

CAUVERY SOFTWARE ENGINEERING SYSTEMS LIMITED



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15th ANNUAL GENERAL MEETING

MONDAY 26TH February, 2007

**Hotel Sukh Sagar Food Complex,
6, S.M.Road, Majestic Square,
Bangalore-560053
at 10.00 a.m.**

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POSTAL BALLOT

Registered Office

Alankar Business Center,
419 A, 2nd Floor
Alankar Plaza, K G Road,
Bangalore – 560 009.

Registrar & Transfer Agents

Bigshare Services (Pvt) Limited
E-2, Ansa Industrial Estate,
Off Saki Vihar Road,
Saki Naka, Andheri (east),
Mumbai – 400 072.

Auditors

For M/s S S Trimbakkar & Co.
Chartered Accountants, Mumbai

NOTICE

NOTICE is hereby given that the **15th Annual General Meeting** of the Shareholders of **Cauvery Software Engineering Systems Limited** will be held on Monday 26th February, 2007 at Hotel Sukh Sagar, Food Complex, 6, S M Road, Majestic Square, Bangalore – 560 053 at 10.00 a.m. to transact the following business:

1. **To adopt, consider and approve the following:-**
 - The Audited Balance Sheet as at 31st August, 2006;
 - The Profit & Loss account for the year ended on that date;
 - Director's and Corporate Governance Report for the year 2005-06;
 - The Auditors' Report and Compliance Report thereon.
2. To appoint a Director in place of Mr Kondala Rao, who retires from office by rotation and being eligible, offers himself for re-appointment.
3. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

“RESOLVED THAT Mr P Amolik be and is hereby appointed as Director, who retires from office by rotation and being eligible, offers himself for re-appointment.

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

To appoint Mr S R Poojari as a Director of the Company liable to retire by rotation, who has been appointed as additional Director and the company had received Notice under section 257 with necessary deposit.

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

RESOLVED THAT M/s S S Trimbakkar & Co., Chartered Accountant, Mumbai, be and are hereby appointed Auditors of the company to hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting of the company in the place of M/s Y K Tolia, Chartered Accountants, Mumbai, on such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors fees plus reimbursement of actual traveling and other out of pocket expenses and service tax, if any”.

By Order of the Board

Mr. K K Rao
Director

Dated :12th December, 2006

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
 - The instrument appointing a Proxy should, however, be deposited 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 will remain closed from Wednesday 21st February, 2007 to Monday 26th February, 2007 (both days are inclusive) u/s 154 of the Companies Act, 1956.
 - 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 may be made available at the meeting.
 - The members are requested to advise the Company immediately of their change in address registered with the Company.
 - Members/Proxies should bring the attendance slip duly filled and sign in for attending the meeting.

By Order of the Board

Mr. Kondala Rao
Director

Registered Office
Alankar Business Center,
419 A, 2nd Floor
Alankar Plaza, K G Road,
Bangalore – 560 009.

Dated :12th December, 2006

DIRECTOR'S REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 15th Annual Report and the Audited Statement of Accounts of the Company for the financial year ended 31st August, 2006

(Rs.'000)

1. FINANCIAL RESULTS	2004-2005	2005-2006
Turnover	7398	7128
Gross Profit before interest and depreciation	263	220
Less : Interest	---	---
Depreciation	66	48
Profit Before Tax	263	220
Less : Provision for Taxation	---	---
Profit After Tax	263	220
Profit Period Adjustment	---	---
Amount available for appropriation	87533	87533
Total	87533	87533
Appropriations:		
• Proposed Dividend on equity Shares	---	
• Corporate Tax on Dividend	---	
• Debenture Redemption Reserve	---	
• Balance carried to Balance Sheet	---	
TOTAL	87796	87753

2. MANAGEMENT ANALYSIS AND DISCUSSION

COMPANY PERFORMANCE:

The sales of the Company for the year ended 31st August, 2006 touched Rs. 71.28 lakhs and Net Profit were Rs. 2.20 lakhs. Your Company has lost the business due to poor domestic scenario, industry down trend, war threats and global recession. The year under review was one of them most challenging years for IT industries all over the world. Constant efforts are put to redesign the planning and implementation process to aim for leadership on the theme of rapid growth and differentiation. We are confident that the steps taken will help achieve the size, scalability, brand and ambition necessary to create the next generation IT Solutions and Services Company.

REVIEW OF OPERATIONS

The Indian IT industry is one of the top 10 industries in India. The IT industry has shown signs of recovery and IT / Technology Expenditure is expected to rise this year as against a stagnant of IT infrastructure by Government and Private sectors, Education, Computer Training, Call Centre, BPO and Corporate segments.

The Indian IT industry is interspersed with several large, medium and small players offering their services. The competition and challenges to medium size niche players like CSESL is emerging primarily from large system integration companies.

Your Company is strong in providing IT infrastructure/ Server set-up, support and management as well as in the System Integration Business. The wide range of Products and Solutions, Domain expertise and Competency Pools created by the Company over the year has helped in customer retention and addition of new customer accounts. Clients are looking for a company that is a trusted advisor and a strategic partner. In response to clients needs, we have been working on several new service initiatives. Your company seeks long term partnerships with clients while addressing their various IT requirements. Your Company's Customer Centric Approach has resulted in high levels of client satisfaction.

