

ANNUAL REPORT
2001 - 2002



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 Somayaji
Director

J Taniuchi
Director

Koji Takayanagi
Director

Company Secretary

V S Navin Shushant

Bankers

Canara Bank
Bank of Maharashtra
State Bank of Travancore

Auditors

Gouthaman & Tomy,
Chartered Accountants,
Trichur.

Registered Office

E139A, First Floor, M G Road, Besant Nagar,
Chennai – 600 090, India
Tele Nos : 44-491 5964, 491 2646, 491 6462
Fax : 44-491 2644

Visit CALSOFT at www.calsoft.co.in

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Notice

NOTICE is hereby given that the tenth 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 Friday, the 23rd August, 2002 at 11.00 A.M to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at March 31, 2002 and the Profit and Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr.B.R.Somayaji, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Dr.M.R.Sreedharan Nair, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass with or without modification, the following resolution as a SPECIAL RESOLUTION:

“RESOLVED THAT subject to the approval of the Central Government under Section 269 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, and subject to such other approvals and consents as may be necessary and in continuation of the Special Resolution passed at the Eighth Annual General Meeting of the Company held on 28th August, 2000 Mr.S.Santhosh, be and is hereby re-appointed as Managing Director of the Company for a further period of 3 years with effect from 08.05.2002 on the following terms and conditions:

- (i) Period of Appointment: 3 years, from 08.05.2002.
- (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.”

6. To consider and, if thought fit, to pass with or without modification, the following resolution as an ORDINARY RESOLUTION:

“RESOLVED THAT in accordance with the provisions of Sections 198, 269,309 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, the Company hereby approve the appointment and terms of remuneration of Mr.N.K.Nair, Whole-time Director of the Company, for a further period of five years with effect from 10th January 2002, upon the terms and conditions set out in the draft agreement submitted to the meeting, with the liberty to the Directors to alter and vary the terms and conditions of the said appointment and/or agreement in such manner as may be agreed to between the Directors and Mr.N.K.Nair”.

On behalf of the Board of Directors
CALIFORNIA SOFTWARE COMPANY LTD

Chennai
June 14, 2002

S Santhosh
Managing Director

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 (2) 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 16/08/2002 to 23/08/2002 (both days inclusive) in connection with the Annual General Meeting.
- d) 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) LTD.,
"Kences Towers", II Floor, 1, Ramakrishna Street,
North Usman Road, T.Nagar, Chennai – 600 017.

- e) 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.
- f) Members are requested to inform the Company any change in their address immediately so as to enable the Company to send any future communication at their correct address.
- g) Pursuant to Section 205A of the Companies Act, 1956 all unclaimed dividend upto and inclusive of the financial year 1993 – 1994 (31.03.1994) 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, II Floor, Shastri Bhavan, 26, Haddows Road, Chennai – 600 006.
- h) Shareholders who have not encashed their dividend warrants for the year 1995 – 96 onwards are requested to submit their claims to the Registered Office of the Company.
- i) Nomination facility is now available for the Shareholders. Members who want to file nominations may write to the company.

A proxy form is attached.

Annexure to Notice

EXPLANATORY STATEMENT

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

Item No.5

Mr.S.Santhosh, Managing Director, was re-appointed by the shareholders of the Company in the Annual General Meeting held on 28th August, 2000 for a period of five years with effect from 08.05.2000 subject to the approval of the Central Government under Section 269 of the Companies Act, 1956. However, the Central Government had given its approval for the re-appointment of the Managing Director for a period of two years only with effect from 08.05.2000 vide their Letter No.1/235/2000-CL-VII dated 18.09.2000. Hence, for obtaining the approval of the Central Government for the re-appointment of the Managing Director for a further period of 3 years with effect from 08.05.2002, the proposed resolution is placed before the meeting.

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

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

The agreement entered 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 upto the date of the meeting and also during the meeting.

Item No.6

Mr. N K Nair was appointed as the Whole-time-Director of the Company for a period of five years with effect from 10th January 1997 by the Shareholders in the Annual General Meeting held on 20/9/97. As his term of appointment expired on 9/1/2002, the Board of Directors at their meeting held on January 8,2002 decided to re-appoint him as Whole-time-Director for a further period of five years with effect from 10th January 2002, subject to the approval of the members at the Annual General Meeting.

Mr. N K Nair is a Graduate in Telecommunication Engineering and a Fellow of Institution of Electronics and Telecommunication Engineers (India). He is 59 years old. He joined this Company as Vice President on 1/7/95 and was elevated to the position of Director on 10/1/97. Prior to joining this Company, he was Managing Director of Kerala State Electronics Development Corporation Ltd (Keltron), a Kerala Government undertaking. Mr. Nair has more than 30 years experience in Government/Public Sector undertakings etc. The draft agreement between the Company and the Whole-time-Director contains the following terms and conditions:

1. Mr. N K Nair, Whole-time-Director, shall, subject to the supervision and control of the Board of Directors, be entrusted with substantial powers of management and shall also perform such other duties as may, from time to time, be entrusted to him.
2. Period of Agreement: 5 years with effect from 10th January 2002.
3. Remuneration:
 - a) Salary: As may be fixed by the Board of Directors within the permissible limit as per Schedule XIII of the Companies Act, 1956 – currently at Rs.1,00,000/-per month.
 - b) Perquisites:
 - (1) Housing: As per Company Rules, subject to Income Tax Rules, 1962.
 - (2) Medical Reimbursement: Expenses incurred for the Whole-time-Director and his family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.

