

20th ANNUAL REPORT

2004 - 2005



People and Solutions

Capricorn Systems Global Solutions Ltd.

BOARD OF DIRECTORS

- | | |
|--------------------------|----------|
| 1. Mr. S . Man Mohan Rao | Director |
| 2. Mr. G. Surender Reddy | Director |
| 3. Mr. S. Murali Krishna | Director |
| 4. Mr. A. Rajan Dass | Director |

REGISTERED OFFICE & DEVELOPMENT CENTRE

306, Maitrivanam HUDA Complex,
S.R. Nagar, Hyderabad-500 038

Company Secretary

Ms. Kanak Kabra

Report  Junction.com

AUDITORS

M/s . Satyanarayana & Co.
Chartered Accountants,
Amar Mansion, Rani Gunj,
Secunderabad – 500 003

BANKERS

ICICI Bank Limited,
S.R. Nagar Branch,
Hyderabad- 500 038

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to all members of the Company that the 20th Annual General Meeting of Capricorn Systems Global Solutions Limited will be held at the Registered Office of the Company at #306, Maitrivanam, HUDA Complex, SR Nagar, Hyderabad – 500 038 to transact the following business.

A) AS ORDINARY BUSINESS:

1. To receive, consider, approve and adopt the Balance Sheet as at 31st March 2005 and Profit and Loss Account for the period ended on that date along with the Director's and Auditor's Report thereon.
2. To Appoint M/s. Satyanarayana & Co. Chartered Accountants, Secunderabad as the Auditors of the company from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting and to authorize the board to fix their remuneration.
3. To appoint a director in place of Mr. G. Surender Reddy who retires by rotation and being eligible offers himself for re-appointment.

Place: Hyderabad
Date: 27-06-2005

By order of the Board

Sd/-
S Man Mohan Rao
Director



Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. Proxies in order to be effective, should be completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. The Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
4. Register of members and the Share transfer books of the company shall remain closed from 24-09-05 to 30-09-05 (both days inclusive).
5. Members are requested to intimate immediately to the company, quoting the Registered Folio Number, change in their address, if any, with the Pin Code number.
6. Members desirous of obtaining any information concerning the accounts and operations of the company are requested to send their queries to the company at least seven days before the date of the meeting, so that the information required by the members may be made available at the meeting.
7. Members attending the meeting are requested to bring with them the Attendance Slip attached to the Annual Report duly filled in and signed and hand over the same at the venue of the Annual General Meeting.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 20th Annual Report together with the Audited Accounts of the Company for the year Ended 31st March 2005.

FINANCIAL RESULTS :

(Rs. Lakhs)

	2004 - 2005	2003 - 2004
Income	71.01	77.58
Profit before Depreciation Taxation	10.95	18.08
Depreciation	6.61	9.73
Profit before Tax	4.34	8.35
Provision for Tax	1.23	2.10
Profit After Tax	3.11	6.25

OPERATIONS :

During the year your Company has achieved a turnover of Rs.71.01 Lakhs. The operations of the Company are continued to be focused on the US market. The Company has developed software product during the year, which would be deployed commercially in the ensuing years. The Company is in the process of expanding its software development team to cater to the growing market opportunities. The efforts of the Company with the dedicated skilled resources would help the Company in achieving higher revenues and margins.

DIVIDEND :

As the company is in the process of stabilizing its operations in the changed market conditions no dividend is proposed for the year.

MARKET AND FUTURE OUTLOOK :

The Company has developed expertise in niche areas of Technology. The Company is poised to capitalize its expertise for expanding its areas of market presence.

DEMATERIALISATION OF SHARES :

9.45% Shares of the Company have been dematerialized up to 31st March, 2005

LISTING WITH STOCK EXCHANGES :

As per the requirement of Clause 49 of the listing agreements with Stock Exchanges, the company hereby declared that the listing of the shares continued throughout the year with The Stock Exchange, Mumbai and the listing fee for the year 2004-2005 (i.e. up to 31-03-2005) was paid.

FIXED DEPOSITS :

The company has not accepted any fixed deposits during the period under review.

PERSONNEL :

There are no employees in the company whose particulars are required to be given pursuant to section 217(2A) of the Companies Act, 1956.

DIRECTORS :

There has been no change in the constitution of the Board of Directors since the date of last meeting.

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Director's Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the annual accounts for the period ended 31st March 2005, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company for the year under review.

- (iii) that the directors had taken proper and sufficient care 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.
- (iv) that the directors had prepared the accounts for the period ended 31st March 2005 on a going concern basis.

SHIFTING OF REGISTERED OFFICE :

During the period under review the registered office of the Company was shifted from the state of Maharashtra to the state of Andhra Pradesh. The CLB Order for shifting of registered office was passed on 28th April 2004 and the Registrar of Companies, Andhra Pradesh has issued Certificate of the registration basing on the Order of the Court confirming Transfer of the Registered Office from Mumbai, Maharashtra to Hyderabad, Andhra Pradesh on 27th May, 2004

OFFER FOR SALE :

The percentage of public shareholding in the Company is less than the legal minimum as required under the listing agreement, consequent to the same the Company is taking steps to comply with the relevant statutory regulations for increasing the public shareholding.

