

# ANNUAL REPORT

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**Cranes Software International Limited**

Enterprise Analytics and Engineering Simulation Software & Solutions





<b>Board of Directors</b>	Mr. Asif Khader	- Co-founder & Managing Director
	Mr. Mukkaram Jan	- Co-founder & Director
	Mr. Mueed Khader	- Director
	Mr. Richard Gall	- Director
	Dr. Peter Ryser	- 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.	
	State Bank of India	
	Canara Bank	
	Allahabad Bank	
<b>Auditors</b>	State Bank of Mysore	
	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.	
	# 2, Tavarekere, Bannerghatta Road,	
	BTM Layout, 1st Stage, 1st Phase,	
	Bangalore - 560 029	
<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 2012 - 2013



## REPORT OF THE BOARD OF DIRECTORS

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

Your Directors are pleased to present this Twenty-eighth Annual Report together with the audited accounts of the Company and its below-noted Subsidiary Companies for the year ended March 31, 2013.

1. Systat Software Inc., USA
2. Cranes Software Inc., USA.
3. Engineering Technology Associates Inc., USA (WOS of Cranes Software Inc., USA), incorporating therein, Engineering Technology Associates (Shanghai) Inc.,
4. Dunn Solutions Group Inc., USA (WOS of Cranes Software Inc., USA), incorporating therein, Dunn Solutions India Private Limited
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. Esquebe Communication Solutions Pvt. Ltd., India
12. Systat Software Asia Pacific Ltd., India
13. Analytix Systems Pvt. Ltd., India

Also presented are Consolidated Financial Statements for the year ended March 31, 2013 which incorporated Audited Accounts for the above-noted Subsidiary Companies as per relevant regulations.

### Financial Performance

(Rs. in Million)

Particulars	2012-13	2011-12	2012-13	2011-12
			Consolidated	
Sales and Operating Revenues	392.42	343.24	3,308.36	2,800.91
Loss before tax	(2,680.28)	(874.31)	(2,794.07)	(1,249.28)
Taxes	144.55	610.93	175.35	647.99
Loss after Tax	(2,535.73)	(263.38)	(2,618.72)	(601.29)

### Business

During the year, your Company, on a standalone basis, achieved a Sales and Operating Revenue of Rs.392.42 million, up from Rs.343.24 million. The after tax position was a loss of Rs.2,535.73 million.

On a consolidated basis, during the year, your Company together with its subsidiaries achieved a Sales and Operating Revenue of Rs. 3,308.36 million, again up from Rs. 2,800.91 million. The after tax position was a loss of Rs. 2,618.72 million.

### Operations

As outlined in detailed in the Management Discussion and Analysis Annexure, Company management has worked earnestly over the past two years to re-build the organization from its years of business downturn and has been successful in maximizing its strengths and leveraging its inherent capabilities of business transformation. Most recently, the Company has been re-establishing itself in the areas of Business Intelligence, Engineering Services and Vocational Training and we continue to improve operational effectiveness, optimize costs and increase market reach both on a standalone basis and through its subsidiaries.



Company management has particularly focused on improved customer bandwidth and increased product and services offerings. We have increased and improved our product range in the Engineering products and services area, liaising with business partners to expand market reach and penetrate into new business areas. We plan to re-establish our relationships with academia and bring active partnerships from the Corporate sector as well. At our Cranes Varsity division, the Company has refocused and realigned its India-centric operations on training and education and launched new courses relevant to current market trends which have created a fresh demand. As a result of these initiatives, we expect to see promising results this year from this division.

The Company is also focused on improving its balance sheet position. Active discussions with secured and unsecured lenders for restructuring/ closure of debts have yielded debt closure agreements with several national banks. We also continue to pursue various approaches to sustained operational profitability and reduced debt exposure.

### Appropriation

In the absence of distributable profits in the year, the Directors have not recommended any dividend for the year 2012-13.

### 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 noted Subsidiary Companies are incorporated in the Consolidated Financial Statements which are presented herein.

In accordance with the Accounting Standard AS-21 on consolidated financial statements, the Consolidated Financial Statements are attached as part of the Annual Report and Accounts.

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

### Remarks of Auditors

In the course of auditing the Company 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
<b><i>A winding up petition has been filed by the Trustees of Foreign Currency Convertible Bond holders against the company u/s 434 of the Companies Act, 1956 before the Hon'ble High Court of Karnataka for non-payment of principal (due for redemption in March 2011) and the accrued interest thereon.</i></b>	The Company is actively defending its position against this winding up petition while also pursuing settlement exchanges with the petitioning FCCB holders.
<b><i>Cases are filed u/s 138 of the Negotiable Instruments Act by various Banks against the company. These Banks have applied to the Debt Recovery Tribunal / 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 before the respective Hon'ble Courts.</i></b>  <b><i>In our opinion the securities provided to Banks are not adequate to cover the amounts outstanding to them as on the date of Balance Sheet.</i></b>	The Company is actively defending its position in these cases. It is also in advanced settlement negotiations with both secured & unsecured lenders and expects to reach favourable settlements soon in virtually all these cases.

