

Cranes Software International Limited

Enterprise Analytics and Engineering Simulation Software & Solutions



Innovative regrouping

to ensure that we create

sustained and perpetual

value for our shareholders

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as we ride the waves of Innovation.

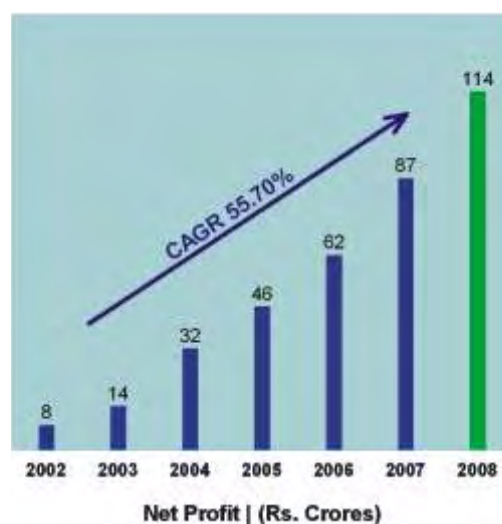
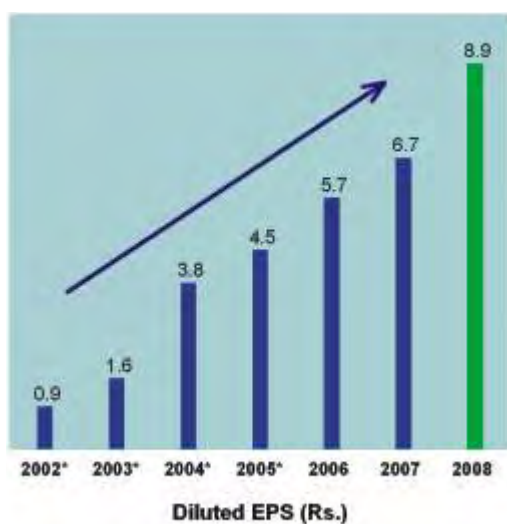
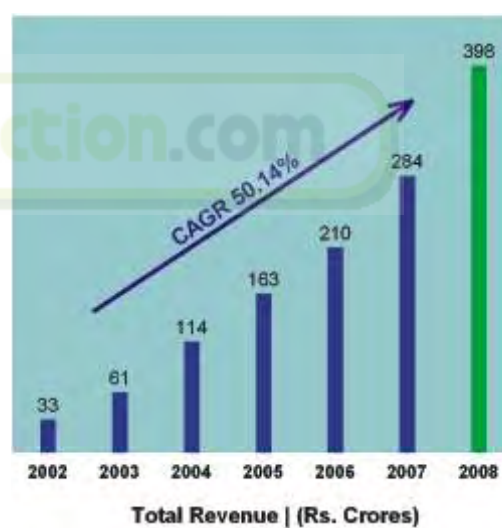
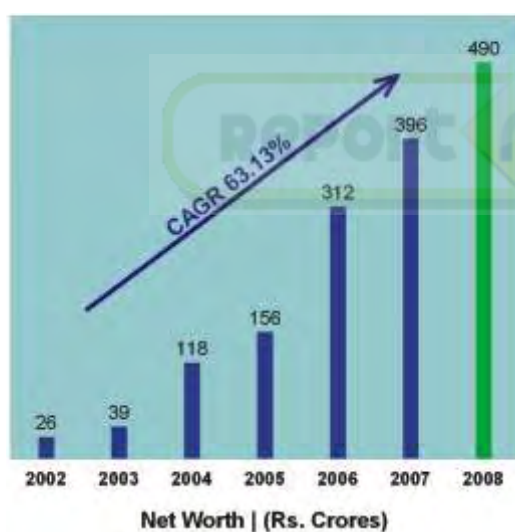
At its very core, Cranes Software is a company of scientists, mathematicians, and engineers, driven by a passion for knowledge. Our human capital, led by a highly reputed management team is the chief ingredient that has made the company a dominant player in the areas of engineering simulation and enterprise data analytics. Our software is used as an innovation engine for a gamut of businesses in the automotive, aerospace, pharmaceuticals, social sciences, environmental science and the telecom space. It is worthy to note that in order to cater to these ventures Cranes must anticipate and address various needs, both stated and unstated. It is this characteristic that defines Cranes' dynamic approach since inception. The robust growth and successful financial performance that your company has witnessed over the past year are a testimony to the same.

