

CAUVERY SOFTWARE ENGINEERING SYSTEMS LTD.

8TH
ANNUAL REPORT
1998-99





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Securities and Exchange Board of India vide its Letter No.SMDRP-POLICY:CIR-14/99 DATED 19TH May,1999 has advised all the Stock Exchanges for amending Clause 32 of the Listing Agreement to the effect that a Company may supply single copy of complete and full Balance Sheet and Profit & Loss Account and Director's Report to the shareholders residing in one household and in that event, it will supply Abridged Balance Sheet to all the shareholders in the same household .After requisite approvals ,this annual report is being sent pursuant to the above circular.Shareholders desirous of obtaining a full copy of the annual report may write to the company.

**CAUVERY SOFTWARE ENGINEERING SYSTEMS LTD.****BOARD OF DIRECTORS**

Mr. M. H. Sane
Mr. D.M. Sukthankar
Mr. Anup Saxena
Mr. D. B. Negandhi

AUDITORS

Mr. B. K. Rai & Associates
Chartered Accountants
Mumbai

SOLICITORS

Desai & Diwanji
2nd Floor, Lentin Chambers,
Fort, Dalal Street,
Mumbai - 400 001.

REGISTERED OFFICE

2nd Floor, Ramanashree Arcade,
18, Mahatma Gandhi Road,
Bangalore - 560 001.

CORPORATE OFFICE

111, Marwah Industrial Estate,
Off Saki Vihar Road,
Saki Naka, Andheri (E),
Mumbai - 400 072.

BANKERS

Central Bank of India



NOTICE

NOTICE is hereby given that the 8th Annual General Meeting of the members of CAUVERY SOFTWARE ENGINEERING SYSTEMS LIMITED will be held at the Sivananda Mini Hall, No. 6, 1st & 2nd Floor, Harekrishna Road, Kumara Park East, Bangalore - 560 001, on Friday, 3rd December 1999 at 11.30 A.M. to transact the following business:

AS ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as on 31st August 1999 and Profit & Loss account for the year ended on that date together with Reports of Directors and Auditors thereon.
2. To appoint Director in place of Mr.D.B.NEGANDHI, who retires by rotation and being eligible offers himself for re-appointment.
3. To re-appoint M/s B.K.Rai & Associates, Chartered Accountants, Mumbai as Statutory Auditors of the Company to hold the office until the conclusion of the next Annual General Meeting and to fix their remuneration.

AS SPECIAL BUSINESS

4. SPECIAL RESOLUTION - MORTGAGE / CHARGE OF PROPERTY

To consider and if thought fit, to pass with or without modifications following resolution as a SPECIAL RESOLUTION :

RESOLVED THAT the consent of the Company be and is hereby granted in terms of Section 293 (1) (a) and all other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors to mortgage and/or charge, in addition to the mortgages/charges created /to be created by the Company, in such form and manner and with such ranking and at such time and on such terms as the Board may determine, all or any of the moveable and/or immovable properties of the Company, both present and future and/or the whole or any part of the undertaking (s) of the Company together with the power to take over the management of the business and concern of the Company in certain events of default in favour of the Agents/Trustees/Lenders for securing the said Equity Shares as may be stipulated in that behalf and agreed to between the Board of Directors or Committee thereof and the Agents and Trustees/Lenders.

5. SPECIAL RESOLUTION - INVESTMENTS

To consider and if thought fit, to pass with or without modifications following resolution as a SPECIAL RESOLUTION :

RESOLVED THAT pursuant to the provisions of Section 372A of the Companies Act, 1956 and other applicable provisions of the Companies Act, 1956, the Board of Directors of the company be and is hereby authorised to invest up to Rs. 500 Lacs, by subscribing to the share capital and /or debenture and/or term loan /investments of Trading Branch of the company proposed to be set up in United States of America , (USA) notwithstanding that such investments together with aggregate of the such investments, branch advances, loans, guarantees so far made by the company may exceeds 60% of its free Reserves and paid-up share capital required the consent of the members of the company be and are hereby accorded for the proposed investment by the company subject to the approval of the Reserve Bank of India.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to determine the time and manner of such investment up to above limit and to do all or any of the matters arising out of and to take all necessary steps for the proposed investments in the Trading Branch office in U.S.A. as per the guidelines of the Reserve Bank of India, and other Government authorities from time to time.

6. To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution.

"RESOLVED THAT subject to the provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactments thereof for the time being in force and as may be enacted hereinafter), Securities Contracts



(Regulation) Act, 1956, and the rules framed thereunder, Listing Agreements, and all other applicable laws, rules, regulations and guidelines and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which the Board of Directors of the Company (hereinafter referred to as "the Board" which terms shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by the resolution) be and is hereby authorised to agree to it, if acceptable to the Board, the consent of the Company be and is hereby accorded to the Board to de-list the equity shares and all other Securities of the Company from The Delhi Stock Exchange at New-Delhi"

7. To Consider and if thought fit, to pass with or without modifications, the following resolution as a SPECIAL RESOLUTION.

RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby amended, altered and/or substituted in the manner and to the extent as is set out herein below:

Article 2 of the Articles of Association shall include the following definitions with the marginal notes.

Beneficial Owner. "Beneficial Owner " means as defined in clause (a) of sub-section (1) of Section 2 of the Depositories Act, 1996.

Depository - "Depository" shall mean a Depository as defined under clause (e) of sub-section (1) of Section of the Depositories Act, 1996".

"Depositories Act, 1996 - "Depositories Act, 1996" shall include any statutory modification or re-enactment thereof."

Securities and Exchange Board of India - "Securities and Exchange Board of India" means the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992."

(b) In Article 2 of the Articles of Association, the following Clause be added at the appropriate place:

"Words and expressions used and not defined in this Act but defined in the Depositories Act, 1996 shall have the same meanings respectively assigned to them in the Act."

(c) In Article 2 of the Articles of Association of the Company, definition of "Member" shall be altered as follows:

Member - "Member" means the duly registered holder from time to time of a share in the Company and includes the subscribers to the Memorandum of the Company and the beneficial owner(s) as defined in clause (a) of sub-section (1) of Section 2 of the Depositories Act, 1996."

(d) Article 15A of the Articles of Association be inserted by the following :

Register and Index of Members

The Company shall cause to be kept a Register and Index of Members in accordance with Section 151 of the Act, and the Depositories Act, 1996 with details of shares held in material and dematerialised forms in any media as may be permitted by law including in any form of electronic media. The Register and index of beneficial owners maintained by a Depository under Section 11 of the Depositories Act, 1996 shall be deemed to be Register and Index of Members for the purpose of this Act."

(e) "Power to Company to dematerialise and re-materialise The Company shall be entitled to dematerialise its existing shares, debentures and other securities, re-materialise its shares, debentures and other securities in a dematerialised form pursuant to the Depositories Act, 1996 and the rules framed thereunder, if any."



- (f) "Shares to be numbered progressively and no shares to be sub divided

The shares in the capital shall be numbered progressively according to their denominations, provided however, that the provisions relating to progressive numbering shall not apply to the shares of the Company which are dematerialised or may be dematerialised in future or issued in future in dematerialised form. Except in the manner herein before mentioned, no share shall be sub divided. Every forfeited or surrendered share held in material form shall continue to bear the number by which the same was originally distinguished."

- (g) In Article 15(A) after the words "the amount paid up thereon", the following words be added: "Provided however no share certificate(s) shall be issued for shares held by a Depository."

- (h) Article 15B of the Articles of Association be inserted by the following

"Company not bound to recognise any interest in share other than that of Registered holder or Beneficial owner. Except as ordered by a Court of competent jurisdiction or as by law required, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share or where the name appears as the beneficial owner of shares in the records of the Depository, as the absolute owner thereof and accordingly shall not be bound to recognise any benami, trust or equitable, contingent or other claim to or future or partial interest in any share or (except only as is by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto, in accordance with these Articles on the part of any other person whether or not he shall have express or implied notice thereof. The Board shall be entitled at their sole discretion to register any shares in the joint names of any two or more persons or the survivor or survivors of them."

- (i) After Article 15B the following Article will be inserted as Article 15C and shall read as follows:
"Specific 22A beneficial provisions of Companies Act, 1956 not to apply to Depository In respect of the shares, debentures and other securities of the Company held by the Depository on behalf of the beneficial owners as defined in the Depositories Act, 1996 the provisions of Sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall not apply"

- (j) Article of Articles of Association be inserted by the following:

"Register of Transfers The Company shall keep a Register of Transfers" and shall have recorded therein fairly and distinctly particulars of every transfer or transmission of any share held in material form."

- (k) After Article 15C the following Article will be inserted as Article 15D and shall read as follows: "Transfer and Transmission of shares held in electronic and fungible form

In the case of transfer and transmission of shares, debentures or other marketable securities where the Company has not issued any certificate and where such shares or securities are being held in an electronic and fungible form in a Depository, the provisions of the Depositories Act, 1996 shall apply."

- (l) In Article 15 after the words "shares and the registration thereof" the following words be added:

"except in case of transfer of Securities effected by the Transferor and the Transferee both of whom are entered as beneficial owners in the records of the Depository."

- (m) Article 15E of the Articles of Association will be inserted by the following :

"Register and Index of Debenture-holders

The Company shall, if at any time it issues Debentures, keep a Register and Index of Debenture holders in accordance with Section 152 of the Act and the Depositories Act, 1996. The Register and Index of beneficial owners maintained by a Depository under section 11 of the Depositories Act, 1996 shall be deemed to be Register and Index of



Debenture holders for the purpose of this Act.”

- (n) After Article 15E, the following Article will be inserted as Article 15F and shall read as follows: “Service of documents on the Company Where securities of the company are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of depository floppies or discs.

