



CAUVERY SOFTWARE ENGINEERING SYSTEMS LTD.

**11th Annual Report
2001 – 2002**

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CAUVERY SOFTWARE ENGINEERING SYSTEMS LIMITED.

Board of Directors

Shri Anup Saxena

Whole Time Director

Shri R. K. Kapoor

Director

Shri D. B. Nagandhi

Director

Shri U. B. Segley

Nominee Director

Mrs. Sridharan S.

Company Secretary

Auditors

C. R. Reddy & Co.

Chartered Accountants, Hyderabad.

Solicitors

Desai & Diwanji

Mumbai.

Registered office

24, Shrungar Shopping Center,
80, M. G. Road,
Bangalore - 560 001.

R & T

BIGSHARE SERVICES (PVT) LTD.
E-2, ANSA INDUSTRIAL ESTSTE,
OFF. SAKI VIHAR ROAD,
SAKINAKA, ANDHERI (E),
MUMBAI - 400 072.

NOTICE

NOTICE is hereby given that the 11th Annual General Meeting of the shareholders of Cauvery Software Engineering Systems Limited will be held on Monday 10th February, 2003 at Raja Laxmi kalyanam mandir, No. 726, 46th Cross, 8th Block, Jaya Nagar, Bangalore at 9.30 a.m. to transact the following business:

1. To receive, consider and adopt:

- * The audited balance sheet as at 31st August, 2002 ;
- * The profit & loss account for the year ended on that date;
- * Directors' report for the year 2001-02 and Corporate Governance Report;
- * The auditors' report thereon.

2. To appoint a director in place of Mr. D.B. Negandhi, who retires from the office by rotation and being eligible offers himself for re-appointment.

3. To consider and, if thought fit, to pass with or without modifications, the following resolution as a ordinary resolution:

"RESOLVED THAT Messrs C.R. Reddy & Co., Chartered Accountants, Hyderabad, be and are hereby appointed as Statutory Auditors of the company and to hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting of the company, on such remuneration - fees plus reimbursement of actual traveling and out-of-pocket expenses and service tax, if any, or as may be mutually agreed upon between the Board of Directors and the Auditors."

By Order of the Board

ANUP SAXENA
WHOLE-TIME DIRECTOR

Registered Office
24,, Shrungar, Shopping Center, 80,,
M.G.Road, Bangalore 560 001.

DATED 30th December, 2002

NOTES**1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. (A PROXY NEED NOT BE A MEMBER)**

- The proxy should, however, fill up and sign the proxy form and submit the same at the Registered Office of the company, not less than 48 hours before the commencement of the meeting.
- The register of members and the share transfer books of the company shall be kept closed from Thursday 6th February, 2003 to Monday the 10th February, 2003 (both days inclusive).
- Members desirous of obtaining any information concerning the accounts of the company are requested to address their question to the Company Secretary at least seven days before the date of meeting, so that the information required by them may be made available at the time meeting.
- The members are requested to inform the company immediately about the changes in their addresses.
- Members/Proxies should bring the attendance slips duly filled-in and signed for attending the meeting.

By Order of the Board

ANUP SAXENA

JOLE TIME Director

Registered Office

24,,Shrungar,Shopping Center,80,,
M. G. Road, Bangalore 560 001.

DATED 30th December,2002

DIRECTORS' REPORT

Dear Shareholders

Your directors have pleasure in presenting the 11th Annual Report and the Audited Statement of Accounts of the company for the financial year ended 31st August, 2002.

