

CMS INFOTECH LIMITED

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Sixteenth
ANNUAL REPORT
2006 - 2007

CMS INFOTECH LIMITED

Sixteenth Annual Report *2006 - 2007*

BOARD OF DIRECTORS

SHRI NIRAJ PRAKASH KHETAN, *Managing Director*
SHRI SANDEEP DEY
SHRI SUBRAT KUMAR ACHARYA
SHRI THAKUR PRASAD

SECRETARY

SHRI NAWIN LAHOTY

AUDITORS

V. LOHIA & CO.
Chartered Accountants

BANKERS

CANARA BANK
HDFC BANK

REGISTRARS & SHARE TRANSFER AGENTS

MAHESHWARI DATAMATICS PVT. LTD.
6, MANGOE LANE, KOLKATA - 700 001
PHONE : (033) 2243-5029 / 5809
FAX : (033) 2248-4787

REGISTERED OFFICE

10, PRINCEP STREET
2ND FLOOR
KOLKATA - 700 072
PHONE : 3292-4393

CMS INFOTECH LIMITED**NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the 16th Annual General Meeting of the Members of CMS Infotech Limited will be held at "Somani Conference Hall", Merchants' Chamber of Commerce, 15B, Hemanta Basu Sarani, Kolkata 700 001 on Thursday, 20th September, 2007 at 12.00 noon to transact the following businesses :-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2007 and Profit & Loss Account for the year ended on that date together with the Reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Shri Subrat Kumar Acharya, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s. V. Lohia & Co., Chartered Accountants, the retiring Auditors of the Company, as Auditors, who shall hold office from the conclusion of this Annual General Meeting, until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

4. To consider, and if thought fit, to pass with or without modification, the following Resolution as Ordinary Resolution :

"RESOLVED THAT Shri Niraj Prakash Khetan, in whose respect notice has been received from a Member under Section 257 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company."

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

"RESOLVED THAT in accordance with the provisions of Sections 198, 269 & 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, or any amendment thereof, Mr. Niraj Prakash Khetan be and is hereby appointed as a Managing Director of the Company in non-retiring basis for a period of five years from 11th December, 2006, on such terms and conditions as set out in the explanatory statement annexed to the Notice convening this meeting with absolute liberty to the Board of Directors to alter and vary the terms and conditions of said appointment in accordance with the limits specified in schedule XIII of the Companies Act, 1956 or any amendments thereto as may be agreed to between the Board of Directors and Mr. Niraj Prakash Khetan.

Registered Office :

10, Princep Street
2nd Floor
Kolkata - 700 072
Dated : 29th June, 2007

By order of the Board
For **CMS Infotech Limited**

Nawin Lahoty
Company Secretary

NOTES :

1. A Member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a Member of the Company. Proxies, in order to be effective, must be received at the Registered Office of the Company at 10, Princep Street, 2nd Floor, Kolkata 700 072, not less than forty-eight hours before the commencement of the Annual General Meeting.
2. Members/proxies should bring duly filled Attendance Slips along with copy of the Annual Report & Accounts to the Annual General Meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 17th September, 2007 to 20th September, 2007 (both days inclusive).
4. The Register of Directors Shareholding maintained under Section 307 of the Companies Act, 1956 will be available for inspection by the members at the Annual General Meeting.
5. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business to be transacted at the meeting is annexed hereto.
6. Members are requested to notify immediately any change in their addresses to the Registrar and Share Transfer Agent, Maheshwari Datamatics Private Limited of 6, Mangoe Lane, 2nd Floor, Kolkata - 700 001.
7. Members seeking any information with regard to the Accounts are requested to write to the Company at an early date so as to enable the management to keep the information ready.
8. Additional information to be provided under Clause 49 of the Listing Agreement pertaining to the Directors being appointed/re-appointed, Members are requested to kindly refer Para 2 of the Report on Corporate Governance forming part of this Annual Report.

CMS INFOTECH LIMITED**ANNEXURE TO NOTICE****EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****Item No. 4**

Mr. Niraj Prakash Khetan was appointed as an Additional Director of the Company under the provisions of Section 260 of the Companies Act, 1956 ("the Act") with effect from 11th December, 2006. Notice alongwith requisite fees of Rs. 500/- has been received from a member of the Company pursuant to the provisions of Section 257 of the Act proposing the appointment of Mr. Niraj Prakash Khetan as a Director of the Company. The Board recommends the resolution relating to his appointment as a Director of the Company is passed.

None of the Directors of the Company other than Mr. Niraj Prakash Khetan is interested in the aforesaid Resolution.

Item No. 5

Considering the knowledge and qualification acumen of Mr. Niraj Prakash Khetan, the Board of Directors in their meeting held on 11th December, 2006 was appointed as an Additional Director and also appointed as a non-retiring Managing Director on the following terms and conditions contained in the draft of an Agreement, an abstract of which is set out as follows:

1. SALARY :**a) Basic Salary :**

Rs. 12,250/- per month with such annual increments in the Salary effective from 1st April every year thereafter as the Board or the Committee of Directors may decide.

b) Apart from the above, other entitlements are as follows:

- i) Leave Salary shall be paid once in a year not exceeding equal to one month gross salary.
- ii) Ex-gratia shall be paid once in a year not exceeding equal to one month gross salary.
- iii) Contribution to provident fund:

The Managing Director shall be entitled to Provident Fund as per the rule of the Company and are not taxable under the Income Tax, 1961.

