



SOFTWARE & EXPORTS LTD.,

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Seventh
Annual Report
2002

Board of Directors

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

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

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

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

K. Ramanathan B.Tech., MBA
Director

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

M. Veerappan M.B.B.S.,
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.

Subsidiary

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

Registered Office

171, Mettupalayam Road
Coimbatore-641043
INDIA

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NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the Seventh Annual General Meeting of the Company will be held on Monday the 23rd September 2002 at 4.30 P.M. at Hotel Annalakshmi, 106-A, Race Course, 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 31st March 2002 and the Balance Sheet as at 31st March 2002 and the Report of Directors and Auditors thereon.
2. To declare a Dividend for the year ended 31st March 2002.
3. To appoint a Director in the place of Mr. M. Durairaj, who retires by rotation and is eligible, for re-appointment.
4. To appoint the Auditors and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification(s), the following resolutions as an Ordinary Resolution.
"RESOLVED that in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act 1956, Mr. S. Muthukumar who was appointed as an Additional Director and who ceases to hold office as per the provisions of Section 260 of the Companies Act, 1956 at the ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director as per the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as Director of the Company, liable to retire by rotation".
6. To consider and if thought fit, to pass with or without modification(s), the following resolutions as an Ordinary Resolution.
"RESOLVED that in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act 1956, Dr. M. Veerappan, who was appointed as an Additional Director and who ceases to hold office as per the provisions of Section 260 of the Companies Act, 1956 at the ensuing Annual General meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director as per the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as Director of the Company, liable to retire by rotation".

Place : Coimbatore
Date : 27.06.2002

By order of the Board
C. Ganapathy
Chairman

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2)
OF THE COMPANIES ACT 1956**
Item No. 5

Mr. S. Muthukumar was appointed by the Board of Directors as Additional Director of the Company w.e.f. 27th June 2002, pursuant to Section 260 of the Companies Act, 1956, to hold office of Director upto the date of the ensuing Annual General Meeting. The Company has received notice in writing from a member proposing the candidature of Mr. S. Muthukumar for the office of Director under the provisions of Section 257 of the Companies Act, 1956 along with the required deposit amount.

None of the other Directors of the Company are, in anyway concerned or interested in the said resolution.

Your Directors recommend this resolution for your approval.

Item No. 6

Dr. M. Veerappan was appointed by the Board of Directors as Additional Director of the Company w.e.f 27th June 2002, pursuant to Section 260 of the Companies Act, 1956, to hold office of Director upto the date of the ensuing Annual General Meeting. The Company has received notice in writing from a member proposing the candidature of Dr. M. Veerappan for the office of Director under the provisions of Section 257 of the Companies Act 1956 along with the required deposit amount.

None of the other Directors of the Company are, in anyway concerned or interested in the said resolution.

Your Directors recommend this resolution for your approval.

By order of the Board

Place : Coimbatore

C. GANAPATHY

Date : 27.6.2002

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 less than 48 hours before the commencement of the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday 17th September 2002 to Monday 23rd September 2002 (both days inclusive).
4. The dividend for the year ended 31st March 2002 as recommended by the Board, if approved at the meeting, will be paid, subject to deduction of tax at source as applicable, to those members whose names appear in the Company's Register of Members on 23rd September 2002. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Ltd., and Central Depository Services (India) Ltd., for this purpose.
5. As per the provisions of the Income Tax Act, 1961 as amended by the Finance Act, 2002, tax @ 10.5% is required to be deducted at source if the gross amount of dividend payable to a Resident Individual Shareholder during the financial year exceeds Rs. 2,500/-. Resident Individual Shareholders who are likely to receive dividend amount more than Rs. 2,500/- during the financial year and their total estimated income from dividend and other sources as provided in Section 197A(1B) of the Income Tax Act, during such financial year is not likely to exceed Rs.50,000/-can claim gross dividend without deduction of tax at source by submitting declaration in Form 15G (in duplicate) with the Company on or before 9th September 2002. Kindly return the enclosed Form 15G duly filled in and signed.
6. The Registrar for the Demat Service : S.K.D.C. Consultants Ltd, P.B. No. 2979, No. 11 Seth Narayandoss Layout, Street No. 1, West Power House Road, Coimbatore - 641 012.

By order of the Board

Place : Coimbatore

C. GANAPATHY

Date : 27.6.2002

Chairman

DIRECTOR'S REPORT

To

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

The Directors of your Company have immense pleasure in presenting the 7th Annual Report on the business of your Company and the Audited Financial Accounts for the year ended 31st March 2002.

Financial Results 2002

During the year under review, your Company has achieved a turnover of Rs. 1011.22 lakhs as against Rs. 1015.66 lakhs in the previous year. The turnover has remained almost the same. The gross profit for the year is at Rs. 170.86 lakhs as compared to Rs. 203.86 lakhs in the previous year. There has been a decline of 16.16%. The net profit stood at Rs. 117 lakhs.

Global Revenues

The global revenues of the Company for the year under review is Rs. 18.38 crores.

Review of Business

The year under review was extremely challenging due to the impact of global slowdown and downturn in the US economy. The impact of slowdown has been severe on most of the software companies.

Your Company had kept up its position with the best of practices that it can take, to maintain its business volumes. However the net profit margin were under pressure due to reasons like lower realisation rates.

