

California Software Company Ltd

calsoft

REVENUE GROWTH IDEAS

Report

Annual Report 2003 - 2004

Board of Directors

Robert V Chandran
Chairman

S Santhosh
Managing Director

Dr P J George
Director

Dr M R Sreedharan Nair
Director

J Taniuchi
Director

Masanori Toyoshima
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 : 44-2254 2902

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Notice

NOTICE is hereby given that the Twelfth Annual General Meeting of the Company will be held at 3 p.m. on Friday, the 20th August, 2004 at Tidel Park Auditorium, No.4, Canal Bank Road, Taramani, Chennai-600113 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at March 31, 2004 and the Profit and Loss Account for the year ended on that date and the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Robert V Chandran, 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 an ORDINARY RESOLUTION:

"RESOLVED THAT Mr. Masanori Toyoshima be and is hereby appointed as Director of the Company".

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

"RESOLVED THAT pursuant to clause 5.1 of the Securities and Exchange Board of India (Delisting of Securities) Guidelines and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby given for delisting of the equity shares (voluntarily) of the Company from The Stock Exchange, Ahmedabad, Cochin Stock Exchange Ltd, Bangalore Stock Exchange Ltd and Madras Stock Exchange Ltd".

On behalf of the Board of Directors

Chennai
June 23, 2004

S.Santhosh
Managing Director

EXPLANATORY STATEMENT

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

Item No.5

Mr. Masanori Toyoshima was appointed as additional Director of the Company at the Board meeting held on 2nd April 2004 under section 260 of the Companies Act, 1956. He will hold office up to the date of this Annual General Meeting. The Company has received a notice under section 257 of the Companies Act, 1956 from a member proposing Mr. Masanori Toyoshima for appointment to the office of Director along with a deposit of Rs.500/-. Hence the proposed resolution.

None of the Directors except Mr. Masanori Toyoshima is interested in the resolution.

Item No.6

The Company's equity shares are presently listed in Madras Stock Exchange Ltd, The Stock Exchange, Mumbai (BSE), The Stock Exchange, Ahmedabad, The National Stock Exchange of India Limited (NSE), The Bangalore Stock Exchange and Cochin Stock Exchange Ltd. As per clause 5.1 of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, a Company is permitted to voluntarily delist the equity shares subject to the following conditions:

- (a) the securities of the Company have been listed for a minimum period of 3 years on any stock exchange;
- (b) an exit opportunity has been given to the investors;

Notice (Contd.)

(c) obtained approval of shareholders by way of a special resolution;

The guidelines further provide that an exit opportunity need not be given in cases where the securities continue to be listed in a stock exchange having nation-wide terminals (namely NSE & BSE).

The trading activity of the Company's equity shares is insignificant or nil in Ahmedabad, Bangalore, Cochin and Madras Stock Exchanges for the past few years. Retaining the listing with NSE and BSE, it is proposed to voluntarily seek delisting of the equity shares from Ahmedabad, Bangalore, Cochin and Madras Stock Exchanges. The voluntary delisting will not affect liquidity since the trading can well be done through the nation-wide terminals of the BSE and NSE with whom the listing would continue. The Company's equity shares have been listed for 3 years. Hence, the Company is entitled to seek voluntary delisting subject to approval of shareholders. Accordingly, the resolution is proposed for the approval of shareholders.

None of the Directors is interested in the resolution.

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

Chennai
June 23, 2004

S.Santhosh
Managing Director

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

Mr. Robert V Chandran, aged 54 years, has been serving the Company as Chairman since incorporation. He holds a Master's degree in Business Management from Asian Institute of Management, Manila. He is the President of Chemoil Corporation, the foreign collaborator of the Company.

Dr. M.R. Sreedharan Nair, aged 69 years, has been serving the Company as a Director since 1994. He holds a doctorate in Mechanical Engineering from IIT, Chennai. He has more than 32 years teaching/research experience as Professor/Principal of Engineering Colleges.

Mr. Masanori Toyoshima, aged 46 years, has been appointed as additional Director of the Company from 2/4/2004. He is a Director of Codex Limited.

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 16/08/2004 to 20/08/2004 (both days inclusive) in connection with the Annual General Meeting.
- c) 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.

- d) For transfer, members who hold their securities in physical form may forward their securities to the Company's Registrar and Share Transfer Agents.
- e) 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.
- f) Pursuant to section 205A of the Companies Act, 1956, all unclaimed dividends 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.
- g) 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.
- h) 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 31,2004	March 31,2003
For the year		
Total revenues	1754.98	1797.89
Operating profit	198.88	296.31
Operating profit as a % of total revenues	11.33	16.48
Profit after tax	81.32	82.01
Earning per share (Rs) (annualized)	1.7	1.7
Dividend per share (Rs)	—	1.00
Dividend amount	—	47.61

At the end of the year

Total assets	2681.51	2616.65
Fixed assets (net)	548.54	518.17
Total debt	47.12	64.04
Net worth	2585.06	2483.52
Equity	476.11	476.11
Market capitalization	1023.63	486.00

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, 2004.

Financial results

	(Rs. in lakhs)	
	Year ended March 31, 2004	Year ended March 31, 2003
Gross revenues	1754.98	1797.89
Operating profit	198.88	296.31
Interest	8.81	20.38
Depreciation	88.06	83.01
Miscellaneous expenses written off	20.22	56.91
Profit before prior period adjustment & extra- ordinary items	81.79	136.01
Prior period adjustment & extraordinary items	NIL	(7.07)
Profit before tax	81.79	128.94
Provision for tax	NIL	28.85
Provision for deferred tax for current year	0.46	18.09
Profit after tax	81.32	82.01
Profit brought forward from the previous year	379.54	359.44
Surplus available for appropriation	460.86	441.45

Appropriations

Dividend recommended	NIL	47.61
Dividend tax	NIL	6.10
Transferred to General Reserve	15.00	8.20
Balance carried to Balance Sheet	445.86	379.54

Results of Operations

During the year, your Company earned a total revenue of Rs. 1754.98 lakhs as against Rs. 1797.89 lakhs earned during the previous year. The operating profit during the year is Rs. 198.88 lakhs as against Rs. 296.31 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. 81.32 lakhs as against Rs. 82.01 lakhs of the previous year.

Business

During the year under report, your Company performed reasonably well and achieved a sales turnover of Rs.1766.59 lakhs compared to Rs. 1741.93 lakhs achieved during the last year. Although export of this year in US dollar terms has been significantly higher than that of last year, this growth has not been adequately reflected in the rupee equivalent, due to a fall in the US dollar against the rupee.

Directors' Report (Contd.)

Dividend

Keeping in view the future expansion, your Directors do not consider it prudent to recommend any dividend for the financial year ended March 31, 2004.

CSWL, INC. USA

Your Company's Wholly Owned Subsidiary in the US, CSWL, INC. achieved a sales turnover of US \$ 5.49 million (equivalent to Rs. 2420.91 lakhs) during the year, compared to US \$ 5.86 million (equivalent to Rs. 2790.16 lakhs) achieved during the previous 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, include the financial information of the subsidiary.

Capital Market Developments

The market capitalization of your Company stood at Rs.10.24 crores as on March 31, 2004, 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 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 not to exercise the offers and 1,15,800 of them consequent on 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