At any given point, your company is scouting for acquisitions to fill in technology gaps. Having successfully completed the acquisition of Engineering Technology Associates, Cranes has strengthened its position in the engineering simulations domain. In addition, your company formed a strategic alliance with Fractal Analytics that has widened the breadth of our product offerings. Building on such acquisitions and alliances are a team of in-house engineers that specializes in productizing methodologies to offer wrap around end to end solutions across the value chain.

Your company posted record sales and earnings in the year gone by. Revenues were up 40% at Rs. 3,986, of which overseas revenues accounted for 80% of total revenues. Profit after tax grew to Rs. 1,150 million up 32%. The company has fully integrated its earlier acquisitions of Tilak AutoTech and Caravel Info Systems that are now contributing to the top-line.

Cranes Software has now regrouped and is well positioned for the giant leap of being a leading provider of engineering simulation and data analytics software and services. We are optimistic of surpassing our performance both financially and as a preferred partner to our clients thereby creating sustainable wealth for all associated with the company.

| Year Ended March 31, | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | RS. CRORES 2008 |
|------------------------------|-------|-------|--------|--------|--------|--------|--------------------|
| Total Revenues | 33.96 | 61.55 | 114.06 | 163.38 | 210.98 | 284.86 | 398.64 |
| Total Expenditure | 22.98 | 39.60 | 77.76 | 103.83 | 129.73 | 183.95 | 265.06 |
| Profit Before Tax | 10.98 | 21.95 | 36.30 | 59.55 | 81.25 | 100.91 | 133.58 |
| Tax Expenses | 2.97 | 7.90 | 3.74 | 13.50 | 19.05 | 14.40 | 18.61 |
| Net Profit | 8.01 | 14.05 | 32.56 | 46.05 | 62.49 | 87.12 | 114.97 |
| Paid up Equity Share Capital | 8.42 | 8.42 | 10.17 | 10.17 | 22.73 | 22.93 | 22.93 |
| Net Worth | 26.96 | 39.55 | 118.70 | 156.93 | 312.44 | 396.27 | 490.87 |
| Diluted Earnings Per Share | 9.83 | 16.31 | 38.29 | 45.27 | 5.77 | 6.69 | 8.85 |



* Adjusted for 1:1 bonus issue and 1:5 stock split made during FY 2006 to make it comparable

Graphs powered by SigmaPlot



Chairman's Message

Dear Shareholders,

It gives me immense pleasure to inform you that the success reaped from the year gone by has cemented your company's future as a leader in the field of engineering simulations and enterprise data analytics. Business growth has been robust as our customer base has expanded to newer geographies. We have also increased our human capital to over 1,100 people and now boast of a newly built state of the art facility.

I would like to draw your attention to unraveling the mystique that surrounds Cranes Software. Our products provide customers with tools that stimulate innovation. Because of this, the success of our customers is linked to how well we can address their needs, both stated and unstated. Business leaders and decision makers now realize the value of good data. Cranes Software is adept at identifying, collating, analyzing, and acting on astronomical amounts of data.

In the Engineering Simulation space, the market for Computer Aided Automotive Engineering (CAE) is going through an industry level transformation globally. Let me give you an example. Traditionally, the evolution of a vehicle from concept to design to prototype was an iterative process, involving several manual interventions in design, testing, and repeating test processes. Today, the product development cycle has been automated and cycle times have been significantly reduced. This is purely due to the convergence of two facets of computer aided automotive design; namely computer aided design and tools based computer aided simulation. Currently, most contemporary CAE tools and product vendors address the needs of specific areas like durability, crash, and NVH (noise, vibration, harshness).

Meanwhile, the market for business analytics is also going through an industry level transformation in its application potential. Across banking and financial services, social and environmental sciences, telecom services and manufacturing, the impact of statistical intelligence gleaned from rigorous data analysis has gained in its relevance for real time decision support. Under the technology product development leadership of Dr. Leland Wilkinson (author of Systat, who is currently developing the next generation product Fastat), Cranes is poised to ride the waves of change on the analytics horizon. Under the technology solution architecture leadership of Dr. Rajeeva Karandikar, Cranes is bringing the convergence of conventional business intelligence, routine and exception reporting, and embedded analytics in business processes with smart analytics (the wrap around product Predicta is an example of this development). These two world renowned scientists are the prime movers that will propel Cranes towards a significant global share in the emerging market for smart statistics. The next generation statistical desktop products and enterprise solutions that Cranes is developing embraces these concepts.

