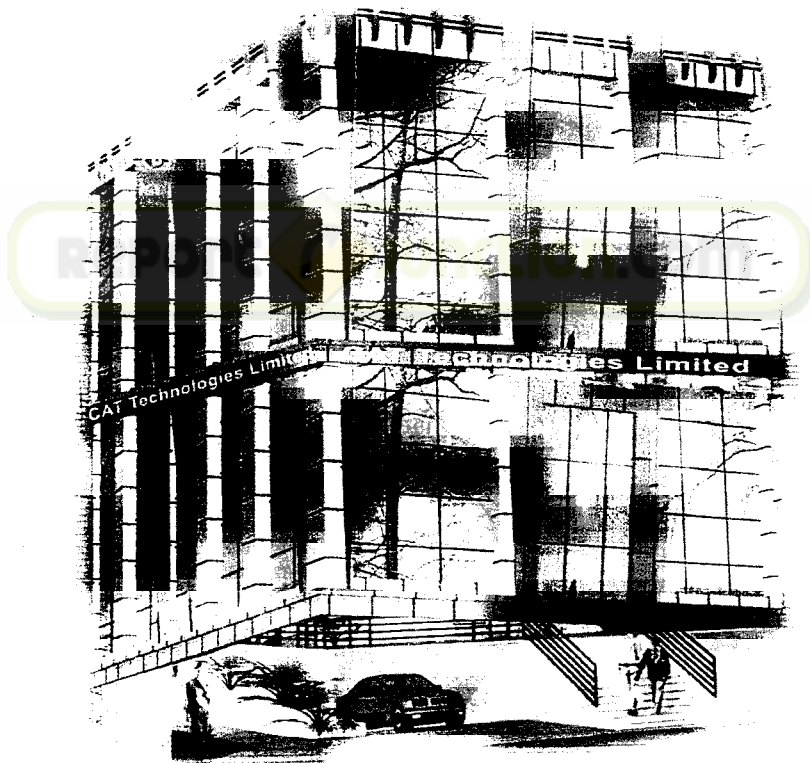


11th Annual Report 2005 -06



Cat Technologies Limited



ELEVENTH ANNUAL REPORT

BOARD OF DIRECTORS

Laxmi Pershad Jaiswal	- Chairman
Dhiraj Kumar Jaiswal	- Managing Director
V. Vijayasai Reddy	- Director
Chivukula Kesav Mallikarjun Prasad	- Whole Time Director
Namratha Muralidhar	- Whole Time Director
Dhaduvai Venkat Ram	- Director
Dinesh Kumar Jaiswal	- Director
Abdul Aziz Quraishi	- Director
Ashok Kulkarni	- Director

Auditors

M/s. P.K. BAJAJ & CO,
Chartered Accountants,
4-5-520, Badi Chowdi, Sultan Bazar,
Hyderabad – 500 195.

Bankers

State Bank of Saurashtra.
Bank of India.
HDFC Bank.
Indian Overseas Bank.

Share and Depository Transfer Agents

AARTHI CONSULTANT PVT. LTD.

H.No. 1-2-285, Domalguda, Hyderabad - 5000 29.

REGISTERED OFFICE :

1st Floor, Champa Mansion, Nampally Station Road,
Hyderabad – 500 001.

Telephone : 040-23202769 / 23203943,

Fax : 040 - 23204092

e-mail: info@cattechnologies.com

Cat Technologies Limited



NOTICE

Notice is hereby given that the Eleventh Annual General Meeting of the Members of the Company will be held on **FRIDAY, 29TH SEPTEMBER, 2006 at 11.00 A.M** at the Registered Office of the Company at 1st Floor, Champa Mansion, Nampally Station Road Hyderabad – 500 001 to transact the following business:

ORDINARY BUSINESS:

1. To receive consider and adopt the Audited Balance Sheet as at 31st March, 2006 and Profit and Loss Account for the year ended on that date along with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Sri C K M Prasad, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Sri Ashok Kulkarni, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors to hold the office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

5. CONSOLIDATION SHARE CAPITAL OF THE COMPANY

To consider and if thought fit pass, with or without modification following resolution as **SPECIAL RESOLUTION**:

"RESOLVED THAT pursuant to Sec. 94 and other applicable provisions if any of the Companies Act, 1956 the Authorized, issued and paid-up Equity Share Capital of the Company be and is hereby consolidated by making every 10 fully paid-up Equity Share of Rupee 1/- each into one Equity Share of Rs 10/- each fully paid-up.

