turnover of **Rs.869.21 lakhs** as against Rs. 659.99 Lakhs in the previous year. There is a net Profit of **Rs. 102.54 lakhs** as against the net loss of (Rs.123.67) 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.23.05 crores** as compared to previous year was Rs. 19.55 crores.

REVIEW OF BUSINESS

The contributions of business from various Geographical area were:

North America contributed to 77% and Rest of the World 23 %.

Business from Offshore Software Services was Rs.854.77 lakhs during the year 2012-2013 as against Rs. 639.78 lakhs in the previous year. The increase has been at 34% compared with previous year.

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 for IT services is expected to expand and corporations are increasingly using offshore service providers to meet their IT service needs. This increases the addressable market for offshore software services providers like us. The company has been growing positively in the offshore software services business and this momentum is likely to continue this year.

Our client retention and client satisfaction levels have been growing steadily. 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.

Our mobility practice has been growing significantly and we expect a good growth in this offering. The company will continue its focus on the 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.

We expect to continue our positive growth this year and the Company should perform better in the ensuing year FY 2013-14.

DIVIDEND

Your Directors recommended a dividend of Rs. 0.50 per equity share (i.e 5% on each equity share having Face value of Rs. 10 each), subject to the approval by the shareholders at the ensuing Annual General Meeting. The total dividend payout will be of Rs.29.52 lakhs inclusive of tax amount of Rs.4.29 lakhs.

The dividend, if approved by the shareholders, will be paid to those members whose names appear in the Register of Members as on the date of the Annual General Meeting

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 USD 2.80 million during this year, compared to the USD 2.78 million during the previous year.

In terms of the exemption granted by the Central Government vide notification number 51/12/2007-CL-III dated February 8, 2011, the Balance Sheet and Profit and Loss Account, Report of the Board of Directors and Auditors of the Subsidiaries have not been attached with the Annual Report of the Company. However upon request by the shareholder of the Company, the annual accounts of the subsidiary companies will be made available. Pursuant to Section 212 of the Companies Act, 1956, the financial data along with equity share capital of the subsidiaries forming part of this Annual Report. Further, pursuant to Accounting Standard 21 issued by the Institute of Chartered Accountants of India, consolidated financial statement presented by the Company includes financial information of its subsidiaries.

INSPECTION UNDER SECTION 209A OF THE COMPANIES ACT, 1956

During the year, inspection under Section 209A of the Companies Act, 1956 was carried out by the office of Ministry of Corporate Affairs and the company has provided the reply for the clarifications sought by MCA.

DIRECTORS

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

The Board has reappointed Sri G.Suresh as Managing Director for a period of 3 years from 1st September, 2013 and resolutions for approval of his reappointment and terms of reappointment have been included in the notice convening the 18th Annual General Meeting of the Company.

Brief particulars of Directors eligible for reappointment in terms of Clause 49 of the Listing Agreement are annexed to the Notice dated 29th May, 2013 for convening the 18th Annual General Meeting.

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 31.03.2013.

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 2012-2013, 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 2013 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 : 29th May, 2013

C.GANAPATHY
Chairman

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

- (a) With reference to the auditors' remark on non provision of gratuity claim (note No.4.10), we wish to state that no provision has been made as the complainant, a former director of the company was a Non Executive Director. He was not in receipt of any salary and hence not eligible for any gratuity. The company has disputed the claim and the case is pending before the Labour Court.
- (b) With reference to the auditors' remark on claim for non payment of fixed deposits (note no.4.11), We wish to state that the claim made by a former Managing Director and his family members before the Honourable High Court of Madras is against an earlier claim before the Company Law Board which was decided in favour of the company. The Company has disputed the claim.

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

Place: Coimbatore
Date : 29th May, 2013

C.GANAPATHY
Chairman

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

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. 8,80,42,446 |
| 2. Foreign Exchange Outgo: | |
| (a) Foreign Travel : | Rs. 1,65,271 |
| (b) Others : | Rs. 3,20,288 |
| Total: | Rs. 4,85,559 |

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

Place: Coimbatore
Date : 29th May, 2013

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 | : | 31st March, 2013 |
| 3. No. of shares held in the Subsidiary
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
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
accounts of the holding company | : | Nil |
| B. Not dealt with or provided in
the accounts of the holding company | : | USD 42,555 |
| 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 the holding company | : | Nil |
| B. Not dealt with or provided in
the accounts of the holding company | : | USD 5,00,308 |

G.Suresh
Managing Director
Place : Coimbatore
Date : 29th May, 2013

C.Ganapathy
Executive Chairman

M.Durairaj
S.Mohan
A.Sankar
S.Muthukumar
Directors

Shainshad Aduvanni
Company Secretary