

annual
report 2009

Against All Odds

C | T | E TM

Cambridge Technology Enterprises Ltd.

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Against All Odds

Subprime Crisis in the US ... Credit Crisis... Global Meltdown...

Market Crashes, Tight Credit Access, Low Stock Evaluations,

Loss of Trust, weaker growth, volatile Rupee against Dollar...

We have seen it all during these challenging times.

But...We are not out...

Fighting against all odds



We rise up from the crisis stronger than before...

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Board of Directors

Mr. Bhaskar C Panigrahi	–	Chairman & CEO
Mr. D.R.R. Swaroop	–	Wholetime Director
Mr. Tejesh Kumar Kodali	–	Wholetime Director (appointed w.e.f. 29/4/2009)
Mr. L. Sridhar	–	Director
Mr. B. Muralidhar	–	Director
Mr. K. R. Chari	–	Director

Committees of the Board**Audit Committee**

Mr. L. Sridhar	–	Chairman
Mr. B. Muralidhar	–	Member
Mr. D.R.R. Swaroop	–	Member

Investor Relations & Shareholders' Committee

Mr. K.R. Chari	–	Chairman
Mr. L. Sridhar	–	Member
Mr. D.R.R. Swaroop	–	Member

ESOP Administration Committee

Mr. D.R.R. Swaroop	–	Chairman
Mr. Y. Ramesh Reddy	–	Member
Mr. Jagdish Singh Negi	–	Member

Compliance Officer

Mr. T.N. Kannan	–	Company Secretary
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Statutory Auditors

M/s P. Murali & Company
Chartered Accountants
6-3-655/2/3, Somajiguda
Hyderabad 500082.

Internal Auditors

M/s Narven Associates
Chartered Accountants
302 & 303, Lingapur House, Himayatnagar
Hyderabad 500029.

Registrar & Share Transfer Agents

M/s Aarthi Consultants Private Limited
1-2-285, Domalguda, Hyderabad 500029.

Bankers

Axis Bank Limited
6-3-879/B, Greenlands, Begumpet Main Road
Hyderabad 500016.

Registered Office

Plot No.1244, Road No.36
Jubilee Hills, Hyderabad 500033.

Management



Bhaskar Panigrahi – Chairman & Chief Executive Officer

Bhaskar has rich experience of more than 17 years as a technology entrepreneur. He is a confident and an innovative leader, with a passion to build a brand of CTE to be the Single Stop General Contractor for IT services for midsize enterprises. Bhaskar has an extensive experience in setting up, building, formulating corporate strategy and direction for various successful organizations. Recently, Bhaskar led a successful IPO of Cambridge Technology Enterprises on both Bombay and National Stock Exchange in India. Under his leadership, Cambridge Technology has grown at 100% CAGR during last three years. Prior to Cambridge Technology Enterprises, Bhaskar served as CEO of CellExchange, an enterprise systems developer to Government enterprises. Before that he served as the CEO of Unique Computing Solutions, an Internet technology and services firm. He also co-founded e-Solutions Integrator in 1999, an e-business consulting firm, which subsequently merged with Unique Computing Solutions. Bhaskar promoted two other technology companies, Mascot Networks (product and solutions provider in education space) and Trading Research Design (financial risk management solution provider). He started his career as a technologist at IBM, State Street Bank and TELCO as the chief architect of some of the Web's earliest products. Bhaskar holds a BS in Computer Science from National Institute of Technology, Suratkal, India. Bhaskar firmly believes that the most valuable assets for a company is the deep relationship with the customer coupled with excellent execution and superior talent. He spends time as much as possible to coach and mentor his management team and making his employees to embrace that working at CTE is more than just developing revolutionary solutions and applications for clients or innovating with the latest technologies. Besides his entrepreneurial interests, he enjoys golf, keenly follows cricket and loves social networking.



Ravi Joseph – President, North America Operations

Ravi Joseph heads the North America Business Unit at CTE. Ravi has significant international experience in growing organizations, participating in every aspect of business – strategy, sales & marketing and delivery, and putting in place infrastructure, systems and processes to scale global IT & BPO services businesses. He has worked with over 60 Global 2000 companies in North America, Europe, Japan, Australia, Singapore and the Middle East, and has over 18 years of client facing and India delivery experience in structuring and managing large global outsourcing deals.

Ravi was a key member of several successful global IT & BPO services firms. Most recently, he was Senior Vice President at Cambridge Solutions (BSE/NSE listed), where he headed the Manufacturing and Logistics IT Outsourcing business unit. Before this, he was President – CIBER India, a joint-venture between CIBER (NYSE listed) and iGATE (NASDAQ listed). At iGATE, he held various executive positions including Senior Vice President, heading iGATE's North America Outsourcing business unit. Over a 10 year period at iGATE he played a pivotal role in scaling iGATE's outsourcing operation from less than \$1M to over \$125M. Before joining iGATE, Ravi was with Cognizant Technology Solutions (NASDAQ listed). Prior to starting his career in the global IT & BPO services industry, Ravi was associated for over 5 years with C-DAC (Center for Development of Advanced Computing), Pune, and IIT, Chennai, doing R&D in the area of modeling and simulation of dataflow-based machine vision systems. He has a graduate engineering degree from MIT, Chennai.



