

ANNUAL REPORT
2002 - 2003



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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

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

1205, D Block, 12th Floor, Tidel Park, Taramani,
Chennai – 600 113, India
Tele Nos : 44-2254 0419, 2254 2007
Fax : 44-2491 2644

Visit CALSOFT at www.calsoft.co.in

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Notice

NOTICE is hereby given that the eleventh 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 22nd August, 2003 at 10.00 A.M to transact the following business as Ordinary Business:

1. To receive, consider and adopt the Balance Sheet as at March 31, 2003 and the Profit and Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Dr. P J George , 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.

On behalf of the Board of Directors

Chennai
July 4, 2003

S Santhosh
Managing Director

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

Dr.P J George, aged 71 years, has been serving the Company as a Director since 1992. He is a Doctorate in Mechanical Engineering and has more than 37 years teaching/research experience as Professor/Principal of Engineering Colleges.

Mr. J Taniuchi, aged 55 years, has been serving the Company as a Director since 1997. He is the Chairman of Chemoil Corporation, USA.

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) The Register of Members and the Share Transfer Books of the Company will remain closed from 18/08/2003 to 22/08/2003 (both days inclusive) in connection with the Annual General Meeting.
- c) Dividend recommended by the Directors for the year ended 31/03/2003, 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 22/08/2003. In respect of dematerialised shares, the dividend will be payable on the basis of beneficial ownership as per details to be furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for this purpose.
- 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 forward their securities for transfer to the Company's Registrar and Share Transfer Agents.
- f) Members are requested to inform the Company's Registrar and Share Transfer Agents 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 1996 – 97 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.

The year at a glance

	(Rs. in lakhs)	
	March 31,2003	March 31,2002
For the year		
Total revenues	1,797.89	2,163.78
Operating profit	296.31	471.05
Operating profit as a % of total revenues	16.48	21.77
Profit after tax	82.01	322.49
Earning per Share (Rs) (annualized)	1.72	6.77
Dividend per Share (Rs)	1.00	—
Dividend amount	47.61	—
At the end of the year		
Total assets	2,580.92	2,652.47
Fixed assets (net)	518.17	585.10
Total debt	64.04	163.89
Net worth	2,483.52	2,398.31
Equity	476.11	476.11
Market capitalization	486.00	1,470.00

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, 2003.

Financial results

	(Rs. in lakhs)	
	Year ended March 31, 2003	Year ended March 31, 2002
Gross revenues	1,797.89	2,163.78
Operating Profit	296.31	471.05
Interest	20.38	28.01
Depreciation	83.01	112.47
Miscellaneous expenses written off	56.91	98.68
Profit before prior period adjustment & extra- ordinary items	136.01	231.89
Prior period adjustment & extraordinary items	(7.07)	105.70
Profit before tax	128.94	337.59
Provision for tax	28.85	2.80
Provision for Deferred Tax for current year	18.09	12.30
Profit after tax	82.01	322.49
Profit brought forward from the previous year	359.44	66.73
Surplus available for appropriation	441.45	389.22

Appropriations

Dividend recommended	47.61	—
Dividend tax	6.10	—
Transferred to General reserve	8.20	29.78
Balance carried to Balance Sheet	379.54	359.44

Directors' Report (Contd.)

Results of Operations

During the year, your Company earned a total revenue of Rs. 1797.89 lakhs as against Rs. 2163.78 lakhs earned during the previous year. The Operating profit during the year is Rs. 296.31 lakhs as against Rs. 471.05 lakhs of the previous year. After taking into account the prior period adjustments and extraordinary items, the Profit after tax for the year is Rs. 82.01 lakhs as against Rs. 322.49 lakhs of the previous year.

Dividend

Your Directors recommend a dividend of Re. 1 per equity Share on 47,61,088 equity Shares of Rs. 10 each for the financial year ended March 31, 2003. The dividend, if approved by the Shareholders in the forthcoming Annual General Meeting, will be paid to holders of the above Shares whose names appear on the Register of Members of the Company as on August 22, 2003.

Business

The market for software development services has been experiencing a steady decline for the last 3 years or so. In spite of that, during the year under report, your Company performed reasonably well and achieved a Sales turnover of Rs. 1737.41 lakhs compared to Rs. 1976.62 lakhs achieved during the last year. Around 76% of your Company's revenue during the year came from Exports (offshore) and the remaining 24% from Exports (onsite).

