

# ANNUAL REPORT 2 0 0 9 - 2 0 1 0

**Cranes Software International Limited**

Enterprise Analytics and Engineering Simulation Software & Solutions





**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
Dr. Manju Bansal	- Director
Dr. Peter Ryser	- Director

**Bankers**

HSBC Bank  
Bank of India  
The Jammu & Kashmir Bank Ltd.  
State Bank of Travancore  
IDBI Bank Ltd.  
Yes Bank  
State Bank of India  
Canara Bank  
Allahabad Bank  
State Bank of Mysore

**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.  
# 29, 7th Cross, 14th Main  
Vasanth nagar, Bangalore - 560 052.

**Registrars**

Integrated Enterprises India Pvt. Ltd.  
# 39, Ramana Residency,  
4th Cross, Sampige Road,  
Malleswaram, Bangalore - 560 003

**Website**

[www.cranessoftware.com](http://www.cranessoftware.com)



# CRANES SOFTWARE INTERNATIONAL LIMITED

## FINANCIAL STATEMENTS

2009 - 2010

## REPORT OF THE BOARD OF DIRECTORS

To the Members of  
**Cranes Software International Limited,**

Your Directors have pleasure in presenting to you the Twenty-fifth Annual Report together with the audited accounts on the business and operations of the Company for the year ended March 31, 2010 by itself and its subsidiaries, viz.

1. Systat Software Inc., USA
2. Cranes Software UK Ltd., (WOS of Systat Software Inc., USA)
3. Cranes Software Inc., USA.
4. Engineering Technology Associates Inc., USA (WOS of Cranes Software Inc., USA) Engineering Technology Associates (Shanghai) Inc.,
5. Dunn Solutions Group Inc., USA (WOS of Cranes Software Inc., USA)
6. Systat Software GmbH, Germany
7. Cubeware GmbH (WOS of Systat Software GmbH), including its WOS in Austria and Switzerland
8. Cranes Software International Pte Ltd., Singapore
9. Tilak Autotech Pvt Ltd., India
10. Proland Software Pvt Ltd., India
11. Caravel Info Systems Pvt Ltd., India
12. Esquebe Communciation Solutions Pvt Ltd., India
13. Systat Software Asia Pacific Ltd., India
14. Analytix Systems Pvt Ltd., India

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, also being presented.

### Financial Performance

(Rs. in Million)

Particulars	2009-10	2008-09	2009-10	2008-09
			Consolidated	
Sales and Operating Revenues	317	3,769	2,404	5,289
Profit before tax	(2,960)	1,306	(3,096)	1,333
Taxes	(1,020)	150	(1,054)	118
Profit after tax	(1,941)	1,156	(2,042)	1,215

### Business

During the year, your Company, on a standalone basis, achieved a Sales and Operating Revenue of Rs. 317million, down from Rs. 3,769 million The after tax position was a loss of Rs 1,940 million, on Standalone basis

On a consolidated basis, during the year, your Company together with its above named subsidiaries, achieved a Sales and Operating Revenue of Rs. 2,404 million, again down from Rs. 5,289 million of the previous year

### Operations

The last year under review had been highly demanding and challenging for your Company both business wise and operationally. Given the historic global economic turmoil experienced over the last couple of years, your Company had to face a fair amount of turmoil in its business.

During the year under review, there was considerable turmoil in the Company consequent upon severe liquidity crisis. As a result there was large scale manpower turnover as well. The liquidity crisis was further exacerbated by stances taken by Banks / Financial Institutions, other lenders, Service Providers et al. Pursuant to the stances taken by some Lenders, it was, as a matter of good order also, decided to pend disbursement of dividends declared by the shareholders in the Twenty-fourth Annual General Meeting of the Company held on September 29, 2009. The Board regrets having had to resort to such severe measures.



### Appropriation

In the absence of distributable profits in the year, the Directors have not recommended dividend for the year 2009-10, in order to conserve cash.

### Subsidiary Companies / Joint Ventures.

In terms of Sec 212(1) of the Companies Act, 1956, the Directors' Reports, Profit and Loss Accounts and Balance Sheets of each of the Subsidiary Companies referred to above, are attached.

In accordance with the Accounting Standard AS-21 on consolidated financial statements, your Directors also have pleasure in attaching the Consolidated Financial Statements which form a part of the Annual Report and Accounts.

