



Realize Your Ideas

# **ANNUAL REPORT**

# **2011-12**

# CORPORATE INFORMATION

## Board of Directors

### **Clyde Michael Bandy**

Chairman (upto 25th April 2011) Non Executive Director

### **Thomas Kevin Reilly**

Chairman (from 06th May 2011 to 13th July 2012)

Non Executive Director

### **Bhavesb Rameshlal Chauhan**

Chairman (wef 14th July 2012)

Non Executive Director

### **S. Santhosh**

Managing Director & CEO (upto 13th February 2012)

### **Frederick Ivor Bendle**

Managing Director & CEO (wef 13th February 2012)

### **Dr. P. J. George**

Non Executive Independent Director

### **Mr.S.Santhanakrishnan**

Non Executive Independent Director (upto 14th November 2011)

### **Dan G. Peterson**

Non Executive Director (upto 05th March 2012)

### **Mats Henerik Berglund**

Non Executive Director ( upto 07th May 2012)

### **K Chandra Pratap**

Non Executive Independent Director (wef 05th July 2012)

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Company Secretary & Compliance Officer

### **Jitendra Kumar Pal**

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Auditors

### **M/s TOMY & FRANCIS**

Chartered Accountants

## Main Bankers

Canara Bank

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## Stock Exchanges -Listed on

I - National Stock Exchange of India Limited

II - The Bombay Stock Exchange Limited

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## Contact us:

Registered Office & Corporate Office

7th Floor, Robert V Chandran Tower

No.149, Velachery Tambaram Main Road,

Pallikarnai, Chennai- 600 100

Telephone Nos +91- 44-42829000

Fax No. +91-44-42829012

Email for shareholders: investor@calsoftgroup.com

Website: www.calsoftgroup.com

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## Registrars and Share Transfer Agent

Integrated Enterprises (India) Ltd,

(Unit: California Software Co Ltd)

2nd floor, Kencees Towers,

1, Ramakrishna Street, North Usman Road,

T Nagar, Chennai 600017 India

Tel: +91-44- 28140801 to 28140803

Email: corpserv@integratedindia.in

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## Letter to Shareholder



Dear Shareholder,

The year ended 31 March 2012 has been an extremely difficult one for Calsoft, and a disappointing one for the shareholders. The strategy adopted by my predecessor as CEO, of selling the company's businesses individually did not realize the values that all had expected leaving the company with little remaining business but without the funds to invest in new alternatives. ₹50 Crores of the "Labs" sale proceeds that was contingent has not materialised and a further US\$3m of the Labs consideration that was received had to be deposited in escrow with the Company's bank as security for borrowings. Nor did we realize nearly ₹25 Crores of Royalties that had been anticipated from the sale of "AHN". 2011 was a very difficult year for all in the IT sector and Labs and AHN simply did not reach the performance targets that triggered the extra consideration under their ownership by Alten and Healthland respectively.

Epay, which we had expected to become financially self-sustaining by the end of 2011, had grown its customer base much more slowly than hoped. It was clear that it would need significant continuing funding until at least the middle of 2013.

The company invested several years ago in its own office property in Chennai and whilst the property market in Chennai has stagnated, Rupee interest rates and with them the cost of our borrowings have sky rocketed. As a result you company has found itself short of the funds it needs to grow the business, and financially strained if it does not grow.

A poor trading environment; lower than expected disposal proceeds; high gearing and high funding costs; together with many write offs and provisions that are a consequence of ceasing business in many areas has have given rise to a loss for the year of US\$16m, an amount almost equal in size to the Groups turnover for the same period.

Although the Inatech business still operates and has a great product and great people it is neither profitable nor cash positive yet. Having disposed of all other businesses we have no other source of revenue with which to meet the many costs of maintaining the Listed status of Calsoft, its overheads ad the cost of its debt. The company's cash resources are under strain and in the longer term the situation was and is unsustainable. We must take firm and positive action.

However I believe we have gone too far down the road of selling the assets to now reverse this strategy. I intend to complete the process and realize what I can from the remaining business and from selling any intellectual property that the company owns. At the same time we will seek a partner who desires the listing and any other assets remaining in the company. and who can offer shareholders some prospect of future value in a new direction.

I thank shareholders for their support over the past and anticipate that I will be writing to you shortly to seek your continuing support for restructuring the Group.

