



CEREBRA

Total I.T. Solutions
An ISO 9001 : 2000 Company

Cerebra Integrated Technologies Ltd.

8th

ANNUAL REPORT

2001 - 2002

BOARD OF DIRECTORS

V. S. Rajan	- Chairman
V. Ranganathan	- Vice Chairman & Managing Director
Mythili Kannan	- Director US Operations
Gururaja K. Upadhya	- Director Technical
Shridhar S. Hegde	- Director Marketing
V. Krishnan	- Director Finance
P. Vishwamurthy	- Director Software
T. S. Suresh Kumar	- Director
P. E. Krishnan	- Director
S. Gopalakrishnan	- Director

REGISTERED OFFICE

#24, 12th Main, I Block, Rajajinagar,
Bangalore - 560010
Tel. 91 - 80 - 3323054/3322490/3320990.
Fax: 91 - 80 - 3327313 Web: www.cerebracomputers.com
Email: info@cerebracomputers.com

SOFTWARE DEVELOPMENT CENTRE

#26/4, "A" Block, II Floor,
Industrial Sub-urb, Near Govt. Soap Factory,
Rajajinagar, Bangalore 560055
Tel: 91 - 80 - 3474934/3479816/3571969

MANUFACTURING UNITS

#S-5, off 3rd Cross, I Stage, Peenya Industrial Area,
Bangalore - 560 058
Tel: 91 - 80 - 8372609

#26/4, "A" Block, I Floor,
Industrial Sub-urb, Near Govt. Soap Factory,
Rajajinagar, Bangalore 560055
Tel: 91-80-3474934/3479816/3571969

OVERSEAS OFFICES

#14433, Settlers Landing Way, North Potomac,
MD 20878 U S A
Tel: 301 - 294 - 6206 Fax. 301 - 738 - 2419

#20669, NW Trailwak Drive,
Appt #G202, Beaverton, OR - 97006 (USA)
Tel.503 629 - 7740

Van Hasselt Laan
#505, Post Code No.2625 J G Delft
The Netherlands
Tel/Fax. +31.15.256 9279

Apartment No.3, Baldhamer Strasse,
72 Vattersetten
Germany
Tel : 49 - 170 - 111 - 3255

STATUTORY AUDITORS

M.S.Reddy & Associates
Chartered Accountants
#726, II Floor, 3rd Main, 3rd Cross, "D" Block, II Stage,
Rajajinagar, Bangalore - 560 010.
Tel. 91 - 80 - 3422430

REGISTRARS & SHARE TRANSFER AGENTS

Karvy Consultants Limited,
T K N Complex, #51/2, Vanivilas Road,
Opp. National College, Basavanagudi,
Bangalore - 560 004
Tel.91 - 80 - 6621184/6621192/93 Fax.91 - 80 - 6621169

BANKERS

Canara Bank
CITIBANK N.A.
State Bank of India

ENLISTMENTS

Bangalore Stock Exchange Limited
The Stock Exchange of Mumbai (BSE)
The Stock Exchange of Ahmedabad
Calcutta Stock Exchange Association Limited

DEPOSITORIES

National Securities Depository Limited
Central Depository Services Limited

LETTER TO STAKEHOLDERS

Dear Stakeholders,

It is that time of the year again and it gives me great pleasure to place before you the Eighth Annual Report highlighting the progress achieved by your Company during the Financial year ended 31st March 2002.

"When the going gets tough, the tough get going"- CEREBRA this year has practised the above in thought and deed.

The year past has seen considerable amount of consolidation in the industry globally and it is likely that the coming year will bring in a better performance barring unforeseen events. I feel that you could look forward to a steady growth in times ahead.

Your Company has been in the limelight in a year of depression, a year which has seen the fall of the high and the mighty, a year which the I.T Industry or any industry will not forget in a hurry.

In spite of the severe recession, your Company has performed satisfactorily. We have undertaken several far-reaching initiatives and have also concentrated on stabilising the various new products launched during last year.

The launch of the Health Care range of software products was the highlight of this year and in the coming years this will be the mainstay of our Health Care Division. Future efforts are on to customise this product for the International Market. The European market has been strengthened by opening an Office in Munich, Germany.

The Software Division has bagged a few projects from Europe and U.S.A. We are focusing on Europe, U.K, U.S.A, and Australia, as our main markets and have successfully entered these markets.