Annexure to Notice (Contd.)

- (3) Leave Travel Concession: For the Whole-time-Director and his family once in a year, incurred in accordance with any rules specified by the Company.
- (4) Club Fees: Fees for clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- (5) Personal Accident Insurance: Premium not to exceed Rs.1,000/- per annum.
Explanation: For the purpose of this part "Family" means the spouse, dependent children and dependent parents of the Whole-time-Director.
- (6) Contributions to Provident Fund, Super Annuation Fund or Annuity Fund: These will not be considered as perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- (7) Gratuity: Not exceeding half a month's salary for each completed year of service, subject to the ceiling stipulated under the Gratuity Act, 1972, as amended from time to time.
- (8) Provision of car for use on Company's business and telephone at residence. These will not be considered as perquisites. Personal long distance calls and use of car for private purposes shall be billed by the Company to the Whole-time-Director.

- 4. The terms and conditions of the said appointment and/or agreement may be altered and varied from time to time by the Board as it may, in its discretion, deem fit, within the maximum amount payable to Whole-time-Director as per Schedule XIII to the Companies Act, 1956, as amended from time to time.
- 5. The appointment may be terminated by either party giving the other party three months' notice or the Company paying three months' salary in lieu thereof.
- 6. If at any time the Whole-time-Director ceases to be a Director of the Company for any cause whatsoever, he shall cease to be the Whole-time-Director in terms of agreement and such agreement shall terminate forthwith.
- 7. The Whole-time-Director is appointed by virtue of his employment in the Company and his appointment is subject to the provisions of Section 283(1) of the Companies Act, 1956.
- 8. The Whole-time-Director shall not be entitled to supplement his earnings under the agreement with any buying or selling commission nor shall he, so long as he functions as such, become interested or otherwise concerned directly or through his wife and/or minor children in any selling agency of the Company, without the prior approval of the Central Government.

In compliance with the provisions of Section 269 and 309 of the Companies Act, 1956, the terms of remuneration specified above are now being placed before the members in the General Meeting for their approval.

Necessary intimation under Section 302 of the Companies Act, 1956 was sent to all the members of the Company.

The Agreement between the Company and Mr. N K Nair is available for inspection by the members of the Company at its Registered Office between 11.00 A.M and 1.00 P.M on all working days upto the date of meeting and also during the meeting.

The Directors recommend his appointment as a Whole-time Director of the Company.

Except Mr.N.K.Nair, none of the Directors is concerned or interested in this resolution.

Annexure to Notice (Contd.)

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE ANNUAL GENERAL MEETING

Mr.B.R.Somayaji, aged 43 years, has been serving the Company as a Director since 1994. He is a B.Tech in Chemical Engineering and has been running his own business in the field of Ceramics and real estates for more than 15 years.

Dr.M.R.Sreedharan Nair, aged 67 years, has been serving the Company as a Director since 1994. He holds a Doctorate in Mechanical Engineering from IIT, Madras. He has more than 30 years teaching/research experience as Professor/Principal of Engineering Colleges.

On behalf of the Board of Directors
CALIFORNIA SOFTWARE COMPANY LTD

Chennai
June 14, 2002

S Santhosh
Managing Director



The Year at a glance

	(Rs. in lakhs)	
	March 31,2002	March 31,2001
For the year		
Total revenues	2,163.78	2,953.58
Operating profit	471.05	557.48
Operating profit as a % of total revenues	21.77	18.87
Profit after tax	322.49	229.86
Earning per Share (Rs) (annualized)	6.77	4.83
Dividend per Share (Rs)	—	—
Dividend amount	—	—
At the end of the year		
Total assets	2,652.47	2,445.86
Fixed assets (net)	585.10	685.57
Total debt	163.89	274.43
Net worth	2,398.31	1,881.85
Equity	476.11	476.11
Market capitalization	1,470.00	5,261.00

Directors' Report

To the Members,

Your directors are pleased to present their report on the business and operations of your Company for the year ended March 31, 2002.

Financial Results

	(Rs. in lakhs)	
	Year ended March 31, 2002	Year ended March 31, 2001
Gross revenues	2,163.78	2,953.58
Operating Profit	471.05	557.48
Interest	28.01	30.28
Depreciation	112.47	100.38
Miscellaneous expenses written off	98.68	196.96
Profit before prior period adjustment & extraordinary items	231.89	229.86
Prior period adjustment & extraordinary items	105.70	—
Profit before tax	337.59	229.86
Provision for tax	2.80	—
Provision for Deferred Tax for current year	12.30	—
Profit after tax	322.49	229.86
Profit brought forward from the previous year	66.73	66.73
Surplus available for appropriation	389.22	296.59

Appropriations

Dividend recommended	—	—
Dividend tax	—	—
Transferred to General Reserve	29.78	225.53
Income Tax	—	4.33
Balance carried to Balance Sheet	359.44	66.73