AUDITORS :

M/s. Satyanarayana & Co., auditors of the Company hold office till conclusion of the ensuing annual general meeting and are eligible for reappointment. The Company has received a letter from M/s. Satyanarayana & Co., Chartered Accountants to the effect that their appointment if made would be within the limits under section 224(1B) of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO:

The information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 with respect to these matters is as under:

- A. Conservation of Energy
Though the Company's operations involve low energy consumption, there is a constant endeavor to conserve energy.
- B. Absorption of Technology
The company has an in-house R&D team for up gradation/ development of the technologies and products.
- C. Foreign Exchange earnings and Outgo
- | | |
|---|---------------|
| Foreign Exchange earnings (on cash basis) | Rs. 54,41,419 |
| Foreign Exchange Outgo: | Rs. 3,99,124 |

COMPLIANCE CERTIFICATE :

The Company has complied with the provisions of Corporate Governance under listing agreement.

Company is in the process of broad basing the Board to make it in consonance with clause 49 of the listing agreement.

A Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under clause 49 of the listing agreement is attached to this report.

ACKNOWLEDGEMENTS

Your Board would like to place on record its sincere appreciation for the wholehearted support and contributions made by its employees, business associates, shareholders and banks towards conducting the operations of the company.

for and on behalf of the Board

sd/-

Place: Hyderabad
Date: 27-06-2005

S. Man Mohan Rao
Director

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS

The company is engaged in the business of software development, providing consultancy services and also imparting training in the fields of software and allied services.

REVIEW OF OPERATIONS

The Company has been concentrating on developing expertise in the latest software technologies (i.e. .net and C#). The Company continued to be an ISO 9000:2001 Certified Company during the Year. The primary focus of the development effort has been its US market.

FINANCIAL REVIEW

The Company has achieved a total turnover of Rs.71.01 Lakhs. The Gross Profit (earnings before interest, depreciation and taxes) was Rs.10.95 Lakhs. Paid up share capital as at 31st March 2005 amounts to Rs.399.96 Lakhs.

OPPORTUNITIES

The outlook for the services rendered by the company is encouraging. The company with its strengths and business alliances is exploring the new markets. The market in US for software services is improving and India has established itself as destination for high quality technical services and support at a reasonable cost. The company is making all efforts to improve its turnover by forging suitable alliances to tap the growing market. The company with its quality standards and qualified work force is poised to increase its presence in the market.

CHALLENGES

CSGSL encounters normal market competition from other similar companies. A number of MNCs have started operations in India in general and Hyderabad in particular. The demand for talent is assuming greater significance. Retaining the existing manpower and recruiting experienced professionals is becoming a major concern for the operations. The company is gearing up for the same by enhancing its service range effectively backed up by adopting appropriate combination of the strategies.

OUTLOOK

The software industry is poised to register a growth rate of 25-30% per annum over the coming years, and CSGSL is targeting a growth rate of around 25% for the current year.

RISKS AND CONCERNS

The domestic and international economic environment directly influences the spending patterns of the industry on the Information Technology. And also the margins of the companies are affected by any changes in the government regulations like taxation and also the increased competition from other countries. The company is out of tax holiday bracket; hence the revenue generated is liable to tax when compared to previous years. This affects the profitability of the company in the present and coming period.

ADEQUACY OF INTERNAL CONTROLS

CSGSL has a proper and adequate system of internal control to ensure that all the assets are safeguarded and protected against loss or misuse or disposition and the transactions are authorized, recorded and reported correctly.

The internal control systems are supplemented by management review. The internal control system is designed to ensure that the financial and other records are reliable and also maintaining accountability of assets.

QUALITY

The software development activity of the company has been awarded ISO 9001:2000 certification.

HUMAN RESOURCE DEVELOPMENT AND INDUSTRIAL RELATIONS

CSGSL has 18 employees. CSGSL recognizes the contributions of its people in creating a company, which ranks as one of the best facilities with highly skilled people.

CSGSL provides continuous learning and personal development programs by conducting training and evaluation of its personnel. Industrial relations have been very cordial in the organization during the year.

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To

The Board of Directors of M/s. Capricorn Systems Global Solutions Ltd

We have reviewed the implementation of Corporate Governance procedures by Capricorn Systems Global Solutions Ltd during the year ended 31st March, 2005, which the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to a review of 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.

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.

On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated in Clause 48 of the listing agreements with the Stock Exchanges have been complied with in all material respect by the Company excepting the composition of the Board with regard to numbers of independent directors. And that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders'/Investors' Grievance Committee.

For Satyanarayana & Co
Chartered Accountants

Sd/-

J Jagannadha Rao
Partner

HYDERABAD
27-06-2005