

# ANNUAL REPORT

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**Cranes Software International Limited**

Enterprise Analytics and Engineering Simulation Software & Solutions





Board of Directors	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
Company Secretary	P. Phaneendra	
Bankers	Bank of India	
	The Jammu & Kashmir Bank Ltd.	
	State Bank of Travancore	
	IDBI Bank Ltd.	
	Canara Bank	
Auditors	State Bank of Mysore	
	S. Janardhan & Associates	
	Chartered Accountants	
	Apt. Nos. 104 & 203, Embassy Centre	
	No. 11, Crescent road, Bangalore - 560 001.	
Registered Office	Cranes Software International Ltd.	
	# 2, Tavarekere, Bannerghatta Road,	
	BTM Layout, 1st Stage, 1st Phase,	
	Bangalore - 560 029	
Registrars	Integrated Enterprises India Pvt. Ltd.	
	# 39, Ramana Residency,	
	4th Cross, Sampige Road,	
	Malleswaram, Bangalore - 560 003	
Website	www.cranessoftware.com	



# CRANES SOFTWARE INTERNATIONAL LIMITED

## FINANCIAL STATEMENTS 2014 - 2015

## REPORT OF THE BOARD OF DIRECTORS

To,  
The Members of  
Cranes Software International Limited,

Your Directors have pleasure in presenting their 30TH Annual Report on the business and operations of the Company and the accounts for the Financial Year ended March 31, 2015.

### 1. FINANCIAL SUMMARY OR HIGHLIGHTS/PERFORMANCE OF THE COMPANY

The Board's Report shall be prepared based on the standalone financial statements of the company.

Particulars	Standalone		Consolidated	
	FY 2015	FY 2014	FY 2015	FY 2014
Net Sales /Income from Business Operations	137.01	197.33	3,676.36	3,392.30
Other Income	723.23	72.97	805.50	103.30
Total Income	860.24	270.29	4,481.86	3,495.60
Total Expense	120.24	1,633.99	3,703.65	4,792.94
Profit/(Loss) before interest and depreciation	740.00	(1,363.69)	778.21	(1,297.34)
Less Interest	1,109.77	947.09	1,136.43	966.73
Profit/(Loss) before Depreciation	(369.78)	(2,310.79)	(358.22)	(2,264.07)
Less Depreciation	142.65	303.94	307.85	437.96
Profit/(Loss) after depreciation and Interest	(512.42)	(2,614.73)	(666.07)	(2,702.03)
Less Exceptional items	3.61	(11.04)	9.06	(8.83)
Profit/(Loss) before extraordinary items & tax	(516.04)	(2,603.69)	(675.13)	(2,693.20)
Add Extraordinary items	-	685.49	-	685.49
Profit/(Loss) before tax	(516.04)	(1,918.19)	(675.13)	(2,007.71)
Less Current Income Tax	-	-	6.17	10.58
Less Previous year adjustment of Income Tax	0.58	12.59	0.81	-
Less Deferred Tax	(382.28)	(931.01)	(385.65)	(988.59)
Less MAT Credit Entitlement Reversed	99.50	-	99.50	-
Net Profit/(Loss) after Tax	(233.84)	(999.77)	(395.96)	(1,029.70)
Dividend (including Interim if any and final )	-	-	-	-
Net Profit/(Loss) after dividend and Tax	(233.84)	(999.77)	(395.96)	(1,029.69)
Amount transferred to General Reserve	(233.84)	(999.77)	(395.96)	(1,029.69)
Balance carried to Balance Sheet	(233.84)	(999.77)	(395.96)	(1,029.69)
Basic / Diluted (excluding extra ordinary items)	(1.99)	(14.31)	(3.36)	(14.56)
Basic / Diluted (including extra ordinary items)	(1.99)	(8.49)	(3.36)	(8.74)



## 2. BRIEF DESCRIPTION OF THE COMPANY'S WORKING DURING THE YEAR/STATE OF COMPANY'S AFFAIR

The Company's financial performance for the year under review along with previous year's figures is given hereunder:

During the year, your Company, on a standalone basis, achieved a Sales and Operating Revenue of Rs. 137 million, down from Rs. 197.3 million. The after tax position was a loss of Rs. 233.8 million, on Standalone basis, as compared to loss of Rs 999.7 million in the previous year. This reduction in loss was primarily due to items classified as 'Other Income' - Rs.723.2 million, Deferred Tax of Rs. 382.3 million as compared to Rs 931 million previous year and other minor variances in expenditure.