**Bhavesh Rameshlal Chauhan**  
Chairman

## NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Twentieth Annual General Meeting of the Company will be held on Thursday the 27th September 2012 at 10.00 a.m. at the Registered Office of the Company at Robert V Chandran Tower, # 149, Velachery Tambaram Main Road, Pallikaranai, Chennai-600 100 transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at March 31, 2012 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 Dr. P J George, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

### SPECIAL BUSINESS:

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

“RESOLVED THAT in accordance with Section 257 and all other applicable provisions if any of the Companies Act, 1956, or any statutory modification(s) or enactment thereof, Mr. K Chandra Pratap, who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation under the provisions of the Articles of Association of the company.”

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

“RESOLVED THAT subject to the approval of shareholders and 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, Mr. Bhavesh Rameshlal Chauhan, who was appointed as an additional director on 14th July 2012 be and is hereby appointed as Director and Managing Director and Chief Executive Officer of the Company for a period of two years with effect from 14th August 2012 without remuneration.

“RESOLVED FURTHER THAT the duties of the Managing Director and Chief Executive Officer so appointed as above shall be the overall supervision of the functioning of the Company, handling day to day affairs of the Company, regularly reporting to the Board on the activities of the Company and to perform all other duties that the Board may delegate to the Managing Director from time to time.

By order of the Board

For **California Software Company Limited**

Chennai  
14th August 2012

**Jitendra Kumar Pal**  
Company Secretary

## EXPLANATORY STATEMENT

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

### Item No.4:

Mr. K Chandra Pratap was appointed as Additional Director of the company with effect from 05th July 2012 under Section 260 of the Companies Act, 1956. In terms of the provisions of Section 260, he will hold office up to the date of this Annual General Meeting. The Company has received a notice from a member proposing Mr. K Chandra Pratap for appointment to the office of Director of the Company under Section 257 of the Companies Act, 1956. Hence the proposed resolution.

Mr. K Chandra Pratap, has done MBA (Finance) and it will be in the interest of the Company that he is appointed as a Director, who if appointed, shall be liable to retire by rotation, in accordance with the provisions of the Article of Association of the company. Brief details of his resume with background, qualifications and other directorships as stipulated in Clause 49 of the Listing agreement are given in the section in this notice on Information on Directors seeking appointment/re-appointment. The board commends the resolution as set out at item No.4 of the Notice for your approval.

None of the Directors, other than and except Mr. K Chandra Pratap is in any way, concerned or interested in the resolution.

### Item No. 5:

Mr. Bhavesh Rameshlal Chauhan has done FCCA, ACCA and B.Eng (Chemical Engineering), is having vast experience in accounting, finance, trading, Marketing and Project Management and it will be in the interest of the Company that he is appointed as a Director, who if appointed, shall be liable to retire by rotation, in accordance with the provisions of the Article of Association of the company. Brief details of his resume with background, qualifications and other

directorships as stipulated in Clause 49 of the Listing agreement are given in the section in this notice on Information on Directors seeking appointment/re-appointment. The board commends the resolution as set out at item No.5 of the Notice for your approval.

Mr. Bhavesh Rameshlal Chauhan was appointed as Additional Director of the company with effect from 14th July 2012 under Section 260 of the Companies Act, 1956.

The Board of Directors, at their meeting held on 14th August 2012 appointed Mr. Bhavesh Rameshlal Chauhan as Managing Director and Chief Executive Officer of the Company in place of Mr. Frederick Ivor Bendle who has resigned due to pre-occupation for a further period of two years with effect from 14th August 2012, 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. This notice and explanatory statement shall be deemed as intimation under Section 302 of the Companies Act, 1956.

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

None of the Directors except Mr. Bhavesh Rameshlal is concerned or interested in this resolution.

**Information on Directors seeking appointment/re-appointment in Annual General Meeting scheduled to be held on September 27, 2012 (Pursuant to Clause 49(IV) (E) and 49 (IV)(G)(i) of the Listing Agreement)**

Name of the Director	Mr. K Chandra Pratap	Mr. Bhavesh Rameshlal Chauhan
Date of first Appointment	05th July 2012	14th July 2012
Age/Date of Birth	41/ 10-05-1970	47 / 03rd January 1965
Expertise in Specific functional area	Business Advisory Consultant specializes in Finance and Statutory compliances regulatory matter in the areas of FEMA.	Accounting, Finance, Trading, Marketing and Project Management
Educational Qualifications	MBA (FINANCE)	FCCA, ACCA, B.Eng (Chemical Engineering)
List of Other Directorships held as on 14th August 2012	1. USAE Equipment Private Limited, 2. Comelz India Private Limited 3. Cartello Business Advisory Solutions Private Limited	None
Chairman/Member of the Committee of the Board of Directors of the Company as on 14th August 2012	Nil	Nil
Chairman/Member of the Committee of Directors of other Companies as on 14th August 2012	Nil	Nil
Number of shares held in the Company as on 14th August 2012	Nil	Nil

