

**27th
ANNUAL REPORT
2011-2012**



**Capricorn Systems
Global Solutions Limited**

People and Solutions

BOARD OF DIRECTORS

- | | | |
|----|------------------------|-------------------------------------|
| 1. | Mr. S. Murali Krishna | Chairman |
| 2. | Mr. S. Man Mohan Rao | Managing Director |
| 3. | Mr. G. Surender Reddy | Director |
| 4. | Mr. Jagadeswar Reddy | Director (Upto 30th September 2011) |
| 5. | Mr. Anand Deshmukh | Director |
| 6. | Mr. K.V. Srinivasa Rao | Director |
| 7. | Mr. G. Ramesh Babu | Director (w.e.f. 13th August 2012) |

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.

NOTICE

Notice is hereby given that the Twenty Seventh Annual General Meeting of the Members of **CAPRICORN SYSTEMS GLOBAL SOLUTIONS LIMITED** will be held on **Saturday the 29th of September, 2012** at the Registered Office of the Company situated at **# 8-2-293/82A/408A, Plot No. 408A, Road No: 22A, Jubilee Hills, Hyderabad – 500033** at 11.00 a. m to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider, approve and adopt the audited Balance Sheet of the Company as at 31st March, 2012 and the Profit and Loss Account and Cash Flow Statement for the year ended as on that date together with the schedules and notes thereon and the Directors and Auditors Report thereof.
2. To appoint a Director in place of Sri Anand Deshmukh, Director who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Sri G. Surender Reddy, Director who retires by rotation and being eligible offers himself for re-appointment.
4. To consider and appoint M/s. Satyanarayana & Co., Chartered Accountants as the Statutory Auditors of the Company to hold office until the conclusion of next Annual General Meeting at such remuneration as may be decided by the Board of Directors.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Section 255 and other applicable provisions, if any of the Companies Act, 1956 Sri G. Ramesh Babu be and is hereby appointed as Director of the Company liable to retire by rotation.”

6. To consider and if thought fit, to pass the following resolution with or without modification (s) as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 269 read with Schedule XIII and subject to the provisions of Section 198, 309, 310 and 311 and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals as may be required from time to time consent of the members be and is hereby accorded for payment of remuneration of Rs.6,00,000/- per annum to Sri S. Man Mohan Rao Managing Director of the Company.

“FURTHER RESOLVED THAT the Board be and is hereby authorised to vary, alter or modify the different components of the above remuneration as may be agreed to by the Board of Directors and Sri S. Man Mohan Rao, Managing Director.”

“FURTHER RESOLVED THAT in case of absence or inadequacy of profits for any financial year Sri S. Man Mohan Rao, Managing Director shall be paid a remuneration as per the limits prescribed in Section II of Part II of Schedule XIII to the Companies Act, 1956 (including any statutory modifications or re enactments thereof) as may be applicable from time to time.”

By order of the Board
For Capricorn Systems Global Solutions Limited

Place: Hyderabad
Date: 03 September 2012

Sd/-
S. Man Mohan Rao
Managing 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 HIM/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE VALID AND EFFECTIVE MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.
2. Pursuant to the provisions of Section 154 of the Companies Act, 1956 read with Clause 16 of the Listing Agreement entered into with Bombay Stock Exchange Limited the Register of Members and Share Transfer Books of the Company will remain closed from 23.09.2012 to 29.09.2012 (both days inclusive).
3. Explanatory Statement as required under the provisions of Section 173 (2) of the Companies Act, 1956 is enclosed herewith.
4. Members holding shares in physical form are requested to intimate the change, if any, in their Registered Address to the Company quoting their Registered Folio. If the shares are held in Demat form, intimation regarding the change of address, if any, has to be notified to the concerned Depository Participant where the Shareholder is maintaining the Demat Account.
5. Green Initiatives in the Corporate Governance – Electronic Mode of Service of Documents:

Keeping in view the theme underlying the Circular issued by Ministry of Corporate Affairs (Circular No. 17/2011 dated 21.04.2011 read with Circular No. 18/2011 dated 29.04.2011), the Company proposes to send communications (including the Notice calling for the Annual General Meeting, Audited Financial Statements, Directors Report, Auditors Report etc., for the year ending 31st March, 2013) to the shareholders in electronic form to email addresses of those members which are available in the records of the Registrar. Members who have not registered their email ids are requested to register the same.

Registration of email id of the members holding shares in electronic form should be done with the concerned Depository Participant (DP) and Registration of email id of the members holding shares in Physical Form should be done with the Registrar.

REQUEST TO THE MEMBERS:

1. Members / Proxies should bring the Attendance slips duly filled in for identification for attending the meeting.
2. Members desiring any information on the Accounts are requested to write to the Company at least one week before the Meeting so as to enable the Management to keep the information ready. Replies will be provided only at the Meeting.
3. Members are requested to bring their copy of the Annual Report while attending the Annual General Meeting.
4. Members are requested to avoid being accompanied by non-members and or children.

