

9th Annual Report 2004



CG-VAK

SOFTWARE & EXPORTS LTD.

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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

REGISTERED OFFICE

171, Mettupalayam Road
Coimbatore-641043
INDIA

SUBSIDIARY

CG-VAK Software USA Inc.,
100 Wood Avenue South
Suite 108, 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 Ninth Annual General Meeting of the Shareholders of the Company will be held on Monday, the 27th day of September 2004 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 2004 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 Sri. S. Muthukumar, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in the place of Dr. M. Veerappan, 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.

SPECIAL BUSINESS

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

“RESOLVED THAT subject to provisions of the Companies Act, 1956, Securities Contract (Regulations) Act, 1956 and Securities and Exchange Board of India (De-listing of Securities) Guildelines, 2003, Listing Agreement and all other applicable laws, guidelines, rules and regulaitons and subject to such approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as ‘the Board’ which term shall be deemed to include any Committee thereof) the consent of the company be and is hereby accorded to the Board to get the Equity Shares of the Company de-listed from the Madras Stock Exchange Ltd., and Coimbatore Stock Exchange Limited.”

Place : Coimbatore
Date : 30.06.2004

By Order of the Board
C. GANAPATHY
Chairman

EXPLANATORY STATEMENT

(Pursuant to Section 173 of the Companies Act, 1956)

Item No. 5

The Company's Equity Shares are at present listed in The Stock Exchange, Mumbai, Madras Stock Exchange and Coimbatore Stock Exchange. The Company proposes to delist the Equity Shares of the Company from Madras Stock Exchange and Coimbatore Stock Exchange in view of no trading at these exchanges. It is also felt that continued listing in Madras & Coimbatore Stock Exchanges does not provide any significant advantage to the shareholders of the Company.

As the Company's Equity Shares are continued to be listed in The Stock Exchange, Mumbai having nationwide trading terminals, the shareholders of the Company have access to online trading in the Company's securities across the country.

The proposed voluntary de-listing of the Company's Equity Shares from the said stock exchanges will not adversely affect any investors including the shareholders located in the regions where the said stock exchanges are situated.

The Board recommends the passing of the resolution set out in item No.5 of the notice convening the meeting.

None of the Directors of the Company is concerned or interested in the said resolution.

Place : Coimbatore

Date : 30.06.2004

By Order of the Board

C. GANAPATHY

Chairman

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NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and to vote on his behalf and such a proxy need not be a member of the Company.
2. Instruments of Proxy for use at the above meeting must be lodged at the Registered Office of the Company not less 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 21.9.2004 to 27.09.2004 (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 : 30.06.2004

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 9th Annual Report on the business of your Company and the Audited Financial Accounts for the year ended 31st March 2004.

Financial Results 2004

During the year under review, your Company has achieved a turnover of Rs.505.39 lakhs as against Rs.606.70 lakhs in the previous year. The cash profit for the year is at Rs.78.47 lakhs as compared to Rs.95.73 lakhs in the previous year. The profit after tax stood at Rs.3.31 lakhs.

Global Revenues

The Global revenues for the Company for the year under review is Rs.14.43 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 70.72% and Middle East 25.79% and domestic market 3.49%.

Future Plans of the Company

The overall outlook for the business is positive. The company is focusing on increasing revenue and curtailing costs. Additional marketing efforts are being made to increase the offshore business from US. There has been good breakthrough in this front and the Company has already signed few long term contracts to provide Offshore Software Development.

The US IT market is looking up, and the company has already started increasing the onsite manpower. Also the company is enhancing its efforts to increase the share of offshore business, which will contribute towards the bottom line.

The Company should perform better in the ensuing year with the current efforts and strategies have already started yielding positive results.

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, 2004.

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 \$2.804 millions during this year, compared to the US\$ 2.699 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. S. Muthukumar and Dr. M. Veerappan 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 31.03.2004.

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 217(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 2004 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 : 30.06.2004

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.

With reference to the Auditor's remark on delay in remittance of PF dues, we state that the delay had occurred only once with respect to one employee. All other dues have been remitted in time.

Place : Coimbatore

Date : 30.06.2004

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. 4,93,03,205
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Foreign Exchange Outgo	Rs. 3,58,29,327
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Place : Coimbatore

Date : 30.06.2004

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 : 31.03.2004
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 30,536/-
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 1,70,345

C. GANAPATHY
Chairman

Dr. M. VEERAPPAN
Director

K. MANICKAM
Managing Director

G. SURESH
Managing Director

Place : Coimbatore

Date : 30.06.2004

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	6	Yes	3
Mr. G. Suresh	Managing Director	4	Yes	3
Mr. K. Manickam	Managing Director	3	Yes	3
Mr. K. Ramanathan	Promoter Director	4	Yes	Nil
Mr. M. Durairaj	Independent Director	0	No	Nil
Dr. M. Veerappan	Independent Director	5	No	Nil
Mr. S. Muthukumar	Independent Director	6	Yes	Nil

Six Board Meetings were held during the 12 month period ended 31.03.2004. The dates on which the meeting were held are as follows :

Date of meeting	No.of Directors present
04.04.2003	5
27.06.2003	4
14.07.2003	5
28.07.2003	6
31.10.2003	5
28.01.2004	4

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.

The committee met four times during the year on 24.06.2003, 25.07.2003, 17.10.2003 and 24.01.2004.

Name of the Member	Number of meeting attended
Mr. K. Ramanathan	3
Dr. M. Veerappan	1
Mr. S. Muthukumar	4

IV. Remuneration Committee

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 2003-2004.

Details of Remuneration paid to the directors for the year ended 31st March 2004

(1) Executive Directors

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

(1) Non-Executive Directors

Name	Sitting Fees
Sri. C. Ganapathy	Rs.2,000/-
Mr. K. Ramanathan	Rs.1,000/-
Mr. S. Muthukumar	Rs.1,500/-
Dr. M. Veerappan	Rs.1,000/-

V. Investors' Grievance Committee

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 : 1
Pending Complaints : Nil

Name of the Member	Status	No. of meetings attended
Mr. K. Ramanathan (Chairman)	Non-Executive	12
Sri. C. Ganapathy (Member)	Non-Executive	12
Mr. M. Durairaj (Member)	Non-Executive – Independent	Nil

VI. Annual General Meetings

Particulars of Annual General Meeting held in the last three years.

AGM	Financial Year	Date	Time	Venue
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
8 th	2002-2003	25.9.2003	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.