

# ANNUAL REPORT

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**Cranes Software International Limited**

Enterprise Analytics and Engineering Simulation Software & Solutions





<b>Board of Directors</b>	Dr. Rudra Pratap Mr. Asif Khader Mr. Mukkaram Jan Mr. Mueed Khader Mr. Richard Gall Dr. Peter Ryser	- Chairman - Co-founder & Managing Director - Co-founder & Director - Director - Director - Director
<b>Company Secretary</b>	P. Phaneendra	
<b>Bankers</b>	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	
<b>Auditors</b>	S. Janardhan & Associates Chartered Accountants Apt. Nos. 104 & 203, Embassy Centre No. 11, Crescent road, Bangalore - 560 001.	
<b>Registered Office</b>	Cranes Software International Ltd. # 29, 7th Cross, 14th Main Vasanth nagar, Bangalore - 560 052.	
<b>Registrars</b>	Integrated Enterprises India Pvt. Ltd. # 39, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore - 560 003	
<b>Website</b>	www.cranessoftware.com	



# CRANES SOFTWARE INTERNATIONAL LIMITED

## FINANCIAL STATEMENTS

2010 - 2011

## REPORT OF THE BOARD OF DIRECTORS

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

Your Directors have pleasure in presenting to you the Twenty-Sixth Annual Report together with the audited accounts on the business and operations of the Company for the year ended March 31, 2011 by itself and its subsidiaries, viz.

1. Systat Software Inc., USA
2. Cranes Software Inc., USA.
3. Engineering Technology Associates Inc., USA (WOS of Cranes Software Inc., USA) Engineering Technology Associates (Shanghai) Inc.,
4. Dunn Solutions Group Inc., USA (WOS of Cranes Software Inc., USA)
5. Systat Software GmbH, Germany
6. Cubeware GmbH (WOS of Systat Software GmbH), including its WOS in Austria and Switzerland
7. Cranes Software International Pte. Ltd., Singapore
8. Tilak Autotech Pvt. Ltd., India
9. Proland Software Pvt. Ltd., India
10. Caravel Info Systems Pvt. Ltd., India
11. Esqube Communication Solutions Pvt. Ltd., India
12. Systat Software Asia Pacific Ltd., India
13. 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	2010-11	2009-10	2010-11	2009-10
			Consolidated	
Sales and Operating Revenues	281	317	2,433	2,404
Profit before tax	(1,283)	(2,960)	(1,397)	(3,096)
Taxes	(59)	(1,020)	(88)	(1,054)
Profit after tax	(1,224)	(1,941)	(1,309)	(2,042)

### Business

During the year, your Company, on a standalone basis, achieved a Sales and Operating Revenue of Rs.281 million, down from Rs.317 million. The after tax position was a loss of Rs.1,224 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.2,433 million, again up from Rs. 2,404 million of the previous year.

### Operations

The last fiscal year has been, perhaps, the most challenging from an operations and business perspective. Given that this Company had been fairly affected by the historic global economic unrest, while the management anticipated most operational challenges and clearly outlined initiatives to negotiate the same. In the past year, our endeavor has also been to improve operating efficiencies, cost control management and continue to optimize head count. This apart, the Company has also focused on launching new product solutions and better its existing product range by releasing new version upgrades. This has helped strengthen our position in the high growth avenues of engineering simulation and scientific analytics.

In the year gone by, the Company has increased its focus on business consolidation improving market impact through our overseas subsidiaries. This initiative has helped us find new grounds in the US markets in the BI



segment where the Company has recently opened direct offices of Cubeware. Cranes' ETA, engineering solutions subsidiary has expanded its base in China and helped increase the revenue from this region.

In the effort to improve our balance sheet position and bring the our debts to controllable levels the Company is currently working on restructuring its debts and other liabilities apart from finding ways to bring improved business opportunities and expand service offerings. This has been detailed out in the annexed management discussion and analysis section of this report.

### Appropriation

In the absence of distributable profits in the year, the Directors have not recommended dividend for the year 2010-11, 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 incorporated as per relevant regulations in the Consolidated Financial Statements, also being presented .

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.