On a consolidated basis, during the year, your Company together with its subsidiaries achieved a Sales and Operating Revenue of Rs. 3676.4 million, up from Rs. 3,392.3 million of the previous year. Given below is the excerpt of profitability performance

### Operations

The Company has consolidated its position in the global software products and services segment by undertaking essential business transformation to leverage its product development capability and worldwide presence. In the year under review, the Company has enhanced its position in the areas of Business Intelligence, Engineering Services and Vocational Training. The Company continues to improve operational effectiveness, optimize costs and increase market reach across all businesses. These initiatives have positively impacted the current year business revenues and improved operating margins.

In the year gone by, Cranes furthered its engagement with its clientele by increasing product portfolio with new releases and launches and solution offerings by introducing new alliances and partnerships. This includes expanding our product range, partnering with partners to penetrate into new business areas, launching new products upgrades in the Engineering & Business Intelligence products and services area. The Company also forged its presence in the training services space by penetrating further into Engineering Universities and Colleges. In the Business Intelligence space the Company launched Cubeware Solutions Platform C8. This release superseded all previous Cubeware portfolio components, bundling and synchronizing them in a complete BI architecture. This provides companies an integrated, scalable, easy-to-use BI platform that addresses the complete spectrum of modern BI requirements across all industries. The Company operates in the Business Intelligence area through one of its subsidiaries; Dunn Solutions Group (DSG), a full service IT consulting firm with Business Intelligence and Application Development practices, and Cubeware, a company offering a complete, innovative, industry-independent Business Intelligence Product portfolio.

## 3. CHANGE IN THE NATURE OF BUSINESS, IF ANY

No Change in the nature of Business.

## 4. DIVIDEND

In the absence of distributable profits in the year, the Directors have not recommended any dividend for the year 2014-15, in order to conserve cash

## 5. DIRECTORS AND KEY MANAGERIAL PERSONNEL

Mr. Asif Khader, Managing Director whose term ends at the conclusion of this AGM and being eligible, offer himself for reappointment.

## 6. PARTICULARS OF EMPLOYEES

Pursuant to the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, statement of particulars of employees is annexed as Annexure I.

## 7. MEETINGS

A calendar of Meetings is prepared and circulated in advance to the Directors. During the year four Board Meetings and four Audit Committee Meetings were convened and held. The details of which are given in the Corporate Governance Report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

**8. BOARD EVALUATION**

Pursuant to the provisions of the Companies Act, 2013, the Board has carried out an annual performance evaluation of its own performance, the directors individually as well as the evaluation of the working of its Audit, Nomination & Remuneration and Compliance Committees.

**9. DECLARATION BY INDEPENDENT DIRECTORS AND RE- APPOINTMENT, IF ANY**

The independent directors have affirmed that they satisfy the criteria laid down under section 149(6) of the Companies Act, 2013 and clause 49 of the Listing Agreement. An independent director shall hold office for a term up to five consecutive years on the Board of a Company, but shall be eligible for reappointment for next five years on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.

**10. REMUNERATION POLICY**

The Board has, on the recommendation of the Nomination & Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management and their remuneration.

**Managerial Remuneration:**

The Company's Policy relating to appointment of Directors, payment of Managerial remuneration, Directors' qualifications, positive attributes, independence of Directors and other related matters as provided under Section 178(3) of the Companies Act, 2013 is furnished in the Corporate Governance Report and is provided in this report

**11. DETAILS OF SUBSIDIARY/JOINT VENTURES/ASSOCIATE COMPANIES**

Pursuant to sub-section (3) of section 129 of the Act, the statement containing the salient feature of the financial statement of a company 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.

Pursuant to sub-section (3) of section 129 of the Act, the statement containing the salient feature of the financial statement of a company's subsidiary or subsidiaries, associate company or companies and joint venture or ventures is given as Annexure-II

Further, the Annual Accounts and related documents of the subsidiary company shall be kept open for inspection at the Registered & Corporate Office of the Company. The Company will also make available copy thereof upon specific request by any Member of the Company interested in obtaining the same. Further, pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company in this Annual Report include the financial information of its subsidiary.

**12. AUDITORS:**

The Auditors, M/s S Janardhan & Associates, Chartered Accountants, Bangalore have been appointed for the transitional period of 3 years at the last Annual General Meeting and, being eligible, ratification is hereby recommended for continuance from the forth coming AGM to the next AGM.