**Notes:**

- a. A SHAREHOLDER 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 SHAREHOLDER.
- b. Explanatory statement is attached in the notice under Section 173.
- c. Book Closure: The Register of Members and the Share Transfer Books of the Company will remain closed from 25th September 2012 to 27th September 2012 (both days inclusive) in connection with the Annual General Meeting.
- d. Shareholders are given an option to hold their securities in a depository or in the physical form. However it maybe noted that for trading purposes on NSE & BSE, the Company's stock is in compulsory demat trading list.
- e. Shareholders of physical format shares opting to convert shares to depository form are requested to notify through their Depository Participant (DP) to the Company's REGISTRAR AND SHARE TRANSFER AGENTS through filling the demat request form available with their DP to the address given herein:

INTEGRATED ENTERPRISES (INDIA) LTD.,  
 Unit: California Software Co Ltd  
 "Kences Towers", II Floor, 1, Ramakrishna Street,  
 North Usman Road, T.Nagar, Chennai – 600 017

- g. Shareholders who hold their securities in physical form and need to complete any transfer of holdings or endorsements may forward their securities to the Company's Registrar and Share Transfer Agents at the above address alongwith duly filled and stamped share transfer forms.

- h. Shareholders holding shares in physical format are requested to notify the Company's Registrar and Share Transfer Agents any change in their address immediately (with folio no reference) so as to enable the Company to send any future communication at their correct address. Those holding shares in demat format need to ensure that their correct address is reflected in their Depository Participant (DP) records and inform DP of any changes as and when relevant.
- i. Pursuant to section 205C of the Companies Act, 1956, all unclaimed dividends upto and inclusive of the financial year 2003 – 04 (YE March 31, 2004) have been transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government.
- j. Shareholders who have not encashed any of their dividend warrants from the year 2004-05 onwards are requested to submit their claims to the Company Secretary at the Registered Office of the Company giving due details such as shareholder folio, /DP account no, and details for which year dividend is not received, and bank account details to be printed on the warrant.
- k. Nomination facility is now available for the shareholders. Members holding shares in physical format. may obtain nomination forms from the Registrar & Share Transfer Agent and send the nomination form back duly filled up and signed. Members holding shares in demat form may kindly send their nominations to their Depository Participant (DP) only in the format specified by their DP which will be for all their holdings in a client account.

Attendance slip and proxy form are enclosed.

# DIRECTORS REPORT

Dear Shareholders,

Your Directors presenting their Report on the Business & Operations of your Company and its working results for the year 2011-12.

## FINANCIAL RESULTS

### 1. Financial Results All figures in Rupees Crores except for EPS

Details	Consolidated		Stand alone	
	Year ended 31-Mar-12	Year ended 31-Mar-11	Year ended 31-Mar-12	Year ended 31-Mar-11
Total Revenues	79.90	181.01	21.39	75.33
Total Expenses	116.82	218.05	38.58	88.98
Profit before exceptional and extra-ordinary items and tax	(36.92)	(37.04)	(17.18)	(13.65)
Exceptional items	40.19	0.03	46.34	Nil
Profit before extraordinary items and tax	(77.11)	(37.07)	(63.52)	(13.65)
Profit before Tax	(77.11)	(37.07)	(63.52)	(13.65)
Current Tax	0.37	0.12	Nil	Nil
Deferred Tax	(23.94)	(16.30)	1.69	(5.85)
Profit/(Loss) for the year before Minority Interest	(75.08)	(20.89)	(65.22)	(7.80)
Minority Interest	(2.47)	1.75	NA	NA
Profit/(Loss) for the year	(77.55)	(19.14)	(65.22)	(7.80)
paid up equity capital	12.36	12.36	12.36	12.36
Earning per share (EPS) for the year (Rs)				
i) Basic	(62.72)	(15.48)	(52.74)	(6.31)
ii) Diluted	(62.72)	(15.48)	(52.74)	(6.31)

\*Note: Previous year's figures have been reclassified wherever necessary to conform to current year classification.