### 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.76.37 Crores for the year under review.</p> <p>There has been a considerable erosion of staff strength for the year under review.</p>	<p>During the year under review, the Company has posted operational profits. The Company is currently working towards bring down its depreciation values and improving interest levels after negotiations with its lenders which has largely contributed towards the mentioned cash loss.</p> <p>Such employee reduction was largely on account of environmental reasons explained separately and organizational constraints arising out of liquidity reasons and consequential turmoil. With greater stability and working out arrangements with lenders in the recent months, as explained later it should soon be possible to attract additional needed talent to maintain and improve on operations.</p>
<p>A petition has been filed by the ex-principal supplier of the company 'The Mathworks Inc.' 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. The Management has represented that a settlement arrangement has been executed with the Party. We are yet to be shown conclusive evidence of the same, and whether the terms of such settlement are being implemented by the Company, enabling adhere to the same.</p>	<p>An out - of - court settlement has been executed with the principal supplier, payments for the same will now be due.</p>

<p>The petition has been filed by the Trustees of Foreign Currency Convertible Bond holders for winding up of the company u/s 434 of the Companies Act, 1956 before the high court of Karnataka for nonpayment of principal and the accrued interest thereon due for redemption in March, 2011. The Management has represented that admission of this matter is currently progressing before the Hon'ble High Court. Meanwhile, the Management also represents that discussions have been initiated with a large number of Bondholders to enable, explore and evolve a mutually acceptable course of action so that matters are not precipitated. Conclusive progress on these actions is yet to be evidenced to us.</p>	<p>The matter has not yet been admitted and is currently sub judice. Meantime, the Company is under active discussions with major Bondholders to enable explore and evolve a mutually acceptable course of action so that matters are not precipitated and to arrive at a negotiated settlement by rephrasing the liability discharge.</p>
<p>The several cases filed u/s.138 of the Negotiable Instruments Act against the Company are in various stages of disposal in the respective Hon'ble Courts .</p>	<p>Some of the 138 cases have been withdrawn after suitable negotiation and payment of settlement amount. With other entities the matter is under active discussion to reach an amicable negotiated phased settlement to meet this liability.</p>
<p>Some Banks and lending institutions have applied to the DRT / Hon'ble Courts, etc for recovery of dues and provisions of SARFAESI have also been invoked against the company. These cases are in various stages of disposal in the respective Hon'ble Courts.</p>	<p>No judgements adverse to the Company has been passed and the Company is in active discussion with all such entities. In some cases, settlements with revised schedule of payments are reached and are under documentation.</p>
<p>The Company has also fighting various legal cases from creditors and employees for non-payment of dues to them. We are told that these cases are in various stages of disposal in the respective Hon'ble Courts.</p>	<p>The Company has considered each of these cases and has negotiated settlements with the aggrieved parties.</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>In all cases we are negotiating the outstanding amount and certain cases have been successful in reducing the liability. Hence the Tangible security and the assets are adequate to cover the settled outstanding amounts.</p>
<p>The Book Debts and Trade Advances outstanding for more than one year, and even more are still being regarded as Company's good current assets in the financial statements as at 31/03/2011, and being classified as such in the reports. However, nothing has come to our knowledge to satisfy ourselves of these Current Assets continue to be 'good'. Moreover, we cannot opine that these current assets are good and in this connection we state that no provision for bad and doubtful debts to the extent of Rs. 310.67 Crores and Rs.236.95 Crores on account of the advances has been made in the accounts.</p>	<p>Needed steps to seek and obtain needed approvals under FEMA for extension of time is also being taken. During the year under review certain amounts have been recovered and Steps to recover the remaining dues have been initiated and under progress.</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>



The expenses incurred for the purposes of developing different version of software were capitalized and classified as "CAPITAL WORK IN PROGRESS" for preceding financial years are continued without any further development. In the absence of "TECHNICAL CERTIFICATE" about the viability of these versions of software, we are not able to express any favourable opinion on CAPITAL WORK IN PROGRESS.	'Capital Work in Progress' represents the continual development of Intellectual Properties owned by the Company in the form of Intangible Assets. The Company continues to believe in the productive value of its IPs. Bearing this in mind, despite the current circumstances, the organization has continued to improve and released new versions of its flagship products.
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.	Despite the acute liquidity crisis; the Company has discharged considerable amount of these liabilities and has sought time to discharge the remaining liabilities in a phased manner.
Recognition of Deferred Tax asset in respect of the carried forward losses to the extent of Rs.590 Lakhs, 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.