None of the Directors of the Company, other than Mr. Niraj Prakash Khetan is interested in the aforesaid Resolution.

Registered Office :

10, Princep Street
2nd Floor
Kolkata - 700 072
Dated : 29th June, 2007

By order of the Board
For CMS Infotech Limited

Nawin Lahoty
Company Secretary

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 16th Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2007.

1. FINANCIAL HIGHLIGHTS

The working results of the Company for the year under review are given below :

| Particulars | Year ended 31.03.2007 (Rs.) | Year ended 31.03.2006 (Rs.) |
|--|-----------------------------------|-----------------------------------|
| Profit/(Loss) before Taxation | 1,135,455.55 | 19,367,744.65 |
| Less : Provision for Tax - Current | 128,962.00 | 1,722,075.00 |
| - Deferred | 387,401.00 | 6,600,230.00 |
| Profit/(Loss) after Taxation | 619,092.55 | 11,045,439.65 |
| Less : Securities Transaction Tax | — | (197.00) |
| Less: Income Tax Paid for earlier year | 59,658.00 | — |
| Balance brought forward from previous year | (9,066,828.24) | (17,902,982.89) |
| Transfer to Reserve Fund | 123,819.00 | 2,209,088.00 |
| Balance carried to Balance Sheet | (8,631,212.69) | (9,066,828.24) |

2. DIVIDEND

Considering the brought forward losses and to conserve the resources of the Company for future expansion, the Board have decided not to recommend any dividend for the year under review.

3. PERFORMANCE REVIEW

The performance of the Company during the current year has seen quantum leap in comparison to previous year. Your Directors are making all efforts to improve the performance of the Company in future.

4. FIXED DEPOSITS

During the year under review, your Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and the Rules made there under.

5. DIRECTORS

As per the provisions of the Article of Association of the Company, Mr. Subrat Kumar Acharya, retire by rotation and being eligible offers himself for re-appointment at this Annual General Meeting. The Board recommends his re-appointment for consideration of the shareholders.

The Board has appointed Mr. Niraj Prakash Khetan as an Additional Director and also as a Managing

CMS INFOTECH LIMITED

Director. Notice alongwith requisite fees of Rs. 500/- has been received from a member of the Company pursuant to the provisions of Section 257 of the Act, proposing the appointment of Mr. Niraj Prakash Khetan as a Director of the Company. Further, the appointment of Mr. Niraj Prakash Khetan as Managing Director is being put up to the members for approval.

Mr. Prashant Jain has resigned from the post of Managing Director of the Company with effect from 11th December, 2006. The Board placed on record its appreciation for the valuable contribution made by Mr. Prashant Jain during their tenure as Director of the Company.

6. DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors Responsibility Statement, it is hereby confirmed:

- a. That in the preparation of the accounts for the financial year ended 31st March, 2007, the applicable accounting standards have been followed along with the proper explanation relating to material departures;
- b. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 profit of the Company for the year under review;
- c. That the Directors have 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;
- d. That the Directors have prepared the annual accounts for the financial year ended 31st March, 2007 on a going concern basis.

7. AUDITORS' REPORT

There are no items on which Auditors have commented which need further explanation from the Board of Directors.

8. AUDITORS

Messrs. V. Lohia & Co., Chartered Accountants, Auditors of the Company, who retire at the conclusion of the forthcoming Annual General Meeting, have consented to continue in office, if appointed. They have confirmed that their appointment, if made, will be in accordance with the limits specified in Section 224(1B) of the Companies Act, 1956.

9. EMPLOYEES

None of the employees were in receipt of remuneration in excess of the limits specified under Section 217(2A) of the Companies Act, 1956 read along with Companies (Particulars of Employees) Rules, 1975.

10. STATUTORY INFORMATION

The Company being basically in the financial sector, requirement regarding the disclosure of particulars of conservation of energy and technology absorption prescribed by the rules is not applicable.

11. FOREIGN EXCHANGE

The Company had no foreign exchange inflow or outflow during the year under review.

12. CORPORATE GOVERNANCE

As per the Listing Agreement with the Stock Exchange, the Company has implemented the Code on Corporate Governance. The Corporate Governance compliance certificate obtained from the Auditors of the Company is attached to this report.

The Management Discussion and Analysis Report and the Report on Corporate Governance are given in the annexure attached to this report. The Code of Conduct is available on the Company's website www.cmsinfotech.com. The Board members and Senior management personnel have confirmed compliance with the said code.

13. EMPLOYER EMPLOYEE RELATIONSHIP

The Company has maintained a cordial relationship with its employees, which resulted in smooth flow of business operations during the year under review.