## DIVIDEND

Due to the loss incurred during the year, the Board of Directors of your company does not recommend any dividend for the Financial Year 2011-12.

## BUSINESS UPDATE AND OUTLOOK

In 2009 your Board of Directors reviewed the existing business assets of the Group and formed the view that the assets would be more valuable sold separately than if kept together as a business. They therefore sought buyers for the main businesses and tried to reposition the company as an incubator fund for start-up ventures. The main revenue generating businesses; American Healthnet and Calsoft Labs (OPD Division) were all sold under arrangements whereby much of the expected consideration was dependent upon the realization (whilst under the buyers control) of certain performance targets. Unfortunately, due principally to the very difficult economic environment, in no case have those targets been met. As a consequence the value ultimately realized for the assets was very much lower than expected, and the cash received has been much less. This situation was exacerbated by the long time taken to find buyers and negotiate the transactions, during which a degree of uncertainty and distraction has affected the clients and market alike. During this extended period the Group has continued to be burdened with a level of overhead, including very substantial and expensive bank debt secured on its property that is no longer maintainable with the revenues being generated. As a consequence the Group has no significant businesses left, has high operating costs and is short of funds.

Your Board now considers that the plan to become an incubator fund cannot be realized since the Group has little of its own funds and that there is little prospect of it raising significant equity funding. Therefore

we have taken the decision to sell the Groups investment in Epay, as it would have required very significant funding for approximately another two years before it becomes financially self-supporting. The Investment was sold for US \$800,000 half of which has already been received. The remainder is deferred but is not contingent. The Board is currently reviewing its investment in Impelsys, which although it does not require any funding, could be sold to provide much needed funds.

Although the balance sheet of the Group appears to contain cash resources, almost all of this is held in Escrow by the Company's bank in India as cash collateral for the future capital repayments on the Company's loans. This escrow was required as a condition of the sale of the businesses that had hitherto generated the funds to make repayments. Consequently just after the year end the Group was forced to seek emergency financial help from its main shareholder in order to meet its ongoing liabilities as they fell due. An amount of US \$1million was provided on terms by which the money can be partly or fully set off against invoices for software development work that was awarded to the Group by the main shareholder. This work is being carried out at the Groups normal arms-length rates.

Despite changes that have been made the Group continues to incur losses of approximately US\$300,000 per month, a situation that is unsustainable and irreversible within the time available from present funding.

The Board has therefore developed a restructuring plan which we hope to implement before the end of this year. The plan involves disposing of the remaining businesses, and taking the company into more profitable IT enabled business sector which has potential to improve shareholder value. We have identified a buyer in a suitable high technology sector who is interested in a reverse takeover to acquire Calsofts listing and reputation; and we have opened discussions with

Calsoft's major shareholder for a possible sale of the company's intellectual property which was originally developed for them, and to whom it therefore still has some value. We are in negotiations to find an acceptable structure and value for these transactions and we will be writing to shareholders again in due course

## RESULTS OF OPERATIONS

### I - Consolidated Results

During the year, your Company on a consolidated basis with all its subsidiaries earned total revenue of ₹ 79.90 Crores as against ₹ 180.99 Crores earned during the previous year. The profit before tax during the year is ₹ (77.13) Crores as against ₹ (37.07) Crores for the previous year.

After taking into account the tax provisions and adjustments for minority interest, prior period adjustments and extraordinary items if any, the loss for the year is ₹ (77.55) Crores as against a loss of ₹ (19.14) Crores of the previous year. The results of operations of acquired subsidiaries have been consolidated into the accounts.

### II - Standalone Results

During the year, your Company on a standalone basis earned total revenue of ₹ 21.39 Crores as against ₹ 75.33 Crores earned during the previous year. The profit before tax during the year is ₹ (63.52) Crores as against ₹ (13.64) Crores of the previous year.

After taking into account the tax provisions and adjustments, the loss for the year was ₹ (65.22) Crores as against a loss of ₹ (7.80) Crores for the previous year.

## REVIEW OF SUBSIDIARIES

### I - CSWL, Inc. USA and its Subsidiaries

CSWL Inc and its subsidiaries earned total revenue of US\$ 5.29 Million (equivalent to ₹ 25.45 Crores approx) on a consolidated basis during the year, compared to US \$ 22.50 million (equivalent to ₹ 105.84 Crores) achieved during the previous year.