In May 2008, your company commissioned the regrouping of its businesses into revenue centric streams of Engineering and Analytics. This has allowed Cranes to align its efforts of product offerings with their respective target markets. In addition, other new growth initiatives in the fields of Life Sciences, Education, Defence, Government Projects, and Wireless Scientific Applications will now fall under a third stream: The Technology Group. The regrouping of our business has reenergized a wealth creation engine that will propel your company into the highest league of business leaders that are driven by promoting innovation, nurturing talent, and enhancing all-round stakeholder value.


Rudra Pratap
 Chairman

Managing Director's Message

Dear Shareholders,

It gives me immense pleasure to report to you another year of robust performance by your company in FY2008. This has been driven by healthy growth in our organic business as well as acquisitions that we have completed.

Cranes has been witnessing strong business momentum driven by the need to address large value opportunities in the engineering and analytics space. In a constant effort to increase operational efficiency and maintain new products' innovative effectiveness, your company has streamlined its businesses and product markets into two distinct revenue centric groups namely Engineering and Analytics. In the engineering group automotive is the major revenue generator and we have opened up leads in aviation and aerospace. The focus of the analytics group is on target sectors of pharmaceuticals, environmental science, social sciences, telecom and BFSI. Your company is in an optimal position to sustain long term growth of its businesses through technological innovation and commitment to deliver high quality IP driven productized solutions. Each of the business groups is headed by a CEO, selected in-house, to steer the groups on a high growth path.

In the year gone by, Cranes has accumulated a judicious talent pool of over 1,100 employees, of which, over 800 are mathematicians, scientists, highly skilled tech architects, and software engineers. Our attrition rate at the technical level is less than 5%, which is a strong indication of the sense of belonging felt by our people and the belief that few other places can offer such a stimulating and intellectually rewarding career.

In addition, your company has taken the initiative to build its own state of art facility by adding 35,000 square feet, which was made operational earlier this year. With presence in over 39 countries worldwide, Cranes has a cumulative user base of over 360,000 customers in leading corporations (including several Fortune 500 companies), government agencies, and academic institutions.

Financial Performance

In fiscal 2007-08, consolidated revenues have grown by 40% to Rs. 3,986 million from Rs. 2,849 million in the previous corresponding year. From a macro perspective, the proprietary software products business is up 44% to Rs. 3247 million while revenues from third party software distribution have increased by 23% to Rs. 607 million.

Operating profit for the year is up 35% to Rs. 2,038 million, bolstered by steady operating margins of 51%. Net profit after tax has increased 32% to Rs. 1,150 million translating into earnings of Rs. 8.85 per share on an expanded capital basis.

Over the last five years, Cranes' revenues have grown at a CAGR of 50% and net profit by 56%. This consistent financial performance is attributable to the company's innovative 'Acquire-Enhance-Expand' business model. This model has helped the company leverage its core competencies to build a strategic foundation with unwavering focus on IP creation.

Business Initiatives

The reorganization of the company into engineering and analytics groups has helped us clearly focus on the respective industry sectors. In the automotive sector, Cranes covers the full suite of CAE design, embedded engineering and control systems design and testing, and finite element

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analysis tools combined with third party high end simulation product suites.

Within the analytics group, Dr. Lee Wilkinson, the author of our flagship product, Systat, has joined the company to lead the foray into environmental and social science verticals, which are high growth markets. Our service offerings and value proposition has met with excellent customer traction and business growth. Under Dr. Rajeeva Karandikar's technical expertise we have launched a new product Predicta to address the retail credit risk scoring