There along with the Company's results, we believe, present a full view of the state of affairs of the Company.

### Remarks of Auditors

In the course of audit of the Accounts, the Statutory auditors have raised comments, observations and qualifications. Their comments in respect of the company's assumption of "Going Concern" along with the responses of the Board to each are given below :

Auditors Opinion	Management Response
<p>The Company has incurred a cash loss of Rs. 220.08 Crores for the year under review.</p> <p>There has been a considerable erosion of staff strength for the year under review.</p>	<p>Such erosion was largely on account of organizational turmoil. With greater stability and working out arrangements with lenders in the recent months, it should soon be possible to attract needed talent.</p>
<p>The ability of the company to recover the book debts/ trade advances representing substantial part of these assets shown in the Balance Sheet particularly in the absence of confirmation of balances and any tangible evidence for follow up of collection.</p>	<p>Any laxity in follow up of book debts is on account of staff turmoil and is under correction; needed steps to seek and obtain needed approvals under FEMA for extension of time is also being taken. The recoverable advances arose because, during the year, some lenders invoked guarantees given by the Company on behalf other entities, as Securities for the borrowings of those entities; such amounts recovered by the lenders are treated as amounts recoverable from the beneficiaries of such guarantees as at end fiscal year. Steps to arrange recovery have been initiated.</p>
<p>A Principal supplier of the company 'The Mathworks Inc.' has filed a petition for Winding up of the company u/s.434 of the Companies Act, 1956 before the High Court of Karnataka for non-payment of dues.</p>	<p>An out - of - court settlement has been executed with the Principal, involving phased payment. Payments of agreed installments as per this schedule are being done. Hence this is not a risk anymore.</p>
<p>The Company has not carried out the exercise of assessing the value of intangible assets appearing in the books with a view to provide for any impairment.</p>	<p>It is believed that there is no impairment in value and the realizable value is atleast equal to the carrying value; any diminution on account of the global economic conditions are not of permanent nature.</p>
<p>The security provided to Banks and other lending institutions is not adequate to cover the amounts outstanding as appearing in the Balance Sheet.</p>	<p>The matter is under active discussion with each such entity to reach an amicable negotiated phased settlement to meet this liability. In some cases like HSBC (amongst the largest lenders), such settlement has been reached as well.</p>

The Trustees of Foreign Currency Convertible Bond holders due for redemption in March, 2011 have served a legal notice on the Company for non-payment of interest due on the Bonds from September, 2009 and stated that a Petition u/s.434 for winding up of the company would be filed in the event of non-payment of interest.	No notice of the petition having been filed as yet been received. Meantime, the matter is under discussion with the Bond Holders to arrive at a negotiated settlement by rephrasing the liability discharge.
The company has also received several legal notices from creditors and employees for non-payment of dues to them.	The matter is under active discussion with each person to reach an amicable negotiated phased settlement to meet this liability.
There are several cases filed u/s.138 of the Negotiable Instruments Act against the Company	The matter is under active discussion with each such entity to reach an amicable negotiated phased settlement to meet this liability. In some cases like HSBC (amongst the largest lenders), such settlement has been reached as well.
Some Banks and lending institutions have applied the DRT for review of dues and provisions of SARFAESI have also been invoked against the company.	

The auditors have also further qualified the accounts for the following reasons:

Auditors Opinion	Management Response
The Company has defaulted in discharge of undisputed statutory dues like Provident Fund, ESI, VAT, Income Tax, including Tax deducted at source and Dividend Tax and Service Tax.	Caused by acute liquidity crisis; the matter has been represented to the authorities and time sought to discharge these liabilities in a phased manner.
Non provision for the book debts to the extent of Rs.3,198 Million and Rs. 2,344 Million on account of the advances, which is doubtful.	This is already dealt with above. Needed steps to obtain statutory approvals and arrange recovery, etc have been initiated.
Recognition of Deferred Tax asset in respect of the carried forward losses to the extent of Rs.1,020 Million, in the absence of any reasonable certainty of future taxable income.	With the steps already taken to maintain and grow the business, there is no reason to presume that the Company will not have future taxable income to take advantage of the Deferred Tax Asset. Hence this is recognised.
Non payment of dividend declared in the Annual General meeting held on 29th September 2009 for the FY ending 31st March 2009.	Apart from being caused by the acute liquidity position, this was also postponed as a matter of good order when some of the lenders who had initiated coercive legal action included in their petition that the Company should be restrained from this payment meanwhile.