14. ACKNOWLEDGEMENTS

Your Directors acknowledge the support and owe a debt of gratitude to the Shareholders, Investors & Bankers. Your Directors are also thankful to its clients for their continued faith and support reposed in them. Last but not the least, your Directors' place on record their sense of appreciation of the valuable contribution made by the employees of the Company.

On behalf of the Board
For CMS Infotech Limited

Niraj Prakash Khetan
Managing Director

Sandeep Dey
Director

Registered Office :

10, Princep Street
2nd Floor
Kolkata - 700 072
Dated : 29th June, 2007

CMS INFOTECH LIMITED**REPORT ON CORPORATE GOVERNANCE**

The detailed report on Corporate Governance as per the guidelines prescribed by SEBI and incorporated in Clause 49 of the Listing Agreement is as follows :-

Para 1. CORPORATE GOVERNANCE PHILOSOPHY

Effective Corporate Governance is how an organisation is managed, which includes its culture, structure, policies and manner in which it deals with its stakeholders and not just mere compliance. It also relates to processes and systems that directs the resources of the organization and strategies of the management for maximizing the wealth of the stakeholders. Your Company firmly believes that such practices are founded upon the core values of transparency, accountability, independence, responsibility and fairness.

Your Company makes best endeavours to implement these core values in all facets of its operations. The Company continues to follow procedures and practices in conformity with the Code of Corporate Governance enshrined in the Listing Agreement.

Para 2. BOARD OF DIRECTORS**(i) Composition of the Board :**

The Composition of the Board of Directors of the Company consists of qualified executive and non- executive Directors. The Board comprises of persons who have excelled in their respective areas and have good standing.

The composition of the Board of Directors as on 31st March, 2007 is given below :

| Sr. No. | Name of Director | Executive/ Non-Executive | No. of other | | |
|---------|---|-----------------------------|------------------|---------------|--------|
| | | | Directorships(+) | Committee(++) | |
| | | | | Chairman | Member |
| 1 | Shri Prashant Jain - Managing Director* | Executive | — | — | — |
| 2. | Shri Niraj Prakash Khetan - Managing Director** | Executive | 2 | — | — |
| 3 | Shri Sandeep Dey | Non-Executive | 5 | — | — |
| 4 | Shri Subrat Kumar Acharya | Non-Executive & Independent | — | — | — |
| 5 | Shri Thakur Prasad | Non-Executive & Independent | — | — | — |

* Resigned as Managing Director w.e.f 11th December 2006.

** Appointed as Managing Director w.e.f 11th December 2006.

(+) Excluding directorship held in private limited/foreign companies and companies incorporated under Section 25 of the Companies Act, 1956.

(++) Represents chairmanship/membership of the Audit Committee and Shareholder's/ Investors' Grievance Committee of other companies, in which they are director.

(ii) The attendance of the Directors at the Board meetings and the last AGM held are given below :

| Name of the Director | No. of Meetings | | Attendance at last AGM - held on 5th September, 2006 |
|---|-----------------|----------|--|
| | Held | Attended | |
| Shri Prashant Jain-Managing Director | 6 | 6 | No |
| Shri Niraj Prakash Khetan-Managing Director | 2 | 2 | NA |
| Shri Sandeep Dey | 8 | 8 | Yes |
| Shri Subrat Kumar Acharya | 8 | 8 | Yes |
| Shri Thakur Prasad | 8 | 8 | NA |

Particulars of the Directors to be appointed/re-appointed at the ensuing Annual General Meeting pursuant to revised Clause 49 of the Listing Agreement :

| Name of the Director | Shri Niraj Prakash Khetan | Shri Subrat Kumar Acharya |
|---|---|--|
| Date of Birth | 17th March, 1976 | 20th July, 1965 |
| Date of Appointment | 11th December, 2006 | 26th December, 2005 |
| Qualification | Commerce Graduate | Company Secretary |
| Expertise in specific functional area | Shri Niraj Prakash Khetan is having vast experience in the field of Accounts and Corporate Finance. | Shri Acharya is having wide experience in Corporate Law and related matters. |
| Directorship of other Companies (*) | 1. Bhairav Tradelink Ltd. 2. Divya Dealers Ltd. | None |
| Chairman/Membership in the Committees | None | None |
| Shareholding in Equity Shares of the Company and % of holding | Nil | Nil |

(*) Excludes directorships in private limited companies and organisations other than public limited companies.

(iii) Directors' membership in board/committees of other companies :

In terms of the Listing Agreement, none of the Directors of your Company were Members in more than 10 (ten) committees nor acted as Chairman of more than 5 (five) committees across all companies in which they were Directors. Details of other directorships/committee membership/chairmanship held by them are given in Para 2(i) above.

(iv) Number of Board meetings held, dates on which held :

As per the Listing Agreement, the Board of Directors must meet at least four times a year, with a maximum gap of four months between any two meetings.

During the financial year 2006-07, Board met eight (8) times on 05.04.2006, 24.06.2006, 28.07.2006, 29.08.2006, 28.10.2006, 11.12.2006, 25.01.2007 and 06.03.2007. The gap between any two Board Meetings did not exceed four months.