	(Rs.'000)	
FINANCIAL RESULTS	2000-2001	2001-2002
Turnover	19,861	8261
<u>Gross profit before interest and depreciation</u>	(225)	214
Less : Interest	--	-
Depreciation	69	70
Profit before tax	(294)	144
Less : Provision for taxation	--	-
Profit after tax	(294)	144
Prior Period Adjustment	(36,832)	5
Balance Brought forward	<u>1,24,207</u>	<u>87,081</u>
Total	<u>87,081</u>	<u>87,230</u>
<u>Appropriations:</u>		
• Proposed dividend on equity shares	-	-
• Corporate tax on dividend	-	-
• Debenture redemption reserve	-	-
• Balance carried to Balance Sheet	87,081	-
TOTAL	<u>87,081</u>	<u>87,230</u>

DIVIDEND

Your directors do not recommend any dividend for the year ended 31st August, 2002

PERFORMANCE

The sales of the company for the year ended touched Rs. 82.61 lakhs and Net Profit was (Rs.1.44 lakhs). A year passes off with the wink of an eye. Before we know, the next one will vanish too. Time to take a fresh guard.

Now India has claims to be an IT nation, despite its poor showing in terms of PC connectivity. But in 2003, the nation will definitely realize the promises offered by the IT industry. IT technologies are becoming consumer friendly and middle class homes are aspiring for more and more, in spite of purchasing power constraints.

And this will be the same status for your company in the year 2003.

There is a palpable increase in the enthusiasm for technology products. E-mail has become very popular as a means of communicating with dear once across the miles, which is the by process of server. And your company is becoming specialist in the setting of the server in the Indian Territory.

E-governance initiatives have been received well where it has been implemented. There is a very healthy competition amongst the states to showcase their progress in the sphere. Also connectivity and speeds are bound to get better this year with more and more companies' executing their big dreams. It would not be far-fetched to say that for India, this year might be a watershed in the usage of technology devices used for communicating. Definitely, it is the year of convergence as devices that started off as hardcore It became consumer devices. On the other hand, consumer devices have been adding on it features.

A loyal channel will remain the best bet for a company's dominance in the market and your company will contribute the best to the market to get back a good return on investments to shareholders and as well as to the customers.

ISSUE OF SHARES

The equity shares have been duly listed with the Bangalore Stock Exchange Ltd., Bangalore w.e.f.18/5/2001 and subsequently the listing application was already filed with The Stock Exchange, Mumbai and the National Stock Exchange of India Ltd., Mumbai for further listing.

CLAIM OF LOSS

The company's operation had a set back consequent upon the collapse of the operating office building (Poonam Chambers, B Wing, Dr.A. B.Road, Worli, Mumbai) on 16th September, 1997, as a result of which the company has suffered huge losses. The losses quantified have been into claims receivable based on legal advice. The dislocation of the operation has been corrected over the months and it is expected to improve upon further during the current year.

FIXED DEPOSITS

The company has not accepted any deposit within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under.

DIRECTORS

The Board has renewed the appointment of Mr. Anup Saxena as Whole-time Director for another one year.

Shri D.B. Negandhi retires by rotation at the ensuing Annual General Meeting and being eligible offers himself 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: -

- that in the preparation of the annual accounts for the financial year ended 31st August, 2002, the Application Accounting Standards had been followed along with giving proper explanation relating to material dispatches.
- 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 at the end of the financial year and of the profit or loss of the company for the year under review.

CAUVERY SOFTWARE ENGINEERING SYSTEMS LTD.**ANNUAL REPORT 2001-2002**

- that the director 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.
- that the directors had prepared the accounts for the financial year ended 31st August, 2002 on an "on-going concern basis".

AUDITORS

The auditors of the company, M/s C.R. Reddy & Co., (Chartered Accountants) are to hold the office till the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

PERSONNEL

As there are no employees drawings remuneration as per provisions of the Act and due to that there is no requirement to submit particulars of employees, as per the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975,

ENERGY TECHNOLOGY AND FOREIGN EXCHANGE

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 regarding conservation of Energy, Technology Absorption and foreign exchange earnings, the outgo is given, which is not forming part of this report.

COMPLIANCE CERTIFICATE

Your company continues to be committed to the systems of good corporate governance by increased transparency and accountability to its shareholders. Pursuant to Clause 49 of the listing agreements with Stock exchanges, a report on Corporate Governance and Auditors' Certificate regarding compliance of conditions of Corporate Governance are made part of the Annual Report.