The subsidiary reported a net loss of US\$ (3.26) Million - approx ₹ (14.39) Crores as compared to net consolidated loss of US\$ 2.77 million (equivalent to ₹ 12.51 Crores) last year.

The results of existing subsidiaries Healthnet International Inc and its 100% subsidiary International Innovations, Waldron Ltd and AspireSoft Corporation are included for the full year under review.

### II- Inatech Infosolutions Pvt. Ltd

The consolidated results of Inatech including its wholly owned UK subsidiary and UK Subsidiary's subsidiary Inatech Egypt have been taken into the Company's consolidated results.

Inatech on a consolidated basis reported revenues of ₹ 47.27 Crores with a profit of ₹ 1.35 Crores against the consolidated reported revenues of ₹ 53.70 Crores with a loss of ₹ (4.95) Crores of the previous year.

### III- Aspire Communications Pvt, Ltd

The Consolidated results of Aspire including its wholly owned Subsidiary Aspire Peripherals Limited have been taken into Company's Consolidated results for the full year.

Aspire on a consolidated basis has reported revenues of ₹ 0.45 Crores and profit of ₹ 0.46 Crores against the consolidated reported revenues of ₹ 6.29 Crores and net loss of ₹ (0.04) Crore of the previous year.

## CONSOLIDATED RESULTS PUBLICATION

As per 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 above subsidiary companies have not been attached with the Balance Sheet of the Company. The Company will make available these documents upon request in writing to the Company Secretary at the Registered Office of the Company by any member of the Company interested in obtaining the same.

However, as required under the Listing Agreements with the Stock Exchanges, the Consolidated Financial Statements of the Company and all its Subsidiaries as prepared in accordance with Indian GAAP is enclosed and form part of the Annual Report and Accounts.

## DIRECTORS

Mr. Sreedhar Santhosh has been resigned as Managing Director and CEO and in his place Mr. Frederick Ivor Bendle was appointed as Managing Director and CEO with effect from 13th February 2012. During the year under review Mr. Thomas Kevin Reilly, Mr. Dan George Peterson and Mr. Mats Henerik Berglund resigned as Director. Mr. Bhavesh Rameshlal Chauhan and Mr. Chandra Pratap P were appointed as additional directors.

The Company has received notice under Section 257 of the Companies Act, 1956 from a member proposing Bhavesh Rameshlal Chauhan and Mr. Chandra Pratap P for appointment to the office of Director liable to retire by rotation.

As per Article 121 of the Articles of Association Dr. P J George retires by rotation in the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

## AUDITORS

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

## DEPOSITS

We have not accepted any fixed deposits and as such no amount of principal or interest was outstanding as of the Balance Sheet date.

## CORPORATE GOVERNANCE

Your Company has been practicing the principles of good Corporate Governance. A detailed report on Corporate Governance is given as Annexure to this Annual Report

Certificate of the Auditors regarding the compliance with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement is also given in the Annual Report.

## HUMAN RESOURCE MANAGEMENT

Employees are our vital and most valuable assets. We have created a favorable work environment that encourages innovation and meritocracy.

The total number of our head count as on 31st March 2012 was 212 as against 266 as on March 31st 2011.

In 2011-12, your company will continue to focus on introducing policies, practices & systems in the area of performance management, recognition, talent management & talent engagement.



## PARTICULARS OF EMPLOYEES

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, none of the employees were drawing salary more than the prescribed limit.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Your Company being in the Information Technology Enabled Services (ITES), the provisions relating to conservation of energy and technology absorptions are not applicable. The details of the earnings and expenditure in foreign currency are given below:

	2012 (₹ in Crores)	2011 (₹ in Crores)
Foreign exchange earnings	9.70	67.41
Foreign exchange outgo (including capital goods and imported software packages)	10.40	8.58

## DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm that:

- In the preparation of the Annual Accounts for the year under report, the applicable accounting standards have been followed;
- 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, 2012;
- 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;
- The Annual Accounts have been prepared on a Going Concern Basis.

## ACKNOWLEDGEMENT

Your Directors take this opportunity to thank the customers, shareholders, suppliers, bankers, business partners/ associates and Government and regulatory authorities in India and other countries of operation for their consistent support and encouragement to the Company and look forward to their continued support during the coming years. Your Directors place on record their appreciation for the valuable contribution made by the employees at all levels.

For and on behalf of the Board of Directors

Chennai  
14th July 2012

**Frederick Ivor Bendle**  
Managing Director & CEO

**Dr P J George**  
Director

## AUDITORS' REPORT ON CORPORATE GOVERNANCE

To

The Board of Directors,  
California Software Co. Ltd.