**13. AUDITORS' REPORT**

The Auditors' Report is reproduced here with and the management analysis and discussions are also attached

**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
<p>1. An advance of Rs. 23,958.53 lakhs is due from a party for an inordinate period and in our opinion recovery of the same is doubtful. However, the company continues to classify 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.</p>	<p>The Company still regards the amount as 'Good' and recoverable as cash or in kind.</p>
<p>2. 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.26,965.82 lakhs (year ended March 31, 2014 Rs. 22,559.89 lakhs). This does not satisfy the virtual certainty test for recognition of deferred tax credit as laid down in Accounting Standard 22.</p>	<p>The Company has made significant changes to its business strategy and improvements in its solutions and product offerings. Hence, the Company is confident that we will have future taxable income to take advantage of the deferred tax credit as a 'recognized' asset.</p>
<p>3. Reference is drawn to note no. 3.33 of the Notes regarding the amounts classified under "Fixed Assets" including "Intangible Assets Under Development" amounting to Rs. 32,252.28 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.</p> <p>4. 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.</p>	<p>As detailed in the annexed Management Discussion and Analysis, the Company has made substantial progress to its Products and Solutions across all subsidiaries. The impact of this change is reflective in our consolidated revenue growth. We believe that there is no reduction in the value of its IP assets and that the attainable value would be at least equal to the carrying value.</p> <p>During the year under review, the management has put its efforts toward resumption of normal operations. Hence, we are highly confident that the concept of 'Going Concern' continues to apply without doubt.</p>
<p>5. Redemption of Foreign currency convertible bond amounting to Rs. 28,354.20 lakhs (42 million Euros) to the holders of the bonds have fallen due during April 2011 and is yet to be redeemed as on the date of Balance Sheet. A winding up petition has been filed by the trustees of the Foreign Currency Convertible Bond holders against the Company, before the Hon'ble High Court of Karnataka for non-payment of principal and the accrued interest thereon.</p>	<p>The winding up petition placed before the division bench Hon'ble High Court of Karnataka has not been accepted. The Company is, however, actively pursuing settlement exchanges with all FCCB holders and has also reached favourable settlements with a substantial number of FCCB holders. With a view to deal with all these related matters on a comprehensive basis, the impact of these favourable settlements has not been put through the books of accounts.</p>

<p>6. Term loans and working capital loans availed by the company from various banks amounting to Rs. 58,550.95 lakhs, which includes an amount of Rs. 4,425.04 lakhs taken over by an Asset Reconstruction Company, remain unpaid and are overdue since 2009. The lenders have filed cases before the Debt Recovery Tribunal (DRT) / Hon'ble Courts, etc for recovery of dues. These proceedings are in various stages of disposal before the "DRT" and respective Hon'ble Courts. Winding up petitions have been filed by Canara bank and Bank of India against the company, before the Hon'ble High Court of Karnataka for non-payment of principal and the accrued interest thereon.</p>	<p>The Company is actively defending its position in these cases. It is also in advanced settlement negotiations with both secured &amp; unsecured lenders and while reaching settlements with some, expects to reach favourable settlements with others in due course.</p>
<p>7. 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.</p>	<p>As for the SBI Capital a Creditor, case mentioned in this observation, the case has been completely dismissed in favour of Cranes Software during July 2015</p>
<p>8. SBI Capital, a Creditor, has initiated a winding up petition against the company, before the Hon'ble High Court of Karnataka for non-payment of its dues.</p>	<p>The Company is in the process of discharging these liabilities and is confident of clearing the entire dues in due course.</p>
<p>9. We would like to draw the attention of the members to note no. 3.27 of the financial statements regarding default of payments to various statutory authorities.</p> <p>10. We further draw attention on the following non compliances under the Companies Act, 2013 and rules thereon</p> <p>a) Non-appointment of Woman Director as required under the second proviso to Section 149(1) of the said Act.</p> <p>b) Non-appointment of Chief Financial Officer as required under section 203 of the said Act.</p> <p>c) The Company has drawn and utilised an amount Rs. 43.77 lakhs from the 'CSIL Employees Comprehensive Gratuity Trust' fund for the purpose not intended in terms of 'The Payment of Gratuity Act, 1972'.(See note No. 3.05 of the Financial Statements)</p>	<p>As for points a &amp; b, the Company is aware of these issues. The Company is working with several potential candidates and will make the requisite announcement shortly.</p> <p>Due to the relationship of the bank and the Company having soured, this amount has be blocked by bank. The Company is in the process of setting right the matters with the bank.</p>