Asif Khader

Co-founder & Managing Director

| | | |
|--------------------|---|----------------------------------|
| Board of Directors | Dr. Rudra Pratap | – Chairman |
| | Mr. Asif Khader | – Co-founder & Managing Director |
| | Mr. Mukkaram Jan | – Co-founder & Director |
| | Mr. Mueed Khader | – Director |
| | Mr. Richard Gall | – Director |
| | Mr. Ronald Brown | – Director |
| | Mr. Ajay Singh | – Director |
| | Mr. Mirza Yawar Baig | – Director |
| | Dr. Manju Bansal | – Director |
| | Dr. Peter Ryser | – Director |
| Company Secretary | Mr. B. Parasuram | |
| Bankers | HSBC Bank, Bangalore | |
| | Bank of India, Bangalore | |
| | The Jammu & Kashmir Bank Ltd., Bangalore | |
| | State Bank of Travancore, Bangalore | |
| | IDBI Bank Ltd., Bangalore | |
| | Yes Bank, Bangalore | |
| Auditors | S. Janardhan & Associates | |
| | Chartered Accountants | |
| | Apt. Nos. 104 & 203, Embassy Centre No. 11, Crescent Road, Bangalore - 560 001. | |
| Registered Office | Cranes Software International Ltd. | |
| | Shankar Narayana Building, Block I, 4th Floor, #25, M.G. Road, Bangalore - 560 001. | |
| Registrars | Alpha Systems Pvt. Ltd. | |
| | #39, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore - 560 003. | |
| Website | www.cranessoftware.com | |

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All other company and product names are trademarks and/or registered trademarks of their respective owners.

(All references in this report to Cranes Software International Limited prior to 2001-2002 refer to the erstwhile Cranes Software International Limited before amalgamation.)

FINANCIAL STATEMENTS

2007-08

REPORT OF THE BOARD OF DIRECTORS

To the Members of Cranes Software International Limited,

Your Directors have pleasure in presenting to you the twenty-third Annual Report together with the audited accounts on the business and operations of the Company for the year ended March 31, 2008 by itself and its fifteen subsidiaries, viz.

1. Systat Software Asia Pacific Ltd., India
2. Systat Software Inc., USA
3. Cranes Software International Pte Ltd., Singapore
4. Systat Software GmbH, Germany
5. Cranes Software Inc., USA.
6. Analytix Systems Pvt Ltd., India
7. Tilak Autotech Pvt Ltd., India
8. Proland Softwares Pvt Ltd., India
9. Caravel Info Systems Pvt Ltd., India
10. Engineering Technology Associates Inc., USA (WOS of Cranes Software Inc., USA)
11. Dunn Solutions Group Inc., USA (WOS of Cranes Software Inc., USA)
12. Cranes Software UK Ltd., (WOS of Systat Software Inc., USA)
13. Engineering Technology Associates (Shanghai) Inc., (WOS of Engineering Technology Associates Inc., USA)
14. Esqube Communication Solutions Pvt Ltd., India
15. EMRC Engineering Mechanics Research (India) Ltd., India (upto September 30, 2007)

The Audited Accounts for the same period, of the above subsidiary companies have also been incorporated as per relevant regulations in the Consolidated Financial Statements:

| Financial Performance | | | (Rs. million) | |
|------------------------------------|----------|----------|---------------|----------|
| | 2007-08 | 2006-07 | 2007-08 | 2006-07 |
| | | | Consolidated | |
| Sales and Operating Revenues | 2,820.88 | 2,476.07 | 3,986.42 | 2,848.57 |
| Profit Before Tax | 1,132.37 | 1,050.64 | 1,341.73 | 1,009.12 |
| Taxes | 183.23 | 127.85 | 191.97 | 144.03 |
| Profit After Tax | 949.14 | 922.79 | 1,149.76 | 865.09 |
| Add: Prior Period Tax Adjustments | - | 6.12 | 0.05 | 6.14 |
| Net Profit | 949.14 | 928.91 | 1,149.81 | 871.23 |
| Surplus Brought Forward | 900.68 | 405.92 | 846.77 | 409.70 |
| Amount Available for Appropriation | 1,849.82 | 1,334.83 | 1,996.58 | 1,280.93 |

Business

During the year, your Company on a standalone basis achieved a Sales and Operating Revenue of Rs. 2,820.88 million from Rs. 2,476.07 million – a growth rate of 14%. The Profit before Tax increased by 8% from Rs. 1,050.64 million to Rs. 1,132.37 million while Net Profit increased to Rs. 949.14 million from Rs. 928.91 million (higher by 2.17 %).

On a consolidated basis, during the year, your Company together with its above named subsidiaries, achieved a Sales and Operating Revenue of Rs. 3,986.42 million from Rs. 2,848.57 million – a growth rate of 40% while Net Profit increased from Rs. 871.23 million to Rs. 1,149.81 million (an increase of 32%).