### Deposits

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

### Directorate

Dr. Rudra Pratap, Dr. Peter Ryser and Mr. Richard Gall retire by rotation in the forthcoming Annual General Meeting. Dr. Rudra Pratap has expressed his intention not to seek re-appointment and the Board places on records its deep appreciation for the services rendered by him during his 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 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

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 2010-11 is Rs. 117.91 million and foreign exchange outgo is Rs. 103.29 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:

- 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 of the profits 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 & Management Discussion and Analysis are 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, M/s. S.Janardhan & Associates, Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for reappointment. The declaration under Section 224(1)(B) of the Companies Act 1956 has been received from them.

### **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, whose committed efforts are a reflection of our results and look forward to their continued support.

**for and on behalf of the Board**

Bangalore  
September 07, 2011

**Asif Khader**  
Managing 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 Name	Designation	Total Exp. Qualifications	Date of Years	Remuneration	In Years	Joining	Particulars of the previous employment
a) Employed for the full Financial Year								
1	Asif Khader	Managing Director	B.E., PG DIP IN Stat	44	2,400,000	21	30-April-2002	Erstwhile Cranes Software International Limited
2	Mukkaram Jan	Whole-Time Director	BCom	44	24,00,000	21	30-April-2002	Erstwhile Cranes Software International Limited
3	Mueed Khader	Whole-Time Director	BSc, DIP In Computer Science	38	24,00,000	14	30-Apr-2002	Erstwhile Cranes Software International Limited
4	Ashfaq Ibrahim	Senior Vice President	B.E.	43	25,00,000	15	01-Mar-96	-
5	Mehraj K Lanker	Vice President	B.E.	38	25,00,000	13	01-Mar-96	-
6	Rajiv Balaram Menon	Senior Vice President Development	BS (Univ. of Wisconsin)	43	26,00,000	18	02-Jul-01	Vice President - IQ Infotech Ltd.
7	Amuthukkiniyavel Manoharan	Assistant Vice President	MCA, MBA, MFT, DSADP, PGDCSM	40	28,25,550	21	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	Shankar H	CEO - Analytics	B.Tech (IIT M) and PG Diploma (IIM A) in Business Administration	62	3984750	36	10-May-04	Managing Director - Saint Gobain Sepr Refractories India Limited
2	Ajay Singhal	Vice President	BE & MBA in marketing (IIM)	41	2500000	19	02-Nov-04	Lead Consultant - Satyam Computer Services Ltd.

Note : Remuneration show above comprises basic salary, allowances and taxable value of perquisites  
The above employees are not related to any Director of the company

for and on behalf of the Board

Bangalore  
September 07, 2011

**Asif Khader**  
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, 2011.

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

During the year under review, your Company has been through a challenging phase when it comes to the research and development. In the technology space, every global meltdown since World War II has, if anything, only increased the demands on innovation and technical solutions. The current financial crisis is no exception. There is increased demand on analytical tools all over the world, in almost every sphere of human activity, for better assessment of risks, early detection of signatures of impending disasters, pattern recognition, scenario planning and incredible amounts of simulations. With three broad divisions of Cranes - Analytics, Engineering, and Technology - your Company has positioned itself really well to meet the increased demands from society in these difficult times and, in this process, deliver value for your investments as well.

You are aware that your Company has grown through a series of acquisitions. All our acquisitions have been, of course, in the chosen areas of our core business. These acquisitions have thus resulted in accumulation of quite a few technologies. Our fervent desire is to integrate these technologies and leverage cross fertilization. In the software technology space, this is typically a non trivial task as the basic architectures are many times incompatible. Bringing them on common architectural platforms requires quite a bit of R & D. Like in case of ETA where your Company has integrated ETA PreSys finite element modelling environment with NISA. This development allows NISA users to take advantage of its modern user interface, CAD interoperability, as well as its superb graphics capabilities. Hence expanding the markets for NISA and ETA.

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.

The outcome of this exercise has been the launch of three significant products. Your Company released SigmaPlot 12, the latest version of their most advanced scientific data analysis and graphing software package. SigmaPlot 12 provides researchers with a new modern user interface, increased ease of use and new features to quickly analyze data and create exact, publication-quality graphs that best present research results for presentation, publication or the web. Whereas, ETA also launched two new products for automobile and transportation sectors namely; PreSys R1 and DYNAFORM Version 5.8. PreSys R1 delivers new features which enhance the software's ability to quickly and efficiently create complex simulation models and visualize simulations results. DYNAFORM Version 5.8 offers many new and improved features, as well as enhanced Pre- and Post-Processing capabilities for a more streamlined and robust user experience.

**for and on behalf of the Board**

Bangalore  
September 07, 2011

**Asif Khader**  
Managing Director

**Mueed Khader**  
Director