On Behalf of the Board

Place : Mumbai
Dated : 4th October, 1999

M. H. SANE
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 SUCH PROXY NEED BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE LODGED WITH THE COMPANY AT ITS REGISTERED OFFICE NOT LATER THAN FORTYEIGHT HOURS BEFORE THE MEETING.
2. An explanatory statement as required under Section 173(2) of the Companies Act, 1956 pertaining to the Special Business contained in item No. 4 to 7 are annexed.
3. Members are required to intimate the change of their registered address, if any, with the pin code quoting reference to their folio number and to send their transfer deed etc. to the registered office of the Company.
4. Members are requested to quote their registered folio numbers in all correspondence.
5. The Company's Memorandum of Association and Articles of Association are open for inspection at the Company's registered office during the usual business hours on any working day.
6. The Register of transfer and share holders Register shall remain closed as recent date for AGM from Monday 29 November, 1999 to Friday, 3rd December, 1999 (both days are inclusive) for the conducting of the AGM.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 4

The Companies (Amendment) Act, 1999 has introduced a new Section 372 A, which, inter- alia, provides that a company shall not be permitted to make inter-corporate loans or investments or give guarantees/provide securities beyond 60 % of the aggregate of company's paid-up share capital and free reserves or 100% of the company's free reserves, whichever is higher, except after obtaining prior authorisation by way of a special resolution passed at the General Meeting of the shareholders of the Company subject to the approval of the Reserve Bank of India.

The company had applying for the permission from Reserve Bank of India for the establishment of representative office/trading branch at USA for the purpose of the development of business of software development at USA and other developed and developing countries.

As the company is planning to invest in the representative office/trading branch at USA., the proposed Special resolution at Item No.5 is to be passed by way of abundant caution.

None of the Directors are interested in the above special resolution.

None of the Directors are either directly or indirectly concerned or interested in the resolution.

**Item No. 5**

Presently, the company's securities are listed on the following four Stock Exchanges in India:-

Bangalore Stock Exchange, Bangalore (the Regional Stock exchange):

The Stock Exchange, Mumbai

The National Stock Exchange of India Limited, Mumbai

With the extensive networking of The Stock Exchange, Mumbai (BSE) and The National Stock Exchange of India Limited (NSE), and the extension of the BSE terminals to other cities as well, investors have access to online dealings in the Company's equity shares in any case takes place on the BSE and the NSE, and the depth and liquidity of trading in the company's equity shares in any case takes place on the BSE and the NSE, and the depth and liquidity of trading in the company's securities on the Delhi Stock Exchange is lower. The company's securities are also traded on virtually all other stock exchanges in the country, in the "permitted" category. The investors located in the Northern part of India have an access to trade on the securities of the company through network systems/terminals of BSE & NSE located in the same region.

The Company is also taking approval of the shareholders for settlement of equity Shares only in dematerialised form by all investors as per guidelines of the Securities and Exchange Board of India (SEBI).

It is also observed that the listing fee paid to the Delhi Stock Exchange is disproportionately higher, and as stated herein, the trading volumes and liquidity are low compared to the BSE and NSE.

As a part of its cost reduction measures, the company has proposed this resolution, which will enable it to de-list of all its securities from the Delhi Stock Exchange, New-Delhi at an appropriate time in the future. The actual timing of such a move will depend upon future developments regarding integration of stock exchanges across the country, the growth in volume of trading on different exchanges, etc.

In line with the SEBI Regulations, members' approval is being sought by a special resolution for enabling voluntary de-listing of its securities from the said Stock Exchange.

The Company is also separately giving Special Notice of the proposed enabling resolution for the said de-listing in one National Newspaper and one circulating in the region of The Delhi Stock Exchange, New-Delhi. The proposed de-listing of the company's securities will continue to be listed on Bangalore Stock Exchange Limited, which is the Regional stock exchange, and the BSE and NSE, apart from being traded on almost all the major exchanges, in the country in the "permitted" category. The de-listing will take effect after all approvals, permissions and sanctions are received. The exact date on which de-listing will take effect will be suitably notified at that time.

Your Directors recommend the Special Resolution for approval of the members.

None of the Directors of the company is, in any way, concerned or interested in the resolution.

Item No.6

Consequent upon the enactment of the Depositories Act, 1996 and the Securities and Exchange Board of India (SEBI) making de-materisation of equity shares compulsory for Foreign Institutional Investors (FIIs), Financial Institution (FIS) etc., and SEBI GUIDELINES from time to time to include further Companies for de-materalization and based on the directive that may be issued by SEBI, some shareholders may insist on holding equity shares in de-materilised form.

The Depositories Act, 1996 has amended some of the provisions of the Companies Act, 1956 and the Securities Contracts (regulations) Act, 1956 (hereinafter collectively referred to as the Acts) pertaining to issue, holding, transfer and dealing in shares and other securities as also issue of relevant certificates as to facilitate the introduction and implementation of the Depository System. The existing Articles Of Association does not provide for certain enabling provisions like Buy-Back of Equity Shares or other securities etc.