### Deposits

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

### Directorate

Ms. Manju Bansal and Mr. Ron Brown retire by rotation in the forthcoming Annual General Meeting. Both have expressed their intention not to seek re-appointment. and the Board places on record their deep appreciation for the services, rendered by them during their tenure on the Board.

### 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 equipment. 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

The Management of your Company is committed to building a strong R&D culture from day one and has set clear R&D goals. In order to achieve these goals, the Company has focused on furthering the efficacies of R&D activities as well as building synergies among multiple-impact technologies.. 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 2009-10 is Rs. 136 million and foreign exchange outgo is Rs. 186 million during the year .

### Employees

The statement giving 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:

- i. Followed the applicable accounting standards in the preparation of the annual accounts;
- ii. 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 the loss of the Company for the year under review;
- iii. 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 detecting fraud and other irregularities;
- iv. Prepared the accounts for the financial year on a 'going concern' basis.

### Corporate Governance

A detailed report on Corporate Governance is attached.

The Board members and the Senior Management Personnel have affirmed compliance with the Code of Conduct. Declaration of Confirmation by the Managing Director to this effect is annexed hereto.

### Auditors

The auditors of the Company, Messrs. S.Janardhan & Associates, Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for reappointment.

### Acknowledgement

Your Directors wish to place on record their sincere appreciation for the assistance and co-operation received from Banks, Financial Institutions, Government, Customers, Suppliers, Business Partners and Shareholders for the year under review.

Your Directors also wish to place on record their appreciation for the Contribution made by employees at all levels of the Company and look forward to their continued support.

for and on behalf of the Board

Bangalore  
September 30, 2010

**Asif Khader**  
Managing Director

**Mukkaram Jan**  
Director

**Mueed Khader**  
Director

## ANNEXURE TO DIRECTORS' REPORT

Information as per Sec 217(2a) of the Companies Act, 1956 read with the Companies (Particulars of employee) Rules, 1975 and forming part of the Directors Report for the year ended March 31, 2010

Sl No.	Age in Years	Name	Designation	Total Exp. Qualifications	Date of Birth	Remuneration	In Years	Joining	Particulars of the previous employment
a) Employed for the full Financial Year									
1	Asif Khader	Managing Director	B.E., PGG DIP IN Stat	43	24,00,000	20	30-Apri-2002	Erstwhile Cranes Software International Limited	
2	Mukkaram Jan	Whole-Time Director	B.Com	43	24,00,000	20	30-Apri-2002	Erstwhile Cranes Software International Limited	
3	Mueed Khader	Whole-Time Director	BSc, DIP In Computer Science	37	24,00,000	13	30-Apri-2002	Erstwhile Cranes Software International Limited	
4	Rajeeva Laxman Karandikar	Executive VP & Head Analytic Practice	PhD. & M.Stat	54	66,00,000	31	02-May-06	Professor - ISI New Delhi	
5	Ashfaq Ibrahim	Senior Vice President	B.E.	42	25,00,000	14	01-Mar-96	-	
6	Mehraj K Lanker	Vice President	B.E.	37	25,00,000	12	01-Mar-96	-	
7	Shankar H	CEO - Analytics	B.Tech and PG Diploma in Business Administration	61	39,84,750	35	10-May-04	Managing Director - Saint Gobain Sepr Refractories India Limited	
8	Ajay Singhal	Vice President	B.E. & MBA inmarketing	40	25,00,000	18	02-Nov-04	Lead Consultant - Satyam Computer Services Ltd.	
9	Rajiv Balaram Menon	Senior Vice President Development	BS	42	26,00,000	17	02-Jul-01	Vice President - IQ Infotech Ltd.	
10	Amuthukuniyavel Manoharan	Assistant Vice President	MCA, MBA, MFT, DSADP, PGDCSM	39	28,25,550	20	20-Oct-04	Project Head - Kanrad Technologies	
b) Employees for part of the year under review andwas in receipt of remuneration in the aggregate of not less than Rs. 2.00 Lakhs per month									
1	Sayaji Hande	Vice President	Phd & Mstat	47	8,80,376	17	31-Jan-08	VP Analytics - Flagstone Re Bermuda / West End Capital	
2	Amitabha Chattopadhyay	Principal Consultant	MStat	43	9,64,516	18	26-July-05	Consultant - Satyam Computer Services Ltd	
3	Kalyan Swaminathan	Vice President - Finance & Accounts	BC, AICWA	51	11,00,000	25	07-Apr-08	Balmer Lawrie & Co Ltd.	
4	Pradeep Kumar M K	Senior Vice President	B.E. & PG Diploma in Marketing Management	41	20,91,935	18	19-Oct-93	Sales Engineer - Mecord Marketing Limited - Chennai	
5	Syed Aarif Hashmi	Senior vice President	B.E.	46	28,58,333	15	04-Sep-00	Senior Vice President - Systat Software Asia Pacific Ltd.	
6	Zakir Hussain	Vice President	B.E.	39	16,00,000	12	01-Oct-97	-	
7	Amlan Kusum Navak	Associate Vice President	M.Tech & PhD	47	28,36,559	20	20-Sep-02	Project Manager - Eval Technologies	