Your Company had employed a phased cost cutting and rationalisation programme during the year. The effect of this has been refelcted to some extent in the year under review, but the same will have a considerable effect in the years to come.

For the year under review, the contribution of business was as follows:-

The USA contributed to 65.34%, Middle East 29.26% and domestic was at 5.40% of the total turnover. There has been an increase of 54% in the Middle East, in the business as compared to previous year.

During the year your Board also decided to delay its expansion plans in Europe taking view of the unfavourable market situation. Considerable efforts were made for the same, but impelmentation of the opening of a new office would be considered in the year 2003, while the market is expected to be better.

Future Plans of the Company

Global industry circles predict a recovery from the new year 2003 onwards. However NASSCOM has predicted a 30% growth for the Indian Software Industry for the year 2002-2003.

Your Company also believes that its growth would be in line with the industry predictions. All efforts are being taken to improve performance at all levels, right from technology, development and to sales and marketing. Many cost rationalisation measures have been put in place which have already started yielding results. Your Company believes in continuous investment in technology and high emphasis has been given to "better value for Money" to the customers which would help retain existing clientele. As far as geographic market go, your Company would strengthen its activities, in the Middle East where it has made reasonable success for the year under review.

Dividend

The Directors of your Company recommend a dividend of 5% for the year ended 31st March 2002, on the fully paid up equity shares of the Company, subject to the approval of the same by the shareholders of the Company at the ensuing Annual General Meeting.

The dividend, if approved by the members, will be paid to all the members, whose names appear in the Register of Members as on the book closure date. In respect of the shares maintained electronically, dividend will be paid to the beneficial owners based on the list provided by the Depositories.

Subsidiary at USA

Your Company's Wholly Owned Subsidiary, CG-VAK Software USA Inc. has sailed through the challenging year remarkably well. Though the IT market in the USA witnessed high short fall in spending, budget cuts and stock-off and lay-offs, your Company has forced all its way to retain the previous years business. The Subsidiary has recorded a turn over of US \$ 4.028 millions as against US \$ 3.226 millions in the previous year, showing a growth of 25%. However there has been considerable pressure on profit margins and client retentions.

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

Directors

Mr. M. Durairaj, Director retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

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Additional Directors

Mr. S. Muthukumar and Dr. M. Veerappan have been appointed as Additional Directors of the Company w.e.f 27th June 2002. They will hold the Office till the ensuing Annual General Meeting of the Company scheduled to be held on 23rd September 2002 and being eligible offer themselves for re-appointment. Your Directors place the necessary resolution for your approval.

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 31.3.2002.

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).

Directors' 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 2002 on a going concern basis.

Demat

On behalf of the Board, I wish to inform the shareholders that your Company's shares have been dematerialised with National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd (CDSL). The shareholders can utilise the facility of holding the Company's shares in demat form. Also note that as per the Circular from the Stock Exchange, Mumbai, your Company's shares have been compulsorily dematerialised for trading with effect from 15th March 2001.

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.

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 within the software 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 and at various client locations overseas, turning every milestone to reach our corporate vision.

By order of the Board

Place : Coimbatore

C. GANAPATHY

Date : 27.6.2002

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. 9,72,46,907
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Foreign Exchange Outgo	Rs. 6,32,20,099
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Place : Coimbatore

Date : 27.6.2002

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 : 31.03.2002
3. No.of shares held in the Subsidiary as on the above date : 500 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 35508/-
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 101747/-

C. Ganapathy
Chairman

K. Manickam
Managing Director

K. Ramanathan
Director

G. Suresh
Managing Director

Place : Coimbatore
Date : 27.06.2002

**AUDITOR'S REPORT TO THE MEMBERS OF
M/s. CG-VAK SOFTWARE & EXPORTS LIMITED, COIMBATORE**

Ladies and Gentlemen,

We report that we have audited the Balance Sheet of M/s. CG-VAK Software & Exports Limited as at 31st March 2002 and the relative Profit & Loss Account for the year ended on that date annexed thereto. These Financial Statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in India, which requires us to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An Audit includes examining on a test basis, evidence supporting the amounts, disclosures in the financial statements, assessing the accounting principles used, significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis of my opinion.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of section 227(4A) of the Companies Act, 1956, we enclose in Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred above, we state that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for our Audit.
- b) In our opinion, proper books of account have been kept as required by law so far, as appears from our examination of the books.
- c) The Balance Sheet and Profit & Loss Account referred to in this Report are in agreement with the Books of Account.
- d) In our opinion the Profit & Loss Account and Balance Sheet read together with the notes thereon, comply with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956.
- e) On the basis of written representation received from all the Directors as of 31st March 2002 and taken on record by the Board of Directors, We report that none of the Directors are disqualified as of 31st March 2002 from being appointed as Directors in terms of section 274 (1)(g) of the Companies Act, 1956.
- f) In our opinion and according to the information and explanations given to us and on the basis of such checks as We considered appropriate, the said Balance Sheet and Profit & Loss Account read together with the Notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view of
 - (i) in the case of the Balance Sheet, of the STATE OF AFFAIRS as at 31st March, 2002
 - and
 - (ii) in the case of the Profit & Loss Account of the PROFIT for the year ended that date.

Place : Coimbatore

Date : 27.06.2002

For **S.Lakshminarayanan Associates**
Chartered Accountants
S.Lakshminarayanan
Partner