

24th ANNUAL REPORT 2008-2009



**Capricorn Systems
Global Solutions Limited**

People and Solutions

BOARD OF DIRECTORS

1.	Mr. S. Man Mohan Rao	Director
2.	Mr. G. Surender Reddy	Director
3.	Mr. S. Murali Krishna	Director
4.	Mr. Jagadeswar Reddy	Director
5.	Mr. Anand Deshmukh	Director
6.	Mr. K.V. Srinivasa Rao	Director

Registered Office & Development Centre:

8-2-293/82A/408A,
Plot No: 408A, Road No: 22A,
Jubilee Hills,
Hyderabad – 500 033.

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.

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to all the Share holders of the Company that the **24th Annual General Meeting of Capricorn Systems Global Solutions Limited** will be held at the Registered Office of the Company at # 8-2-293/82A/408A, Plot No. 408A, Road No:22A, Jubilee Hills, Hyderabad - 500033 on Wednesday the **30th September 2009**, at 4 p.m. to transact the following business:

a) As Ordinary Business:

1. To receive, consider, approve and adopt the Balance Sheet as at 31st March, 2009 and the Profit and Loss Account, Cash Flow Statement for the period ended as on that date along with the Directors' and Auditor's Report thereon.
2. To appoint a director in the place of Mr. S. Man Mohan Rao , who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in the place of Mr. G. Surender Reddy , who retires by rotation and being eligible, offers himself for re-appointment.
4. 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 the next Annual General Meeting and to authorize the Board to fix their remuneration.

Place : Hyderabad

by Order of the Board

Date : 30-06-2009.

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 27th September 2009 to 30th September 2009 (both the 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 handover the same at the venue of the Annual General Meeting.

Brief Profile of Mr. MANMOHAN RAO SUDDALA

Mr. MANMOHAN RAO SUDDALA, BE has an extensive experience in running Small and Medium enterprises in the areas of paper, packaging and textiles.

Brief Profile of Mr. SURENDER REDDY GARLAPATI

Mr. SURENDER REDDY GARLAPATI, is a graduate has rich experience in the areas of operations management and marketing related to manufacturing industries.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 24th Annual Report together with the Audited Accounts of the Company for the year Ended 31st March 2009.

(Rs. Lakhs)

Particulars	2008-09	2007-08
Income	111.82	118.17
Profit before Depreciation and Taxation	13.16	17.42
Depreciation	9.82	15.40
Profit before Tax	3.34	2.02
Provision for Tax	2.00	0.75
Profit after Tax	1.33	1.27

OPERATIONS:

During the year your Company has executed software development works for the overseas customers which resulted in an export turnover of Rs.111.17 crores. The company is confident that it would be able to sustain its operations in the present competitive times due to its high quality human resources and processes and procedures that are well laid out for handling any challenging development Projects.

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 future outlook of the Company is encouraging. The Company with a dedicated and talented pool of resources is bidding for new projects apart from undertaking customized product development projects which would enable the company to grow in the long term.

DEMATERIALISATION OF SHARES:

9.64% Shares of the Company has been dematerialized up to 31st March, 2009.

LISTING WITH STOCK EXCHANGES:

The Share of the Company were suspended during the year from July ' 2005, citing the non – receipt of the Book Closure Notice for the Year 2004 – 2005. The Company is making efforts to get the suspension revoked.

FIXED DEPOSITS:

The company has not accepted 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:

Mr. S. Man Mohan Rao and Mr. G. Surender Reddy, directors of the company retire by rotation at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT:

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

- (i) that in the preparation of the annual accounts for the period ended 31st March 2008, 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 2009 on a going concern basis.

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.

EXPLANATION TO QUALIFICATION IN AUDITORS REPORT :

Reply to Clause 3 (d) of the Auditors report.

As there is no significant timing difference, the company has not provided for the said defer tax asset/liability.

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.1,33,37,088/-
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Foreign Exchange Outgo	: -Nil-
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CORPORATE GOVERNANCE :

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

COMPLIANCE CERTIFICATE :

The Board has appointed DSMR & Associates, Practicing Company Secretaries for issuance of Compliance Certificate in terms of the provisions of Section 383A(1)(a) of the Companies Act, 1956.

The Compliance Certificate received in accordance with the aforesaid provisions read with the Companies (Compliance Certificate) Rules, 2001 is annexed 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

Place: Hyderabad
Date : 30-06-2009.

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 in the fields of software and allied services.

REVIEW OF OPERATIONS:

The Company is consolidating its areas of operations in the new and emerging technologies . The delivery of the projects to the customers has been as per the agreed time schedules. Basing on the marketing efforts company is planning to increase the head count of the organization in the near future.

FINANCIAL REVIEW:

The Company has achieved a total turnover of Rs.111.82 Lakhs. The Gross Profit (earnings before interest, depreciation and taxes) was Rs.13.16 Lakhs. The paid-up share capital as at 31st March 2009 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. Through there has been considerable drop in the IT spending all across the globe due to the unprecedented recession witnessed in the global economies the company with its firm commitment of work is positioned to consolidate its presence .

CHALLENGES:

CSGSL encounters normal market competition from other similar companies In the face of the slow down in the industry due to the economic recession the challenge would be to manage costs very well in the face of the possible drop in the earnings and margins. The company is gearing to optimize its cost structure 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 10-15% per annum over the coming years, and CSGSL is targeting a growth rate of around 10% 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.

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.

HUMAN RESOURCE DEVELOPMENT AND INDUSTRIAL RELATIONS:

CSGSL has 25 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.