Note : The above employees are not related to any Director of the company

for and on behalf of the Board

Bangalore  
September 30, 2010

**Asif Khader**  
Director

**Mukkaram Jan**  
Director

**Mueed Khader**  
Director



**Form - B**

Information as per section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended March 31, 2010.

**Research & Development Activities and Technology Absorption:**

Cranes' business model 'Acquire-Enhance-Expand' is based on acquisition of technologically superior IPs, re-engineering them to add new features and functionalities, and expansion to the global market. While this in itself involves a significant amount of R&D, Cranes has also taken some dedicated in-house initiatives in selected technology areas such as Wireless Communication Systems and LAN test solutions.

Your Company, in association with the Centre for Sponsored Schemes and Projects of Indian Institute of Science (IISc), Bangalore, has helped set up a MEMS (Micro-Electro-Mechanical systems) design and characterization laboratory at the IISc campus. Here Cranes works alongside cutting edge researchers to create an IP portfolio in MEMS and Nanotechnology, evaluate the commercial potential of research and chart out development paths for future products. This is in line with our vision and commitment to support and nurture the ecosystem of research and innovation that drives technology based economies. The Indian Institute of Science and the Company will jointly own the Intellectual Property rights and patents for technologies and products developed by this lab.

During the year, your company put significant effort in initiating to major research efforts in addition to the regular research activities in its well established business units such as SYSTAT, Sigma Plot, NISA etc. A small nanotechnology team was established with complete focus on research and development in the area of nanotech instrumentation. This area was chosen based on our experience with Micro Electro Mechanical System (MEMS) technology over the last six years and our proven strength in software development for scientific visualization. The nanotech team was established to focus on Scanning Probe Microscopy and an appropriate lab was established in the Cranes Innovation Center located at the Indian Institute of Science campus

Another major R&D initiative was taken by the NISA group in engineering to tie up with the IISc on a joint software product development in the area of Microsystems Analysis and design. This is a major rational effort funded by a national program, NPMASS, to create a microsystem module that can plug into the existing robust engine of NISA to give users a reliable design platform. This initiative involves a large team a researchers from IISc and a team of professional software developers from NISA. This project is scheduled to be completed in four years.

The goal of Cranes' R&D initiatives is not about conjuring up pictures of the future, though that is part of what is done, but is more about systematic and continuous surveillance of future markets, identification of the discontinuities that are bound to crop up and the resultant technological requirements, and creation of technological models that we must come up with to cater to requirements across the globe. In turn, we are creating new business avenues to explore opportunities for products, systems and services for as diverse an industry spectrum as possible for your company.

for and on behalf of the Board

Bangalore  
September 30, 2010

**Asif Khader**  
Managing Director

**Mukkaram Jan**  
Director

**Mueed Khader**  
Director



**DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT WITH THE COMPANY'S CODE OF CONDUCT.**

This is to confirm that the Company has adopted a Code of Conduct for its employees and all Board Members and Senior Management.

I confirm that the Company has in respect of the financial year ended March 31, 2010, received from the Senior Management Team of the Company and the Members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

For the purpose of this declaration, Senior Management Personnel means the employees in Executive Vice President Cadre as on March 31, 2010.

For Cranes Software International Ltd.,

Bangalore  
September 30, 2010

**Asif Khader**  
Managing Director