"RESOLVED FURTHER THAT pursuant to Section 16 and other applicable provisions of the Companies Act, 1956, in the Capital clause of the Memorandum of Association, the following figures and words be substituted:

- V) The Authorised Share Capital of the Company is Rs.36,00,00,000/- (Rupees Thirty Six Crores Only) divided into 3,60,00,000 (Three Crores Sixty Lakhs Only) Equity Shares of Rs.10/- (Rupees Ten Only) each with power to increase and reduce the capital, to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, qualified or special rights, privileges and conditions as may be determined by or in accordance with the Companies Act, 1956 for the time being in force and the regulations of the company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the regulations of the company.

"FURTHER RESOLVED THAT pursuant to Sec.31 of the Companies Act, 1956 Article 4 of the Articles of Association of the Company be and is hereby amended to read as follows:

The Authorised Share Capital of the Company is as appearing in Clause V of the Memorandum of Association.



6. APPROVE REAPPOINTMENT OF SMT NAMRATHA MURLIDHAR AS WHOLE TIME DIRECTOR OF THE COMPANY:

To consider and if thought fit to pass with or without modifications, the following resolution as **ORDINARY RESOLUTION**

"RESOLVED THAT Pursuant to the provisions of Section 198,269,309, 310 and 311 read with Schedule XIII and other applicable provisions if any, of the Companies Act, 1956, consent of the members be and is here by accorded to the Re-appointment of Smt Namratha Muralidhar, as the Whole Time Director of the Company with effect from 01.12.2005, for a period of 5 years at a remuneration of Rs. 30,000/- per month inclusive of all perquisites as approved by the Remuneration Committee of the Company."

7. APPROVE REAPPOINTMENT OF SRI C K M PRASAD AS WHOLE TIME DIRECTOR OF THE COMPANY:

To consider and if thought fit to pass with or without modifications, the following resolution as **ORDINARY RESOLUTION**

"RESOLVED THAT Pursuant to the provisions of Section 198,269,309, 310 and 311 read with Schedule XIII and other applicable provisions if any, of the Companies Act, 1956, consent of the members be and is here by accorded to the Re-appointment of Sri C K M Prasad, as the Whole Time Director of the Company with effect from 01.12.2005, for a period of 5 years at a remuneration of Rs. 30,000/- per month inclusive of all perquisites as approved by the Remuneration Committee of the Company."

8. CHANGE IN THE REGISTRAR & TRANSFER AGENTS.

To consider and if thought fit pass, with or without modification following resolution as **SPECIAL RESOLUTION:**

"RESOLVED THAT Pursuant to the provisions of sub-section(1) of section 163 of the Companies Act, 1956 the Register and Index of Members of the Company be kept and maintained at the office of the Company's New Registrar and Transfer Agents M/s Aarthi Consultants Private Limited, Hyderabad instead of the with the Present Registrars and Transfer Agent M/s Purva Shareregistry (India) Private Limited, Mumbai."

By order of the Board
For CAT TECHNOLOGIES LTD.

Place:Hyderabad

Date : 28.08.2006

Sd/-
DHIRAJ KUMAR JAISWAL
Managing Director

Cat Technologies Limited

**NOTES:**

- A. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
- B. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business referred to in item no's: 5,6,7, and 8 above is annexed hereto.
- C. Members/proxies are requested to bring their copies of Annual Report and the attendance slip duly filled in for attending the meeting. Copies of the Annual Reports will not be provided at the meeting.
- D. The Register of Members and Share Transfer Books of the Company will remain closed from **TUESDAY, 26TH SEPTEMBER, 2006 TO FRIDAY, 29TH SEPTEMBER, 2006** (inclusive of both days).
- E. Members are requested to notify any change in their addresses to the Company's existing Share and Depository Transfer Agents. Purva Share Registry (India) (P) Limited, Mumbai.
- F. Members are requested to convert their holdings into Demat. The Company's ID with CDSL and NSDL is INE 170B01011. The Company's New Share and Depository Transfer Agents are Purva Aarthi Consultants Limited w.e.f. 29th September, 2006.

EXPLANATORY STATEMENT
(Pursuant to Section 173(2) of the Companies Act)

Item No. 5:

As members are aware that the shares of the company were sub-divided to equity shares of Re.1/- each to enhance the liquidity of shares of the company. However considering the recent developments and issues relating to penny stocks, board recommends for consolidation of equity shares into equity share of Rs. 10/- in place of equity share of Re. 1/- by amending clause V of Memorandum of Association and Articles No. 4 of the Articles of Association.

Any change in the capital of the company requires approval of members hence this resolution is recommended for your approval.

None of the Directors is interested in the resolution.