PROFILE OF DIRECTORS RETIRING BY ROTATION AS REQUIRED UNDER CLAUSE 49 OF THE LISTING AGREEMENT:

PROFILE OF SRI ANAND DESHMUKH: Sri Anand Deshmukh, is aged 43 years is a Graduate in Commerce and he has 15 years of experience in Business Process, Re-Engineering, Management Consulting, Advisory Services in Scaling up of small and medium enterprises.

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

PROFILE OF DIRECTORS BEING APPOINTED AS REQUIRED UNDER CLAUSE 49 OF THE LISTING AGREEMENT:

PROFILE OF SRI G. RAMESH BABU: Sri G. Ramesh Babu, is aged 42 years is a Post Graduate in Commerce and he has 19 years of Managerial experience in the areas of Business Process out sourcing. The industry exposure includes Software Services and Hospitality and Manufacturing.

**EXPLANATORY STATEMENT AS REQUIRED UNDER THE PROVISIONS OF SECTION 173 (2) OF
THE COMPANIES ACT, 1956**

Item No. 5:

Sri G. Ramesh Babu was appointed as Additional Director of the Company in the Board Meeting held on 13th August 2012 and holds office till the date of the ensuing Annual General Meeting. Considering the experience of Sri G. Ramesh Babu, the management is of the strong opinion that continuation of him as Director would benefit the Company. The Company has received a notice from the member of the Company along with a deposit of Rs.500/- for appointment of Sri G. Ramesh Babu as Director of the Company liable to retire by rotation.

Appointment of Sri G. Ramesh Babu as Director liable to retire by rotation requires the approval of members by way of Ordinary Resolution. Hence this resolution is placed before you for approval

None of the Directors except Sri G. Ramesh Babu is concerned or interested in the resolution.

Item No. 6:

Sri S. Man Mohan Rao was appointed as the Managing Director of the Company with effect from 1st December, 2010 for a period of five years without any remuneration. However considering the services rendered by Sri S. Man Mohan Rao, the Board of Directors of the Company thought it fit to pay him remuneration as specified in the Resolution with effect from 1st April, 2012.

Payment of remuneration was approved by the Remuneration Committee in their meeting held on 05-04-2012 as required under the provisions of Section 198, 309 read with Schedule XIII of the Companies Act, 1956.

Payment of remuneration requires the approval of members by way of Ordinary Resolution. Hence this resolution is placed before you for approval

None of the Directors other than Sri S. Man Mohan Rao and Sri S. Murali Krishna is concerned or interested in the resolution.

By order of the Board
For Capricorn Systems Global Solutions Limited

Place: Hyderabad
Date: 03 September 2012

Sd/-
S. Man Mohan Rao
Managing Director

DIRECTORS' REPORT

To,

The Members,
CAPRICORN SYSTEMS GLOBAL SOLUTIONS LIMITED

Your Directors have pleasure in presenting the Twenty Seventh Annual Report of your Company together with the Audited Accounts for the financial year ended 31st March, 2012 and the report of the Auditors thereon.

(Rs. Lakhs)		
Particulars	2011-12	2010-11
Total Income	241.99	151.87
Expenditure	229.85	140.83
Profit before Tax, Interest and Depreciation	12.14	11.04
Less : Depreciation	7.56	6.47
Less : Interest	0.21	0.24
Profit before Tax	4.37	4.33
Provision for Income Tax	2.18	2.35
Provision for Deferred Tax Liability	0.71	0.00
Net Profit after Tax	1.48	1.98
Profit brought forward	58.99	57.01
Balance available for appropriation	60.47	58.99
Transferred to General Reserve	0.00	0.00
Provision for Dividend	0.00	0.00
Provision for Tax on Dividend	0.00	0.00
Profit carried to Balance Sheet	60.47	58.99

OPERATIONS & FUTURE PROSPECTS:

The operations of the company have shown a healthy growth of about 60% on account of execution of new works during the year. The company has set in place a dedicated business development team for exploring the new and profitable business opportunities. The company expects to benefit from this initiative in the ensuing period.

CORPORATE GOVERNANCE:

The Corporate Governance Report regarding compliance of the conditions of corporate governance by your Company as stipulated in clause 49 of the Listing Agreement entered into with The Bombay Stock Exchange Limited is annexed to this Report.

MATERIAL CHANGES:

There are no material changes affecting the business of the Company after the date of the Balance Sheet.

DEPOSITS:

During the year under review the Company has not accepted any deposits from public as defined under the provisions of Section 58 A of the Companies Act, 1956

DIVIDEND:

No dividend is recommended by the Board of Directors for the year 2011 – 2012

DIRECTORS:

Sri G. Surender Reddy and Sri Anand Deshmukh, Directors retire by rotation and being eligible offer themselves for re appointment. The Board recommends their re appointment.