CSWL, Inc. USA

Your Company's Wholly Owned Subsidiary in the US, CSWL, Inc. achieved a Sales turnover of US \$ 5.96 million (equivalent to Rs. 2841.13 lakhs) during the year, compared to US \$ 6.86 million (equivalent to Rs. 3345.73 lakhs) achieved during the last year.

In terms of approval granted by the Central Government under section 212 (8) of the Companies Act, 1956, a copy of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and the Report of the Auditors of the Subsidiary Company have not been attached with the Balance Sheet of the Company. The Company will make available these documents/details upon request by any member of the Company interested in obtaining the same. However, the Consolidated Financial Statements presented by the Company in pursuance of Accounting Standard AS-21, which form part of the Annual Report and Accounts, includes the financial information of the subsidiary.

Capital Market Developments

The market capitalization of your Company stood at Rs. 4.86 crores as on March 31, 2003, based on the quotations on the National Stock Exchange.

Stock Option Scheme

Under the Employee Stock Offer Plan (ESOP) of the Company, four lakh shares of the Company were offered to ten employees of the Company on 28/11/99 at a price of Rs. 50 per Share. The Distribution Period (the period during which the Shares underlying the offer are required to be distributed to the employees concerned on their paying the prorated cost of the Shares) as originally provided in the ESOP

Directors' Report (Contd.)

was from 1/12/2001 to 31/12/2002. However, taking into account the low market price of the Company's Shares and with a view to avoid hardship to the employees, your Directors had extended the Distribution Period upto 31/12/2004. None of the recipients of the offer has, so far, paid the prorated cost of the Shares offered to them.

Under the Employee Stock Option Scheme (ESOS) of the Company, in all, six lakhs Options were offered to the employees of the Company and its Subsidiary on various dates during the years 1999-2000 and 2000-2001. However, all those Options have since lapsed - 4,84,200 of them as a result of the employees concerned opting to denounce the offers and 1,15,800 of them consequent to the resignation of the employees concerned from the services of the Company/its Subsidiary.

The details of the Options granted since inception of the Scheme are given below :

a) Number of Options granted	: 6,00,000
b) Pricing formula	: As fixed by the Shareholders
c) Options vested	: NIL
d) Options exercised	: NIL
e) Total number of Shares arising as a result of exercise of options	: N/A
f) Options lapsed	: 6,00,000
g) Variations of terms of options	: NONE
h) Money realised by exercise of option	: N/A
i) Total number of options in force	: NONE
j) Options granted to senior managerial personnel	: N/A
k) Employees holding 5% or more of the total number of options granted during the year	: N/A
l) Employees who were granted options equal or exceeding 1% of the issued capital	: N/A
m) Diluted EPS pursuant to issue of Shares on exercise of options	: N/A

Fixed Deposits

Your Company has not accepted any fixed deposit from the public during the year under report.

Directors

As per Article 121 of the Articles of Association, Dr P J George and Mr J Taniuchi retire by rotation in the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. Mr. B.R Somayaji and Mr.Koji Takayanagi resigned from the Board on 20/11/2002 and 14.06.2003, respectively. Your directors place on record their appreciation of the services rendered by them during their tenure on the Board.

Directors' Report (Contd.)

Auditors

The auditors, Gouthaman & Tomy, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office, if re-appointed.

Particulars of employees

As required under 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 forming part of this report.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, are set out in the Annexure forming part of this report.

Directors' Responsibility

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2000, the Directors confirm that :

1. in the preparation of the annual accounts, the applicable accounting standards have been followed;
2. appropriate accounting policies have been selected and applied consistently and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2003 and of the profit of the Company for the period April 1, 2002 to March 31, 2003;
3. proper and sufficient care has been taken 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 for preventing and detecting fraud and other irregularities;
4. the annual accounts have been prepared on a going concern basis.

Compliance of conditions of Corporate Governance

The Certificate from the Statutory Auditors of the Company regarding compliance of conditions of Corporate Governance stipulated by the SEBI is annexed to this report.

Acknowledgement

Your directors thank the Government authorities, financial institutions and Banks for their support during the year and look forward to their continued support during the coming years. Your directors place on record their appreciation of the valuable contribution made by the employees at all levels.

For and on behalf of the Board of Directors

Chennai
July 4, 2003

N K Nair
Whole-time Director

S Santhosh
Managing Director

CALIFORNIA SOFTWARE CO. LTD.