Item No. 6:

Tenure of Smt. Namratha Muralidhar as Whole Time Director expired on 30th November, 2005 and considering her vast experience Board of Directors at their meeting held on 29.10.2005 re-appointed her whole time director of the Company for another term of 5 Years w.e.f 1st December, 2005 at a remuneration of Rs. 30,000/- Per Month as approved by the remuneration committee of the Board.

As Appointment / Re-appointment of Managing Personnel requires the consent of the members hence, this resolution is recommended for your approval.

None of the Directors is interested in the resolution.

**Item No. 7:**

Tenure of Sri C K M Prasad as Whole Time Director expired on 30th November, 2005 and considering his vast experience Board of Directors at their meeting held on 29.10.2005 re-appointed him as whole time director of the Company for another term of 5 Years w.e.f 1st December, 2005 at a remuneration of Rs. 30,000/- Per Month as approved by the remuneration committee of the Board.

As Appointment / Re-appointment of Managing Personnel require the consent of the members hence, this resolution is commended for your approval.

None of the Directors is interested in the resolution.

Item No. 8:

For better co-ordination and better service to the shareholders of the company it is proposed to change the work of Registrar and Transfer Agents from Purva Shareregistray (India) Private Limited, Mumbai to M/s. Aarthi Consultants Private Limited, Hyderabad. Register of Members and other statutory records will be moved to Hyderabad in view of change in RTA. As to keep the register of members at the place other than registered office of the company required approval of the members, hence this resolution is commended for your approval.

None of the Directors is interested in the resolution.

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By order of the Board
For CAT TECHNOLOGIES LTD.

Place:Hyderabad
Date : 28.08.2006

Sd/-
DHIRAJ KUMAR JAISWAL
Managing Director



DIRECTORS' REPORT

To
The Members

Your Directors have pleasure in presenting the Eleventh Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2006.

1. FINANCIAL RESULTS:

During the period under review, the Company's performance has been as under:
(Rs. in Lakhs)

Particulars	2005-06	2004-05
Earnings from operations	276.26	143.09
Other earnings	1.41	2.09
Total earnings	277.67	145.18
Operating Expenses	121.85	78.92
Earning before depreciation & Tax	155.82	66.26
Extra Ordinary Items	368.28	0
Depreciation	61.34	60.13
Profit before tax	(273.80)	6.13
Tax	0.55	0.50
Profit after tax	(274.35)	5.63

2. REVIEW OF PERFORMANCE:

During the financial year 2005-06 your company recorded turnover of Rs. 276.26 Lakhs and incurred a net Loss of Rs. 273.80 Lakhs Compared to Turnover of Rs. 143.09 Lakhs and Net profit of Rs. 6.13 Lakhs during the previous financial year. The loss for the year was due to writing of receivables to the tune of Rs. 368.28 Lakhs.

Your Board of Directors are hopeful that the performance of the company will improve further in the coming financial years.

3. DIVIDEND:

Due to insufficiency of profits, your Directors do not recommend any dividend for the financial year 2005-06.

4. PUBLIC DEPOSITS:

Your company has not accepted any deposits falling under Section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules 1975 during the year.

5. DIRECTORS:

Sri C.K.M. Prasad and Sri Ashok Kulkarni, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

**6. PARTICULARS OF EMPLOYEES:**

There are no employees whose particulars are to be furnished U/s 217 (2A) of the Companies Act, 1956 read with Companies Act (Particulars of employees) Rules 1988, as the remuneration of none of the employees has crossed the limits specified therein.

7. DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956 the directors of your company hereby confirm that:

- i. In the preparation of Annual Accounts for the year ended 31st March, 2006, the applicable accounting standards have been followed except for retirement benefits which is being accounted for on cash basis along with the proper explanation relating to material departures, if any, therefrom;
- ii. The directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March 2006 and of the profit and loss of the company for that period;
- iii. The directors have 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 frauds and other irregularities;
- iv. The directors have prepared the annual accounts on a going concern basis.

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

Information in accordance with clause (e) of Sub-section (1) of Section 217 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and form part of the Directors Report for the period ended 31st March, 2006 is follows:

- A. **Conservation of Energy** – Your Company is not a manufacturing company and hence the details in respect of the above are not applicable. However, measures are taken to reduce energy consumption wherever possible.
- B. **Research & Development** – Research and development of new services, designs, frameworks, processes and methodologies continue to be of importance at your company. This allows company to enhance quality and productivity and customer satisfaction through continuous innovation.
- C. **Technology Absorption** – Not Applicable
- D. **Foreign Exchange Earnings & Outgo: (Rs. in Lakhs)**

	2005-06	2004-05
Foreign Exchange earnings	186.14	118.82
Foreign Exchange outgo	8.21	Nil

Cat Technologies Limited

**9. AUDITORS:**

M/s. P K Bajaj & Co., Chartered Accountants, Hyderabad the Statutory Auditors of the Company hold office till the conclusion of the ensuing Annual General Meeting. The company is in receipt of communication from the existing statutory auditors expressing their unwillingness for re-appointment. Board of Directors of your Company place on record their appreciation for the services rendered by them as Auditors of the Company.