Ramesh Reddy – Chief Financial Officer

Ramesh heads the Finance function at CTE. Prior to joining CTE, he was with Virinchi Consultants, a Hyderabad based start up in e-Business and Web-based analytical solutions. He was SBU head for Malaysia operations with full accountability for all project deliverables through multiple project teams onsite and offshore. In the start-up phase of Virinchi, he played a key role as the Head of the Product Development and Chief Functional Architect, where he defined Virinchi's product scope for B2B Exchanges, and managed the entire development and release of its exchange product suite. Ramesh Reddy is a Chemical Engineer from IIT, Chennai, and holds a Management

Degree in Finance & Marketing from XLRI, Jamshedpur.

**Jagdish Negi – Head of India Operations**

Jagdish Negi is responsible for leading CTE's India Operations and managing all project delivery out of and Hyderabad & Bangalore development centers. He has over 17 years of experience in the field of Telecom, Software development and delivery. Prior to CTE, Jagdish worked with Pune-based Persistent Systems, where he managed multiple projects for US based product development companies. He scaled his last account from a 4-member unit to a 90+ members team within a short a span of six months. Prior to Persistent, Jagdish served in the Indian Air Force for 12 years and took release while he was the head of the IT and Information Warfare Cell in

Maintenance Air Command. At IAF, he planned, designed and implemented the biggest WAN networks covering the whole of northern India. He was also instrumental in conceptualization and development of number of software applications for the Operations, Maintenance and Administration branches of the IAF. He holds a BS in Computer Science from National Institute of Technology, Allahabad.

**Girish Chaitanya – Country Manager, India**

Girish is the Country Manager at CTE and is responsible for the Indian Sales.

He has more than a decade of experience in the Indian Market. He was the co-founder of Q-Soft Systems and Solutions Pvt Ltd, (currently known as 'Cambridge Technology India Pvt. Ltd.,') now a 100% subsidiary of CTE. Q-Soft is a Certified Partner for Oracle and is well known for Oracle Services. In the role of Business Development Director at Q-Soft, Girish was responsible for setting up Q-Soft operation in Mumbai and Chennai. Girish holds a graduate Engineering degree from University of Mysore.





Chairman's Message

Dear Shareholders,

We have never seen such tumultuous economic times. While it all began with the sub-prime crisis in the US about two years ago, in the last year or so, the world has faced the most serious of the economic problems in half a century. Some of the events that unfolded, with the biggest of the companies going bankrupt, have left a deep impact on economies, nations and companies alike. Tightening of credit markets, unfavorable US policy on outsourcing and volatile Rupee Vs. dollar added to the woes. The going got tough and CTE got going, fighting against all odds.

The consolidated revenues for the fiscal FY 2008-2009 were Rs. 178.32 Crores compared to Rs. 90.27 Crores of revenues for the fiscal 2007-2008 with the growth translating over 97% year on year on annualized basis. Unfortunately, our profits could not match the revenue growth, and posted a reduction in profit of 63% year on year on annualized basis. Our profit margins were affected mainly due to decline in our Government division's business, essentially due to delay in renewal of the contracts, new ERP projects failing to kick-off, the speed with which the economy tumbled and our inability to align costs to revenues to improve the overall profitability at the same speed. We have now aligned costs to revenues and are optimistic that the contracts would get renewed as per the policies of the new government in the US but there would be impact on the combined companies' revenue for next couple of quarters till this happens.

I'm happy to share with you that we figured at 169 in the DataQuest 'Top 200' list for the technology companies in India in their 2009 survey improving our position of 182 from last year. We were also placed fifth among the fastest growing companies in India by DataQuest. We were ranked 11th in the Technology Fast 50 for India 2008 program and ranked 101 in the Technology Fast 500 for Asia Pacific by Deloitte.

During the last few years we were busy harnessing growth and building strategies to sustain that growth. We are now carefully reviewing all the growth plans – both organic and inorganic to add additional layers of due-diligence to evaluate the potential risks to our current and future business and proceeding cautiously on the growth plan implementation. However, the global economic pressures have changed the priorities and we are focusing on customer retention strategies, cost containment and providing alternate technology solutions with an intension to save costs for our customers. I am reminded of a saying that, "Success always comes when preparation meets opportunities". During this downturn, we are preparing ourselves for the opportunities that will be open for us when the markets turnaround. We are focusing on developing alternative delivery models such as Remote Infrastructure Managed Services and new industrialized offerings which are expected to become main-stream in the coming years.

The Governments, central banks, political and business leadership around the world are working in coherence towards managing the crisis and minimizing the impact of global meltdown. The Indian economy is now definitely showing signs of recovery in various sectors though it may take sometime for other economies to be back on growth tracks. I feel that the growth in the Indian economy is based on the pillars of strong fundamentals - one of the largest populations with a large work force, large domestic market, and increased per-capita income leading to empowerment of millions of individuals. For IT sector to be back to near pre-crisis growth trajectory, it is pertinent that the world economy shows signs of recovery. We look forward to FY 2010/2011 with cautious optimism and hope to bring back the growth trajectory to earlier levels.