#### 14. DISCLOSURE ABOUT COST AUDIT

As per the Cost Audit Orders, Cost Audit is not applicable to this Company and its products/ business of the Company for FY 2014-15

#### 15. SECRETARIAL AUDIT REPORT

In terms of Section 204 of the Act and Rules made there under, M/s. The Perfect Professionals, have been appointed as Secretarial Auditors of the Company. The report of the Secretarial Auditors is enclosed as Annexure III to this report. The report is self-explanatory.

##### Internal Audit & Controls

The Company as per section 138 of Companies act, 2013 and the rules thereon has engaged M/s. G. Raghavendra and Co. as its Internal Auditor. During the year, the Company continued to implement their suggestions and recommendations to improve the control environment. Their scope of work includes review of processes for safeguarding the assets of the Company, review of operational efficiency, effectiveness of systems and processes, and assessing the internal control strengths in all areas. Internal Auditors findings are discussed with the process owners and suitable corrective actions taken as per the directions of Audit Committee on an ongoing basis to improve efficiency in operations.

#### 16. VIGIL MECHANISM :

In pursuant to the provisions of section 177(9) & (10) of the Companies Act, 2013, a Vigil Mechanism for directors and employees to report genuine concerns has been established.

The Audit Committee consists of the following members

- a. Mr. Richard Gall
- b. Dr. Peter Ryser
- c. Mr. Asif Khader

The above composition of the Audit Committee consists of independent Directors viz., Mr Richard Gall and Dr. Peter Ryser who form the majority.

The Company has established a vigil mechanism and overseas through the committee, the genuine concerns expressed by the employees and other Directors. The Company has also provided adequate safeguards against victimization of employees and Directors who express their concerns. The Company has also provided direct access to the chairman of the Audit Committee on reporting issues concerning the interests of co employees and the Company.

#### 17. RISK MANAGEMENT POLICY

The Company has developed and adopted a Risk Management Policy. This policy identifies all perceived risks which might impact the operations and on a more serious level also threaten the existence of the Company. The Company's Management Committee assists the Board in taking appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities.

#### 18. EXTRACT OF ANNUAL RETURN:

As required pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of annual return in MGT 9 as a part of this Annual Report as ANNEXURE IV.

#### 19. MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR OF THE COMPANY TO WHICH THE FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT

No material changes and commitments affecting the financial position of the Company occurred between the end of the financial year to which this financial statements relate on the date of this report

#### 20. DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE

No significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations, between the end of the financial year to which this financial statements relate on the date of this report

**21. DETAILS IN RESPECT OF ADEQUACY OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE FINANCIAL STATEMENTS.**

The internal control systems and adequacy are discussed in the Management Discussion and Analysis annexed to the Director's Report

**22. DEPOSITS**

The details relating to deposits, covered under Chapter V of the Act,-

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

**23. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186**

Details of Loans, Guarantees or Investments covered under section 186 of the Companies Act 2013, are given in the notes to the Financial Statements.

**24. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES:**

The particulars of every contract or arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto shall be disclosed in Form No. AOC-2. As Annexure V

**25. STATUTORY DISCLOSURES**

In terms of the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report. However, as per the provisions of Section 219 (b) (iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any member interested in obtaining such particulars may write to the Company at the registered office of the Company.

**26. OBLIGATION OF COMPANY UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

In order to prevent sexual harassment of women at work place a new act The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 has been notified on 9th December, 2013. Under the said Act every company is required to set up an Internal Complaints Committee to look into complaints relating to sexual harassment at work place of any women employee.

Company has adopted a policy for prevention of Sexual Harassment of Women at workplace and has set up Committee for implementation of said policy. During the year Company has not received any complaint of harassment.

**27. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

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 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.

**(a) 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

**(b) Foreign exchange earnings and Outgo**

During the year, the total foreign exchange used was Rs. 1611.26 lakh and the total foreign exchange earned was Rs. 714.20 lakh.

**28. CORPORATE SOCIAL RESPONSIBILITY (CSR)**

The CSR activities of the Company are focused in the areas of Education, Healthcare, Environment and Community Development. The CSR Activities undertaken by the Company are in line with the CSR Policy