Audit committee of company recommended for appointment of D Srinivas Rao, Chartered Accountant, Hyderabad as Statutory Auditors of the company. Further company is in receipt of confirmation from D Srinivas Rao, Chartered Accountant expressing his willingness for appointment as statutory auditor of the company and confirmed that in the event of his appointment as Statutory Auditor at the ensuing Annual General Meeting, such appointment will be in accordance with the limits specified in Section 224 (1B) of the Companies Act, 1956.

10. CORPORATE GOVERNANCE:

- a) Report on Corporate Governance: A separate report on Corporate Governance along with Auditor's Certificate on its compliance is enclosed as Annexure – II to this report.
- b) Management Discussion & Analysis Report: Aspects of Management Discussion and Analysis is enclosed as Annexure – I to this report.

11. ACKNOWLEDGEMENTS:

Your Directors have pleasure in recording their appreciation for the assistance extended to the Company by various officials of the Central and State Governments and Commercial Banks.

Your Directors would also like to place on record their sincere appreciation and gratitude to the Shareholders for their support and co-operation. Your Directors express their heartfelt gratitude to the employees for their exceptional commitment and loyalty to the company.

By order of the Board
For CAT TECHNOLOGIES LTD.

Sd/-
LAKSHMI PARSAD JAISWAL
Chairman

Place: Hyderabad
Date : 28.08.2006



ANNEXURE - I

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. INDUSTRY STRUCTURE AND DEVELOPMENTS

BPO industry in Asia is expected to grow at the annual rate of nearly 14% till 2008, generating six million new jobs by 2015, according to United Nation Development Programme (UNDP)'s Asia-Pacific Human Development Report 2006, released in Phnom Penh.

The employment possibilities from the BPO industry in the future seem immense. An additional advantage that outsourcing has is that it "draws on a wider social spectrum" meaning it is age and gender-neutral. It also has, according to the report, spillover employment effects due to higher demand generated for consumer durables and other services.

Forecasting India's sustained leadership position in the global outsourcing industry, the NASSCOM – McKinsey Report 2005 estimates that the Indian IT industry has only addressed 10% of a potential market size in excess of US\$ 300 billion so far. The report estimates that by 2010, of this US\$ 300 billion opportunity, almost 35% or US\$ 110 billion is expected to be relocated from source countries to low-cost offshore locations including India. It expects that the Indian IT & BPO industries could grow at an annual rate greater than 25% and generate exports of about US\$ 60 billion by 2010. The report predicts that innovation by industry players in India can accelerate this growth and add an additional US\$ 15-20 billion in export revenue over the next 5 to 10 years.

IT outsourcing services such as hardware and software maintenance, network administration and help desk services are expected to account for more than 45% of the total addressable market for off-shoring of US\$ 150 to 180 billion, and are likely to be the drivers of growth. Today's service lines such as Application Development and Maintenance, and R&D services have already reached penetrations of 30-35% and are not likely to show dramatic growth. *Source: NASSCOM McKinsey Report of December 2005*

OPPORTUNITIES, THREATS, RISK AND CONCERNS

While India leads the pack other major Asian providers are China, Philippines, Malaysia, Thailand, and Vietnam. Asia's advantage lies in its growing pool of highly skilled, low cost workers. The 3000-odd educational institutions in India train more than 200,000 software professionals and an equal number of non-engineering English Speaking graduates every year. Add to this, labour shortages in Western Europe and the US on account of their ageing populations. All this has turned out to provide Asia, particularly India an edge.

India continues to be the offshoring destination of choice and the NASSCOM Strategic Review 2006 lists India at the top of the table of the list of 40 nations, based on an A.T. Kearney Global Services Location Index for 2005.

However While India has a large pool of trained / trainable resources, recruiting the requisite number of persons with desired skills at the right time may not be easy. The demand for specific skilled IT personnel may outpace supply, leading to an increase in salary levels. In order to address the threat of attrition of skilled personnel the Company has been rapidly creating global size and scale and using best-in-class human resource policies to attract and retain talent. India is resulting in higher wage levels. Due to the above, margins are under pressure.

FUTURE OUT LOOK

The Company is expanding its footprint and establishing operations in many countries. In order to enhance its ability to serve its customers better, the Company has been continuously expanding