<p><b><i>There are several overdue Trade Receivables and Advances recoverable from parties for an inordinate period and however, the company has classified such amounts as 'Good'. However, no evidence has been given to us to consider those amounts as recoverable as on the date of Balance Sheet. In this connection, a sum of Rs. 21,300 lakhs has been provided in the books of account as provision for bad and doubtful debts against Trade Receivable, which in our opinion is inadequate and further provision to the extent of Rs. 10,974.50 lakhs on account of Trade Receivables and a sum of Rs. 23,610.83 lakhs on account of advances have not been made in the accounts.</i></b></p>	<p>This book debt has accumulated for multiple reasons including the impact of global economic turmoil and an extended period of recession . The Company has, during the course of the past financial year, made provision for addressing a portion of these debts and is also awaiting approvals from government agencies for appropriate closures.</p>
<p><b><i>Attention of the members is invited to note 3.11 of the Notes regarding recognition of deferred tax credit on account of unabsorbed losses and allowances aggregating to Rs. 11,802.46 lakhs (year ended March 31, 2012 Rs. 11953.94 lakhs) (Total amount recognized for the year ended March 31, 2013 amounts to Rs. 151.48 lakhs). This does not satisfy the virtual certainty test for recognition of deferred tax credit as laid down in Accounting Standard 22</i></b></p>	<p>With the Company progressing in rebuilding its businesses and implementing a credible plan toward sustained financial growth, we remain confident that the Company will have future taxable income to take advantage of the deferred tax credit as a 'recognized' asset.</p>
<p><b><i>Reference is drawn to note no. 3.34 of the notes regarding the amounts classified under "Fixed Assets" including "Intangible Assets Under Development" amounting to Rs. 36,914.80 lakhs. No evidence has been produced before us for testing its impairment and in the absence of the same, we are unable to express any opinion on the impairment to such asset. In our opinion, such test of impairment as on the date of Balance Sheet is mandatory, especially in view of the higher degree of the obsolescence of software which is stated to be under various stages of development, though no further developments have been carried out during the recent years.</i></b></p> <p><b><i>In the light of the above, the appropriateness of the 'Going Concern' concept based on which the accounts have been prepared is interalia dependent on the Company's ability to infuse requisite funds for meeting its obligations, rescheduling of debt and resuming normal operations.</i></b></p>	<p>We continue to believe that there is no impairment in value and the realizable value is at least equal to the carrying value. We believe that any diminutions on account of global economic conditions are not of permanent nature. During the year under review, there was a hold on investment into intangible assets as the Company was undergoing a severe liquidity crunch. However, going forward, the Management is confident of continuing the development of these products and also confident that such developed products will substantially contribute to increased revenues.</p> <p>The Company, has institutionalized several measures to secure and improve its business potential as outlined in the Management Discussion and Analysis annexed to this report, including debt restructuring and substantial progress toward resumption of normal operations. Hence, we are highly confident that the concept of 'Going Concern' continues to apply without doubt.</p>



<p><b>Further to the above, we would like to draw the attention of the members to the following</b></p> <p><b>i) Note no. 3.28 regarding default of payments to various statutory authorities;</b></p> <p><b>ii) Note no. 3.46 regarding default in payment of dividend</b></p>	<p>i) The Company is in the process of discharging these liabilities and is confident of clearing the entire dues in due course.</p> <p>ii) Dividends declared by the Company in 2009 had unfortunately been delayed until now due to various factors including specific legal constraints in connection with pending litigation against CSIL from creditor banks. CSIL has diligently pursued negotiated settlements with these creditors to be in position to urgently cover the dividends rights of its shareholders.</p> <p>As of August 23, 2013, CSIL has established and funded a Shareholders' Dividends Account equipped to pay out all the pending dividends. These payments are currently in process and we are confident that Company shareholders will now receive their dividends payment in due course.</p>
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### Deposits

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

### Director

"The Directors' Mr. Mueed Khader and Mr. Mukkaram Jan seeks re-appointment for a further term of three years. This will be subject to the approval of Central Government".

### 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 has been 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 2012-13 is Rs. 101.54 million and foreign exchange outgo is Rs. 172.99 million during the year.

### Employees

Information as per Sec217(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, 2013 is not applicable due to the fact that no present employee is getting salary above 5 lakhs.

### 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;
- 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 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 & 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, Messrs.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 we look forward to their continued support..

**for and on behalf of the Board**

Bengaluru  
August 31, 2013

**Asif Khader**  
Managing 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, 2013.

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

Your Company has over the past few years been through a challenging phase in research and development. There has been increased demand for analytic and engineering tools and incredible pressure for making these cost effective. We have responded with new uses of new-age technology and integrating it into our product lines, both in Analytics and Engineering areas, and arriving at definitive advanced solutions for our customers. For example, Cubeware has launched the BISTRO web-based BI application store; Dunn Solutions has launched two new SaaS based web applications, and ETA has launched three new product alliances to target fresh industry segments and launched four new products into the market.

With such focused initiatives, your Company has positioned itself really well to meet the increased market demands from the market in these difficult times and also deliver value for your investments.

**for and on behalf of the Board**

Bengaluru  
August 31, 2013

**Asif Khader**  
Managing 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, 2013, 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, 2013.

For Cranes Software International Ltd.,

Bengaluru  
August 31, 2013

**Asif Khader**  
Managing Director