ACKNOWLEDGEMENT

Your directors place on record their appreciation for the assistance/support extended by all Government Authorities, Financial Institutions, Banks, Consultants, Solicitors, Shareholders and Debenture holders of the Company. Your directors also wish to thank the management and staff of the Promoter Company for the continuous guidance and support received from them. Your directors also express their appreciation for the dedicated and sincere services rendered by employees of the company.

For and on behalf of the Board

ANUP SAXENA
W.T. Director

R. K. KAPOOR
Director

Dated : 30th December, 2002
Place : Bangalore

ANNEXURE A

The information required u/s 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of the Board of the Directors) Rules, 1988.

FORM A

A)	Conservation of energy	Nil
B)	Form of Disclosure of Particulars with respect to absorption of Technology Research & Development (R&D)	Nil

FORM B

Research & Development

Specific areas in which R & D carried out by the company	Nil
Benefits derived as a result of the above R & D	Nil
Future plan of action	Nil
Expenditure on R & D	Nil

	CURRENT YEAR	PREVIOUS YEAR
Capital	Nil	Nil
Recurring	Nil	Nil
Total R & D expenditure	Nil	Nil
Percentage to total turnover	Nil	Nil
Technology absorption, adoption and Innovation and benefits derived there-from		Nil
Technology imported and absorbed		Nil
Foreign exchange earnings/outgoings:		

	CURRENT YEAR	PREVIOUS YEAR
Earning	Nil	Nil
Expenditure	Nil	Nil
Valued of imports on CIF	Nil	Nil

FOR & ON BEHALF OF THE BOARD

ANUP SAXEANA
WHOLE TIME DIRECTOR

R.K.KAPOOR
DIRECTOR

PLACE : Bangalore
DATED : 30th December, 2002

REPORT ON CORPORATE GOVERNANCE

Pursuant to Clause 49 of the listing agreement, a report on Corporate Governance is given below:

Mandatory Requirements

Company's philosophy on Code of Governance

The company's philosophy of Corporate Governance is aimed at efficient conduct of its business meeting, its obligations to shareholders, to fulfill its corporate responsibilities and to achieve its financial objectives.

Board of Directors

Composition: - The present strength of the Board consists of three directors. Attendance report of each director at the Board meetings and the last AGM conducted. Eight Board meetings were held in 2001-2002

Name of the Director	Category of Directorship	No. of Board Meetings attended	% of total meetings attended	Attendance at the last AGM
Mr. Anup Saxena	W.T.D.	6	67	N
Mr. R.K. Kapoor	Director	7	80	Y
Mr. D.B. Negandhi	Director	7	80	N

Audit Committee

Terms of Reference & Composition, Name of members and Chairman

The Audit Committee comprises of Mr. R.K. Kapur, Chairman of the Committee and Mr. D.B. Negandhi all being independent directors. The Whole-time Director and Directors along with the Statutory Auditors are invitees to the meeting. The Terms of Reference of this Committee are wide enough to cover the matters specified for Audit Committee under the listing agreements.

Audit meetings and the attendance during the year.

There were five meetings of the Audit Committee during the year 2001-02.

The terms of reference of the Audit Committee include:

- ▶ To review the company's reporting process and its financial process;
- ▶ To review the accounting, financial policies and practices;
- ▶ To review the efficiency of the internal control mechanism and monitor the risk management policies adopted by the company and to ensure compliance with regulatory guidelines;
- ▶ To review reports furnished by the auditors and to ensure that a suitable follow up action is taken;
- ▶ To examine accountancy, taxation and disclosure aspects of all significant transactions;
- ▶ Recommending the appointment and removal of external auditors, fixation of audit fees and also approval for payment for any other services;
- ▶ To look into the reasons of substantial defaults in the payment to the depositors, shareholders (in case of non-payment to the depositors, shareholders (in case of non-payment of declared dividends) and creditors.