Sri G. Ramesh Babu was appointed as an Additional Director of the Company in the Board Meeting held on 13th August, 2012 and holds office till the date of the ensuing Annual General Meeting. The Company has received notice along with the required deposit for appointment of the aforesaid Director as Director of the Company liable to retire by rotation. The Board recommends his appointment.

Sri S. Jagadiswar Reddy has resigned from the Board of the Company during the year. The board placed on records its appreciation for the valuable services rendered by him to the company.

AUDITORS:

M/s Satyanarayana & Co., Chartered Accountants, the Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a notice stating that they would be within the limits as prescribed under the provisions of Section 224 (1B) of the Companies Act, 1956. The Board recommends their re-appointment

PERSONNEL:

During the year under review, there were no employees drawing remuneration in excess of the limits laid down in Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employee's) Rules, 1975.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to provisions of Section 217 (2AA) of the Companies Act, 1956 we, the Board of Directors of the Company hereby state:

- (i) that in the preparation of the annual accounts for the year ended 31st March, 2012, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that we had 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 and of the profit of the Company for that period;
- (iii) that we had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that we had prepared the annual accounts for the year ended 31st March, 2012 on a going concern basis.

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

The disclosures required under Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988, for the year ended March 31, 2012 are as follows:

A. CONSERVATION OF ENERGY:

- a. Adequate measures have been taken to conserve energy wherever possible.
- b. Additional investments and proposals, if any, being implemented for reduction of consumption of energy: NIL
- c. Impact of measures for reduction of energy consumption / energy conservation: NIL

B. RESEARCH AND DEVELOPMENT & TECHNOLOGY ABSORPTION :

- 1. The company has an Inhouse team for upgradation / development of technologies and products.
- 2. **Benefits Derived :** Faster turn around time in delivery of the projects.
- 3. **Future plan of action :** Enhancing the capacity & capability of the team as per growth needs of the company.

C. In case of imported technology, imported during the last 5 years reckoned from the beginning of the financial year, following information may be furnished:

- a. Technology Imported: N. A.
- b. Year of Import: N. A.
- c. Has technology fully absorbed areas where this has not been taken place, reasons thereof and plan of action: N. A.

D. FOREIGN EXCHANGE EARNINGS AND OUTGO:

1. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services, and export plans:

The entire software developed is exported to the Company belonging to the promoters. The management does not have any immediate plans to export its services to other countries.

2. Total Foreign Exchange used and earned:

S.No.	Particulars of the transaction	2011 - 2012 (in Rs.)	2010 - 2011 (in Rs.)
1.	Total Foreign Exchange earnings	23,812,269	14,964,656
2.	Foreign Exchange outgo	Nil	Nil
	a. on account of import of Equipment	Nil	Nil
	b. on account of Travel	Nil	Nil
	Total Foreign Exchange outgo	Nil	Nil

COMPLIANCE CERTIFICATE:

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.

ACKNOWLEDGEMENTS:

The Board places a record of appreciation to the Bankers, Government and Non Government authorities, Members and Employees of the Company for their continued support and confidence in the Company.

For and on behalf of the Board
For Capricorn Systems Global Solutions Limited

Place: HYDERABAD
Date : 03 September 2012

Sd/-
S. Man Mohan Rao
Managing 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 has ramped up its head count during the year in line with the expected business. The company continues to invest in enabling its workforce to be future ready by imparting them training in new technologies.

FINANCIAL REVIEW:

The Company has achieved a total turnover of Rs.238.12 Lakhs. The Gross Profit (earnings before interest, depreciation and taxes) was Rs.12.13 Lakhs. The paid-up share capital as at 31st March 2012 amounts to Rs.399.6 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. With long standing relations with the customers and also the with the proven track record of the company delivering as per the expectations of the customers, the company is confident of identifying the new areas of business with the existing customers and in new markets.

CHALLENGES:

Capricorn Systems Global Solutions Limited (CSGSL) encounters normal market competition from other similar companies. One of the major challenges would be to ensure the retention of the skilled work force in the face of the increased demand for the trained personnel in the software market in general. Further one of the main challenges would be to optimize the cost of operations in the face of the pressure on the margin in the highly matured markets the company operates.

OUTLOOK:

With improved spend of the companies on the software services and with the industry expected growth rate of around 15% 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.

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 is ISO 9001:2000 certified.

HUMAN RESOURCE DEVELOPMENT AND INDUSTRIAL RELATIONS:

CSGSL has 52 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 implementation of Corporate Governance procedures set by Capricorn Systems Global Solutions Limited for the period ended 31st March 2012 with relevant records and documents maintained by the Company and 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 49 of the Listing agreements with the stock exchanges have been complied with in all material respects.

for Satyanarayana & Co
Chartered Accountants
FRN No. 003680S

Sd/-

J. Jagannadha Rao
Partner
Membership No. 006239

Place: Hyderabad.
Date: 30 May 2012