Operations

During the year under review, the following developments were noteworthy :

- Your Company acquired Engineering Technology Associates Inc, USA along with its subsidiary in China through Cranes Software Inc, USA in an all cash deal.
- Your Company acquired the entire shareholdings of Proland Softwares Pvt Ltd, thereby making it a wholly owned subsidiary of the Company. Proland's experience is in the areas of designing, developing and supporting software products in the data security space with a global customer base. It offers anti-virus and anti spam solutions for every platform of importance.
- During the year under review your Company also acquired the entire paid-up capital of Caravel Info Systems Pvt Ltd. Caravel provides consulting services in the areas of complete embedded product development, hardware design, embedded software design, intranet based applications development, Groupware application development and customization services.

- As a part of business restructuring the shares of EMRC Engineering Mechanics Research (India) Ltd., (EMRC) has been divested since the active business of the Company had been taken over by the Company w.e.f 01.01.06. At the time of this sale, there was no business conducted in the name of EMRC.
- During the year, the Board approved an increase in stake (from 15% to 76%) in Esqube Communication Solutions Pvt Ltd., a Company which has domain knowledge in providing innovative products and R&D solutions in the areas of Digital Signal Processing, wireless and wired communications and in which Cranes has already a stake.

Appropriation

Your Directors, are pleased to recommend a regular dividend of 20% and a special dividend of 40% on the equity shares (thereby aggregating to 60%) for the year under review.

The amount on account of the above dividend including dividend tax and surcharge thereon on distributed profits works out to Rs.160.98 million, leaving the Company with Rs.1,688.84 million, of which Rs.300.00 million is transferred to General Reserve and the balance of Rs.1,388.84 million is retained as surplus in the Profit and Loss Account.

Subsidiary Companies / Joint Ventures

As per Sec 212(1) of the Companies Act, 1956 the Company is required to attach to its accounts, the Directors Report, Profit & Loss Account, Balance Sheet of each of the above subsidiaries. Your Company applied to the Government of India seeking an exemption from such attachment since the Company is presenting its Consolidated Financial Statements in the Annual Report. The Company received approval for the same and hence the financial statements of the subsidiaries are not enclosed. As per the terms of this approval, certain details relating to the subsidiaries are being published in the Consolidated Financial Statements section. The Annual Accounts and the related information on the subsidiaries are available for inspection at the Registered Office of the Company and copies shall be provided on request.

In accordance with the Accounting Standard AS-21 on consolidated financial statements, your Directors have pleasure in attaching the Consolidated Financial Statements which form a part of the Annual Report and Accounts. This along with the Company's results, we believe, present a full view of the state of affairs of the Company.

Deposits

Your Company has not accepted deposits from the public during the current year.

Directorate

Dr. Rudra Pratap, Mr. Richard Gall and Dr. Peter Ryser retire by rotation in the forthcoming Annual General Meeting, being eligible, offer themselves for re-appointment.

Conservation of Energy

Even though the operations of your Company are not energy-intensive, adequate measures have been taken to reduce energy consumption by using efficient equipments. Since it is a software products Company, primarily dealing with scientific and engineering software products and product related projects, energy cost forms a very small part of total cost and its impact on total cost is not material.

Research & Development Activities

At Cranes, we have been committed to building a strong R&D culture from day one and have set clear R&D goals. In order to achieve these goals, Cranes has focused on furthering the efficacies of R&D activities as well as building synergies among multiple-impact technologies. For instance, we are architecting new software as well as re-engineering the old ones as independent modules so that they can be used in diverse applications for diverse industries. In the development of software products, while reinvention is a potent methodology to enhance the diversity of operability of software tools, reusability takes the foremost importance in the solutions space. At your company, a judicious mix of both are being used not just to prove a point to ourselves in the laboratory environment but to deliver products and solutions in such a way that it appeals to the increasingly knowledgeable customers, who enjoy varied choices. The statement giving information as required under Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 is enclosed to this report.

Foreign Exchange Earnings and Outgo

Foreign exchange earned (FOB) during 2007-08 is Rs. 2,066.99 million and foreign exchange outgo is Rs.2,952.88 million during the year.

Employees

The particulars of employees as per Section 217 (2A) of the Companies Act 1956, read with the Companies (Particulars of Employees) Rules, 1975 is enclosed.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act 1956, the Directors hereby confirm that they have: