

ANNUAL REPORT
1999 - 2000



CALIFORNIA SOFTWARE CO. LTD.

Board of Directors

Robert V Chandran
Chairman

S Santhosh
Managing Director

N K Nair
Whole-time Director

Dr P J George
Director

Dr M R Sreedharan Nair
Director

B R Somayajee
Director

Adil Amin Nathani
Director

J Taniuchi
Director

Koji Takayanagi
Director

Company Secretary

G Benedict Victor

Bankers

Canara Bank
Bank of Maharashtra
State Bank of Travancore

Auditors

Gouthaman & Tomy,
Chartered Accountants,
Trichur.

Registered Office

E139A, First Floor, MG Road, Besant Nagar,
Chennai - 600 090, India.
Tele Nos : 44-491 5964, 491 2646, 491 6462
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Visit CALSOFT at www.calsoft.co.in.

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Notice

NOTICE is hereby given that the Eighth Annual General Meeting of California Software Company Limited will be held at the Music Academy Mini Hall, 306, T.T.K. Road, Royapettah, Chennai 600 014 on Monday the 28th August 2000, at 3 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at March 31, 2000 and the Profit and Loss Account for the year ended on that date and the report of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr.N.K.Nair, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr.J.Taniuchi, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS :

6. To consider and, if thought fit, to pass, with or without modification, the following resolution which will be proposed as an Ordinary Resolution:

“RESOLVED THAT Mr. Koji Takayanagi, who was appointed as an Additional Director at the Meeting of the Board of Directors of the Company held on 5th July 2000 and whose term expires at this Annual General Meeting of the Company, and for the appointment of whom the Company has received a notice under Section 257 of the Act from a member proposing his candidature for the office of a Director be and is hereby appointed as a Director of the Company whose period of office will be liable for retirement by rotation”.

7. To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolution

“RESOLVED THAT in accordance with the provisions of Section 269 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, and subject to such other approvals and consents as may be necessary, Mr.S.Santhosh, be and is hereby reappointed as Managing Director of the Company for a further period of five years with effect from 08.05.2000 on the following terms and conditions:

- (i) Period of Appointment : 5 years from 08.05.2000 to 08.05.2005.
- (ii) Remuneration : He will not draw any remuneration from the company during his tenure of office as Managing Director as long as he draws salary from the Company's Subsidiary Company, CSWL Inc., USA.

8. To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to Section 314 of the Companies Act, 1956, the consent of the Company be and is hereby accorded for the payment of remuneration to Mr.S.Santhosh by the Subsidiary, for his services as the President and Chief Executive of the subsidiary, at the rate of US \$ 10,376.67 per month from 16.10.99 to 15.10.2000 and at the rate of US \$ 14,960 per month from 16.10.2000 onwards”.

9. To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered in the following manner:

Notice (contd.)

The following be added under Article 2(ii) ("INTERPRETATION") after item 23:

24. 'Beneficial Owner' means a person or persons whose name(s) is/are recorded as such with a depository;
25. 'Bye-laws' means bye-laws made by a Depository under Section 26 of the Depositories Act, 1996;
26. 'SEBI' means the Securities & Exchange Board of India;
27. 'Depositories Act, 1996', shall include any statutory modifications or re-enactment(s) thereof;
28. 'Depository' means a company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration to act as depository under the Securities & Exchange Board of India Act, 1992;
29. 'Record' includes the records maintained in the form of books or stored in a computer or in such other form as may be determined by regulations made by the SEBI;
30. 'Member' means the duly registered holder from time to time of the shares of the Company and includes the subscribers to the Memorandum of the Company and the beneficial owner(s) as defined in clause (a) of sub-section (1) of section 2 of the Depositories Act, 1996; and
31. 'Security' means such security as may be specified by SEBI from time to time.

Unless the context otherwise requires, words or expressions contained in SEBI regulations shall bear the same meaning as in the Act, or any statutory modification thereof in force at the date at which those regulations become binding on the Company.

The following be added after Article 64:

64(A)

- (1) "Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the Depositories Act, 1996.
- (2) Every person subscribing to the securities offered by the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificates of securities.
- (3) An application signed by or on behalf of an applicant for shares in the Company followed by an allotment of any shares therein shall be acceptance of shares within the meaning of these Articles and every person who thus or otherwise accept any share and whose name is on the register of members or whose name is entered as beneficial owner of shares in the records of the depository shall, for the purpose of these articles, be a member
- (4) All securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in Section 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.
- (5) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of the security on the behalf of the beneficial owner.

Notice (contd.)

- (6) Save as otherwise provided in (5) above, the depository as the registered owner of the securities shall not have any voting rights or any rights in respect of the securities held by it.
- (7) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities, which are held by a depository.
- (8) Notwithstanding anything to the contrary contained in the Act or these Articles, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.
- (9) Nothing contained in Section 108 of the Act or these Articles shall apply to transfer of securities effected by a transferor and transferee both of that are entered as beneficial owners in the records of a depository.
- (10) Notwithstanding anything contained in the Act or these Articles, where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.
- (11) Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.
- (12) The shares in the Company shall be numbered progressively according to their several denominations, provided however, that the provisions relating to progressive numbering shall not apply to the shares of the Company which are dematerialised or may be dematerialised in future or issued in future in dematerialised form. Except in the manner hereinafter mentioned, no share shall be sub-divided. Every forfeited or surrendered share held in dematerialised form shall continue to bear the number by which the same was originally distinguished.
- (13) In the case of transfer or transmission of shares or marketable securities where the Company has not issued any certificate and where such shares or securities are being held in any electronic and fungible forms in a depository, the provisions of the Depositories Act, 1996 shall apply.
- (14) The Register and Index of beneficial owners maintained by a depository under the Depositories Act, 1996, shall be deemed to be the Register and Index of Members and Security holders for the purpose of these Articles."

10. To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolution:

"RESOLVED THAT in accordance with the provisions of Section 81 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof) and subject to SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the "Board" which expression shall also include a committee thereof) to issue, offer and allot 3,00,000 Equity Shares of Rs.10/- each to the employees of the company under an Employee Stock Option Scheme to be created by the Company for the benefit of its employees *inter alia* on the following terms and conditions:-

- i) All permanent employees of the company (including executive and non-executive Directors but excluding Promoter Directors), who are in India or out of India, shall be eligible to be considered for the grant of options under the Scheme.

Notice (contd.)

- ii) Each option shall be vested in the optionee after a minimum period of 12 months from the date of grant of the option or at such times as may be determined by the Board from time to time, subject to the minimum vesting period. Provided that the maximum period within which the options shall be vested shall not exceed 36 months from the date of grant of the option.
- iii) Each option shall entitle the optionee to apply for and be allotted one Equity Share of Rs.10/- each at a price of Rs.100/- each.
- iv) The options shall be exercisable, by applying to the Company in a Form to be prescribed for this purpose, after 12 months, but not later than 24 months, from the date of vesting of the option.
- v) The eligibility of employees for grant of options under the scheme and the number of options to be granted to each employee shall be determined by a Compensation Committee, to be constituted by the Board for this purpose, based on an appraisal process taking into account *inter alia* the employee's grade, number of years of service with the Company, past performance, current performance, future potential contribution, commitment shown to work, conduct and such other factors as may be specified.
- vi) Not more than 50000 options in aggregate will be allotted to an employee during any particular financial year.
- vii) The Company shall conform to the accounting policies specified under the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guideline, 1999.
- viii) The Equity Shares issued upon the exercise of options shall rank *pari passu* in all respects with the existing Equity Shares save and except their entitlement to dividend which will commence only from the date of allotment of such Equity Shares and pro-rata for financial year in which the dividend is declared.
- ix) Subject to approval of the Stock Exchanges, the relevant Equity Shares on exercise of options shall be listed on the Stock Exchanges.
- x) The Board shall have the power to make a fair and reasonable adjustment to the number of options and to the exercise price in case of rights issues, bonus issues and other Corporate actions."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to determine all other terms and conditions of the issue of the said options as the Board may in its absolute discretion determine."

11. To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolution:

"RESOLVED THAT in accordance with the provisions of Section 81 and other applicable Provisions, if any, of the Companies Act, 1956 (including any statutory modification (s) or re-enactment(s) thereof) and Clause 3(a) of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to issue, offer and allot Equity Shares of the Company to the employees of its Subsidiary whether now or hereafter existing, in India or Overseas, under the Employees Stock Option Scheme created by the Company."

On behalf of the Board of Directors
CALIFORNIA SOFTWARE CO. LTD.

Chennai
July 5, 2000

S.Santhosh
Managing Director

Notice (contd.)

Notes :

- a) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.**
- b) An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, is annexed hereto.
- c) The Register of Members and the Share Transfer Books of the Company will remain closed from 17.08.2000 to 28.08.2000 (both days inclusive) in connection with the Annual General Meeting
- d) Dividend recommended by the Directors for the year ended 31.03.2000, if approved by the members at the Annual General Meeting, will be payable to those members whose names appear on the Register of Members as on 28.08.2000.
- e) Members are given an option to hold their securities in a depository or in the physical form. Members opting for the depository form are requested to notify the Company's REGISTRAR AND SHARE TRANSFER AGENTS immediately at their address given below:

INTEGRATED ENTERPRISES (INDIA) LIMITED

46/3, Vijayaraghava Road, T.Nagar, Chennai 600 017.

- f) Members who opt to hold their securities in physical form, may continue to forward their securities for transfer to the Registered Office of the Company.
- g) Members are requested to inform the Company any change in their addresses immediately so as to enable the Company to despatch the dividend warrants and any future communication at their correct address.
- h) Pursuant to Section 205A of the Companies Act, 1956 all unclaimed dividend upto and inclusive of the financial year 1993-94 (31.03.94) have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed their dividend warrants for the said period are requested to submit their claims for dividend to the Registrar of Companies, Tamil Nadu, 2nd Floor, Shastri Bhavan, 26 Haddows Road, Chennai 600 006.
- i) Shareholders who have not encashed their dividend warrants for the period 1994-95 onwards are requested to submit their claims for dividend to the Registered Office of the Company.
- j) Nomination facility is now available for the Shareholders. Members who want to file Nomination may write to the Company.

A proxy form is attached.

Annexure to Notice

Explanatory Statements

(As required under Section 173(2) of the Companies Act, 1956)

Item No. 6

Mr. Koji Takayanagi, General Manager, Itochu Corporation, was appointed as an additional Director of the Company by the Board of Directors at its meeting held on 5th July 2000, as per the provisions of Section 260 of the Companies Act, 1956 read with Article No.109 of the Articles of Association of the Company and he will hold office only upto the date of this Annual General Meeting, and being eligible, he has offered himself for appointment as Director of the Company. As the members may be aware, Itochu Corporation holds fifty percent of the equity of Chemoil Corporation, the Company's foreign collaborator. Due notice under Section 257 of the Companies Act has been received.

None of the Directors except Mr. Koji Takayanagi is interested in this resolution.

The Board recommends the appointment of Mr. Koji Takayanagi for the approval of the members.

Item No.7

Mr.S.Santhosh, Managing Director, was appointed by the shareholders of the company in the Annual General Meeting held on 8th May 1995, for a period of five years with effect from 08.05.1995 to 08.05.2000. As the members are aware, Mr. Santhosh is one of the founders of the Company. The Board of Directors in their meeting held on 17.4.2000 approved the reappointment of Mr.S.Santhosh as Managing Director for a further period of five years with effect from 08.05.2000, subject to your approval and also that of the Central Government (since he is a Non-resident) on the terms and conditions set out in the notice. Necessary intimation under Section 302 of the Companies Act, 1956 was sent to all the members of the Company.

A copy of the contract entered into by the Company with Mr.S.Santhosh is available for inspection at the Registered Office of the Company between 11 a.m. and 1 p.m. on all working days of the Company.

The Directors recommend the resolution for the approval of the Shareholders.

None of the Directors of the Company, except Mr.S.Santhosh and Dr. M.R. Sreedharan Nair, is deemed to be concerned or interested in this resolution.

Item No. 8

Mr.S.Santhosh, Managing Director, has been drawing his salary from the Subsidiary Company since 1996 as approved by the shareholders in the Annual General Meeting held on 20th September 1997. In the AGM held on 30.8.99, the Shareholders had approved the revision of his remuneration as US\$ 9126.67 per month (including US \$ 2460 for housing) w.e.f. 16.10.98. It is now proposed to revise his remuneration as US \$ 10,376.67 per month (including US \$ 2460 for housing) from 16.10.99 to 15.10.2000 and US \$ 14,960 per month (including US \$ 2460 for housing) from 16.10.2000 onwards.

The Board recommends the proposal.

Except Mr.S.Santhosh and Dr. M.R. Sreedharan Nair, none of the Directors is concerned or interested in this resolution.

Item No. 9

With the introduction of the Depositories Act, 1996 and the Depository System, some of the provisions of the Companies Act, 1956 relating to the issue, holding, transfer and transmission of shares and other securities have been amended to facilitate the implementation of the new system. The Depository System of holding Securities in an electronic form is a far safer and more convenient method for holding and trading in the Securities of a Company. Your Company has since joined the Depository System and it is, therefore, imperative that the Company's Articles of Association are suitably altered, as set out in Resolution No.9, to reflect the provisions introduced by the Depositories Act, 1996 and to spell out the rights of the beneficial owners of the Securities in such a system.

None of the Directors is deemed to be concerned or interested in this Resolution.

The Board recommends the Resolution to the Shareholders for their approval.

A copy of the Memorandum and Articles of Association of the Company, together with the proposed alterations is available for inspection at the Registered Office of the Company between 11 a.m. and 1 p.m. on all working days of the Company.

Annexure to Notice (contd.)**Item No.10**

In the last Annual General Meeting, the Shareholders had approved the institution of an Employee Stock Option Scheme. Of the 3,00,000 Shares set apart for grant of options under the said scheme, 1,27,800 options were issued as on March 31, 2000. As more and more eligible employees are being granted options, the provision made under the said scheme will soon be fully exhausted. Hence the proposal to earmark another lot of Shares for the award of Stock Options. The total number of options to be granted under the proposed Employee Stock Option Scheme is 3,00,000. All permanent employees of the Company (including executive and non-executive Directors but excluding Promoter Directors) who are in India or out of India, shall be eligible to be considered for the grant of options under the Scheme. Each option shall be vested in the optionee after a minimum period of 12 months from the date of grant of the option or at such times as may be determined by the Board from time to time, subject to the minimum vesting period. Provided that the maximum period within which the options shall be vested shall not exceed 36 months from the date of grant of the option. Each option shall entitle the optionee to apply for and be allotted one Equity Share of Rs.10/- each at a price of Rs.100/- each. The options shall be exercisable, by applying to the Company in a Form to be prescribed for this purpose, after 12 months, but not later than 24 months, from the date of vesting of the options. The eligibility of the employees for the grant of options under the scheme and the number of options to be granted to each eligible employee shall be determined by a Compensation Committee, constituted by the Board for this purpose, based on an appraisal process taking into account *inter alia* the employee's grade, number of years of service with the Company, past performance, current performance, future potential contribution, commitment shown to work, conduct and such other factors as may be specified. Not more than 50,000 options in aggregate will be allotted to an employee during any particular financial year. The Company shall conform to the Accounting Policies specified in Clause 13.1 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

The Directors of the Company who will be eligible to join the Employee Stock Option Scheme may be deemed to be concerned or interested in this resolution to the extent of the Shares / Securities that may be issued to them and the benefit that may accrue to them under the scheme.

The Board recommends the Resolution to the Shareholders for their approval.

Item No.11

The Company proposes to extend the benefits of the Employee Stock Option Scheme created vide Resolution 10 ante to the employees of its Subsidiary as well. According to Clause 3(a) of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, approval of shareholders by way of a separate resolution in the General Meeting has to be obtained in case of grant of options to employees of the Subsidiary. The consent of the shareholders is therefore, sought to authorise the Board of Directors to issue shares of the Company to the employees of its Subsidiary under the Employee Stock Option Scheme of the Company.

None of the Directors is concerned or interested in this resolution.

The Board recommends this resolution for the approval of the members.

On behalf of the Board of Directors
CALIFORNIA SOFTWARE CO. LTD.

Chennai
July 5, 2000

S.Santhosh
Managing Director