OUTLOOK

The domestic IT spends is likely to continue its current upward trend. Organizations have been increasing their IT spends for process improvements and efficiency enhancement to face competition and increased productivity. Organizations are widely outsourcing the various activities of managing their IT infrastructure to increase operational efficiency and as well as growth/profitability.

Your Company has clearly drawn its roadmap as a dominant provider of end – t – end IT solutions and services encompassing comprehensive services of IT infrastructure design, implementation and lifecycle support. Continuous research and development of new services, products, processes and solutions allows your Company to enhance quality, productivity and customer satisfaction through innovation. Initiatives are being taken for development of solutions on storage systems, Firewalls ,Disaster Management Systems, Security, Converged Communications etc.

Your Company has established a national service network and this will help in providing support to a large base of customers to provide the solutions. Your company is continuously evolving new business processes, modifying its existing line of activities and expanding its business capabilities to gain higher growth and market share.

ISSUE OF SHARES

During the year Company had never issued Equity Shares.

DIVIDEND

Your Directors do not recommend any dividend for the year 31st August,2006.

CLAIM OF LOSS

The operation of the company 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 had suffered huge losses. The losses quantified have been transferred to " claims receivable " based on legal advice. The dislocation of the operating 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

Shri Kondala Rao and Shri P Amolik have been appointed as Directors and requests the shareholder for appointment of him as Director of the company. The Company had received Notice with requisite fees.

DIRECTORS'S RESPONSIBILITY STATEMENT

Pursuant to the requirement Under Section 217 (2AA) of the Companies Act, 1956 with respect to Director's Responsibility Statement, it is hereby confirmed:-

That in the preparation of the annual accounts for the financial year ended 31st August, 2006 the Application Accounting Standards had been followed along with proper explanation relating to material departures.

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.

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 2006 on a going concern basis.

AUDITORS

M/s S S Trimbakkar & Co. Chartered Accountants, Auditors of the company hold office till the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

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.

PERSONNEL

As there are no employees, drawing remuneration as per provisions of Section 217 (2A) of the Companies Act, 1956 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 provisions of Companies Particulars of Employees Rules 1975.

Conservation of Energy, Technology Absorption, Research & Development and Foreign Exchange Earnings and outgo:-

CONSERVATION OF ENERGY:

The Company's operations involve low energy consumption. However efforts to conserve and optimize the use of energy through improved operational methods and other means will continue.

TECHNOLOGY ABSORPTION:

The Technology available and utilized is continuously being upgraded to improve overall performance and productivity.

RESEARCH & DEVELOPMENT:

Your company believes that Research & Development is a continues process and is a key driver to scalable and sustained corporate excellence. Our Research & Development activities help us gear for future opportunities and are focused to provide unique benefits to our customers. Accordingly during the year, several key focus areas were indentified.

Foreign Exchange Earnings : Nil

Foreign Exchange Outgo : Nil

CORPORATE GOVERNANCE

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 Agreement 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.

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ACKNOWLEDGE

Your Directors place on record their appreciation of the assistance and support extended by all government authorities, financial institution, banks, consultants, solicitors, shareholders and debenture holders of the company. Your directors also wish to thank management and staff of the promoter company, for the continuous guidance and support received from them. Your directors express their appreciation for the dedicated and sincere services rendered by employees of the company.

FOR & ON BEHALF OF THE BOARD

P AMOLIK
Director

KONDALA RAO
Director

Place : Mumbai

Date : 12th December, 2006

REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement of the Stock Exchanges, a Report on Corporate Governance is given below)

CSESL firmly believes in abiding by the Code of Corporate Governance so as to be a responsible company. The company's philosophy on corporate governance seeks the attainment of the highest levels of transparency, accountability and equity, in all facets of its operations, and in all interactions with its stakeholders, including the shareholders, employees, government and lenders. The company takes utmost care to balance individual interest with corporate goals and continues to remain committed to fairness, transparency, accountability and responsibility.

CSESL believes that all its operations and actions must serve the underlying goal of long value creation for its shareholders and investors:-

BOARD OF DIRECTORS

Composition :- The present strength of the Board is four Directors. Attendance of each Director at the Board meetings and the last AGM conducted. Nine Board meetings were held in 2005-2006.

Name of the Director	Category of Directorship	No of Board Meetings attended	% of total meetings attended	Attendance at the last AGM
Mr P Amolik	Director	9	100	Y
Mr Poojari S R	Director	6	75	Y
Mr Koldala Rao	Director	7	87	N
Mr U B Sheglae	Director	7	87	N

Audit Committee

Terms of Reference & Composition, Name of Members and Chairman :-

The Audit Committee comprises of Mr. P Amolik, Chairman of the committee, Mr. K.K. Rao, Mr. S.R. Poojari and Mr. U.B. Sheglae all being Non- Executive Independent Directors as per provisions of the listing agreement with the Stock Exchanges. The Whole Time Director and the Non-Executive and Independent Directors along with the Statutory Auditors are invitees to the meetings. The Terms of Reference of this Committee are wide enough covering the matters specified for Audit Committee under the Listing Agreements.

All the members of the committee are Non executive and Independent Directors having knowledge of Finance, Accounts and Company Law. The Terms of Reference of this Committee are wide enough covering the matters specified for Audit Committee under the Listing Agreements.