We have examined the compliance of conditions of Corporate Governance by California Software Company Limited for the year ended on 31st March, 2012 as stipulated in Clause 49 of the listing agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned listing agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders'/Investors' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Tomy & Francis**

Chartered Accountants

Chennai  
July 14, 2012

**K.J. TOMY, B Sc., F.C.A**  
Partner

## CORPORATE GOVERNANCE

### 1 Company's philosophy on code of governance:

The Company is committed to good corporate governance and provides detailed information to its shareholders on various issues concerning the Company's business and financial performance. The Company is in compliance with the mandatory requirements of the revised guidelines on corporate governance stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges.

### 2. Board of Directors:

#### a) Composition and category of Directors

Name of Directors	Designation	Category
Clyde Michael Bandy (upto 25th April 2011)	Chairman	Non Executive
Thomas Kevin Reilly (from 06th May 2011 to 13th July 2012)	Chairman	Non Executive
Bhavesh Rameshlal Chauhan (wef 14th July 2012)	Chairman	Non Executive
Sreedhar Santhosh (upto 13th Feb 2012)	Managing Director & CEO	Executive
Frederick Ivor Bendle (wef 13th Feb 2012)	Managing Director & CEO	Executive
Dr P J George	Director	Independent and Non Executive
Mr.S.Santhanakrishnan (upto 14th November 2011)	Director	Independent and Non Executive
Dan G. Peterson (upto 05th March 2012)	Director	Non Executive
Mats Henerik Berglund (upto 07th May 2012)	Director	Non Executive
K Chandra Pratap (wef 05th July 2012)	Director	Independent and Non Executive

#### b) Number of Board meetings held during the financial year and the dates on which held:

No. of meetings	Dates on which held
6	14th April 2011, 27th June 2011, 08th August 2011, 23rd September 2011, 14th November 2011 and 13th February 2012

#### c) Attendance of each Director at the Board meetings and the last AGM:

Sl. No.	Name of the Directors	No. of Board meetings attended	Attendance at the last AGM (Yes/No)
1	Thomas Kevin Reilly	1	Yes
2	Mr. Bhavesh Rameshlal Chauhan (from 14th July 2012)	Nil	NA
3	S. Santhosh (upto 13th February 2012)	6	Yes
4	Frederick Ivor Bendle (wef from 13th February 2012)	1	NA

5	Dr P J George	5	Yes
6	Dan G Peterson (upto 05th March 2012)	4	Yes
7	S.Santhanakrishnan (upto 14th November 2011)	1	No
8	Mats Henrik Berglund (upto 07th May 2012)	Nil	No

### 3. Audit Committee:

#### a) Brief description of terms of reference:

The Audit Committee is responsible for effective supervision of the financial reporting process and ensuring financial and accounting and internal controls and compliance with financial policies of the Company. The committee will periodically interact with the statutory and internal auditors, review with the management the Company's financial and risk management policies and adequacy of internal controls. The committee will mandatorily review the Quarterly and Annual financial statements before they are submitted to the Board for approval. The committee will also recommend the appointment and removal of statutory auditors and internal auditors.

#### b) Composition of the Committee:

The current composition is:

Mr. K. Chandra Pratap (Chairman wef 05th July 2012)

Dr. P. J. George, Chairman (upto 13th February 2012)

Mr. Dan George Peterson, Member (upto 05th March 2012)

Mr. S. Santhanakrishnan, Member (upto 14th November 2011)

#### c) Meetings and attendance during the year :

The Committee held four meetings, on 27th June 2011, 08th August 2011, 14th November 2011 and 13th February 2012. All the meetings were attended by atleast two of its members. The statutory auditors of the Company were also invited to attend the Audit Committee meetings.

### 4. Compensation Committee:

#### a) Brief description of terms of reference:

The Committee is to recommend to the Board regarding remuneration to be paid to the Board members and remuneration policy.

#### b) Composition of the Committee:

Current composition is

Dr. P. J. George, Chairman

Mr. S. Santhanakrishnan, Member (upto 14th November 2011)

Mr. K. Chandra Pratap, Member (wef 05th July 2012)

#### c) Meetings and attendance during the year:

No meeting was held during the year.

#### d) Remuneration Policy:

The remuneration policy of the Company is to adequately compensate, by way of salary to motivate and retain all key employees and officers of the Company.