I acknowledge the role of our investors, bankers, customers and government in making this journey a success. I salute each and every one of you.

With all your continued support and trust, Cambridge Technology Enterprises Limited (CTE) should achieve higher levels of excellence creating value for all stakeholders.

Bhaskar C. Panigrahi

Vision

"To be the
single-stop-shop
for
all IT services
for
midsize enterprises."

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Mission

"To create a distinct
business advantage
for midsize enterprises
through differential thinking,
out of box innovation and
100% value delivery."

Directors' Report

Dear Shareholders,

Your Directors are pleased to present the 10th Annual Report for the year ended March 31st 2009. The financial highlights are given below:

FINANCIAL HIGHLIGHTS

The below table gives the financial highlights of the Company in the financial year 2008-09 as compared to previous financial year on Indian GAAP standalone basis. Your Company's Turnover has increased by 76% as compared to the previous year.

Financial highlights for the year ended March 31st 2009 are given hereunder:

		Rs. In lakhs	
Sl.No.	Particulars	2009	2008
1	Income	4807.69	2755.20
2	Gross Profit	1116.38	1016.30
3	Depreciation	458.94	110.94
4	Interest	167.49	39.80
5	Profit before tax	489.95	865.56
6	Tax Expense	29.38	87.49
7	Net profit for the year	460.57	778.07
8	Add: Profit brought forward from previous year	1187.66	603.38
9	Less: Appropriation towards dividend declared @ Re.1/- per share last year including dividend tax	—	185.13
10	Add: Undeclared dividend & dividend tax adjustment consequent to reduction in the rate of dividend to 0.50 Ps. per share**	149.74	—
11	Less: Adjustment for Retirement Benefits	—	8.66
12	Balance carried to Balance Sheet	1797.97	1187.66

*** During the previous year 2007-08, the Board of Directors of your Company had recommended a dividend of Re.1/- per share. However, with the consent of the shareholders in the Annual General Meeting held on 23rd October 2008, your Company had reduced the rate of dividend from Re.1/- per share to 0.50 Ps. per share in view of the tight liquidity position. Moreover, none of the Promoters of the Company had participated in the dividend declared and hence this adjustment is being made in the current year financials of the Company.*

DIVIDEND

Keeping in view the tight liquidity position and in order to conserve available resources, your directors have not recommended any dividend for the financial year 2008-09.

EMPLOYEE STOCK OPTION SCHEME

Pursuant to the provisions of Guideline 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended, the details of stock options as on March 31st 2009 under Cambridge Technology Enterprises Employee Stock Option Schemes 2006 and 2008 are set out in Annexure - I to the Directors' Report.

CANCELLATION OF 42,50,000 CONVERTIBLE EQUITY WARRANTS ISSUED ON PREFERENTIAL BASIS:

Your Company had issued and allotted 42,50,000 Equity warrants convertible into 42,50,000 Equity shares of Rs. 10/- each on preferential basis to two overseas foreign entities v.i.z. Rosebury Investments Pte. Ltd. and Prime Genius Investments Pte. Ltd. at a price of Rs. 55/- per share for cash consideration at the Board Meeting of the Company held on 17th December 2007. As per the terms of issue of warrants, the aforesaid 42,50,000 warrants were to be converted into equal number of equity shares on or before 18 months from the date of allotment of warrants i.e. on or before 16th June 2009. Your Company had received the upfront 10% application money as per the preferential issue guidelines and the balance 90% of the application money was payable by them on or before 16th June 2009 to exercise their right to convert the warrants into equity shares.

However, in view of the prevailing tight liquidity position, the aforesaid Companies were unable to pay the balance 90% of the application money and therefore, your Company had to cancel the allotment of warrants and forfeit the 10% upfront application money received from them.

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION TO SHAREHOLDERS

A detailed report on the Corporate Governance system and practices of the Company are given in a separate

section in this annual report. Detailed information for the shareholders is given in additional shareholders' information section.

MANAGEMENT DISCUSSION AND ANALYSIS

A detailed Management Discussion and Analysis is provided in the annual report.

SUBSIDIARY COMPANIES

Your Company has three direct wholly owned subsidiary Companies and three step-down Subsidiary Companies as on 31st March 2009. The members may refer to the statement under Section 212 of the Companies Act, 1956 and information on the financials of subsidiaries appended to the above statement under Section 212 of the Companies Act, 1956 in this Annual Report for further information on these subsidiaries.

The Ministry of Corporate Affairs vide its letter No. 47/353/2009-CL-III dated 14th May 2009 granted approval under Section 212 (8) of the Companies Act, 1956 to the Company for not attaching the standalone financials of subsidiary Companies to the financials of your Company for the financial year 2008-09.

The members, if they desire, may write to the Company Secretary at Cambridge Technology Enterprises Limited, Plot No.1244, Road No.36, Jubilee Hills, Hyderabad 500033 to obtain a copy of the standalone financials of the Subsidiary Companies.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures if any;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2008-09 and of profit of the Company for the period 2008-09;