Our continued focus on our Hardware Division has seen the launch of the Personal Digital Assistant (PDA), both colour and monochrome and the launch of a new series of high performing laptops. The home P.C, gaming P.C and the UPS are doing well and will see an increase in our market share this year.

The "KRANION" brand of products manufactured by our SMT division has been well accepted in the market and the brands "KRANION" and "CEREBRA" are moving up the ladder to be among the Top I.T Brands in the country.

Our focus on Quality initiatives resulted in the ISO 9001:2000 Certification. We have embarked on our Journey in being a SEI-CMM Level 5 Company and a Six Sigma Quality Company. We hope to succeed in these certifications in a few months.

In a year marked by disasters and global recession, our gross sales for the Financial Year ended 31st March 2002 stood at Rs.3181.18 lacs and the Profit after tax at Rs.116.92 lacs. The Board has recommended a dividend of 10% in a challenging environment.

I take this opportunity to thank all the Stakeholders, Banks, Channel Partners, Customers, Vendors and the Employees of Cerebra who have uniformly remained a great source of strength.

Thank you,

V. RANGANATHAN
VICE CHAIRMAN & MANAGING DIRECTOR.



NOTICE

NOTICE is hereby given that the Eighth Annual General Meeting of the Company will be held at 10.00 a.m. on Monday, the 23rd day of September 2002 at CHANDANI HALL, Hotel Woodlands, No. 5, Rajaram Mohan Roy Road, Bangalore - 560 025 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2002 and the Profit and Loss Account for the year ended on that date along with the Reports of Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. S. Gopalakrishnan who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. P.E. Krishnan who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Messrs. M.S. Reddy & Associates, Chartered Accountants, Bangalore who retire at the end of the Eighth Annual General Meeting and being eligible, offer themselves for appointment and to authorise the Board of Directors of the Company to fix their remuneration.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modification(s), the following as a Special Resolution:
"RESOLVED THAT subject to the provisions of Companies Act, 1956 (including any statutory modifications or re-enactments thereof for the time being in force), Securities Contract (Regulation) Act, 1956 and the rules framed thereunder, Listing Agreement with Stock Exchanges and all other applicable Laws, rules, regulations and guidelines and subject to such approvals, permission 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 approval, permissions, and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as 'Board' which term shall deem to include Committees thereof for the time being exercising the power of the Board by the resolution), the consent of the Company be and is hereby accorded to the Board to delist the equity shares of the Company from Both or any of the Stock Exchanges at Kolkatta and Ahmedabad."

By Order of the Board

Place : Bangalore
Date : 31st July 2002

V. KRISHNAN
DIRECTOR - FINANCE.

NOTES:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to vote instead of himself/herself and the proxy appointed need not be a member. The duly filled in proxy form must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the meeting.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item no. 6 is annexed herewith.
3. Members/proxies should bring in the duly filled in attendance slips sent herewith for attending the meeting.
4. The Register of Members and the share transfer books of the Company will remain closed from 16-9-02 to 23-9-02 (both days inclusive).
5. Dividend if declared, will be paid on or before 22-10-02, to those members whose names appear on the Register of Members as on 16-9-02, subject however to the provisions of Section 206A of the Companies Act, 1956. In respect of shares held in Electronic Form, dividend will be payable on the basis of ownership as per details to be furnished by NSDL and CDSL for this purpose.
6. Members are requested to notify their change in address to the Registrars and Transfer Agents by quoting their relevant registered Folio Number.
7. Members are requested to carry the Annual Report circulated to them. As a measure of economy, no copies of the Annual Report will be made available to the Members at the Meeting.
8. Since SEBI has made it mandatory to distribute dividends through Electronics Clearing Services (ECS), the Company will use the bank account details furnished by the Depositories for distributing the dividends (if approved) to the shareholders holding shares in electronic form. Members are requested to notify any changes in their Bank account details to their Depository Participants immediately.
9. Members wishing to claim dividends, which remain unclaimed, are requested to correspond with the Secretarial Department of the Company.
10. The members who intend that Tax on their dividend amount in excess of Rs 2500/- should not be deducted at source may forward Form 15G at the earliest to the registered office of the Company.

1. ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE ANNUAL GENERAL MEETING:

1. **Mr. S Gopalakrishnan:**
Date of Birth: 08.09.1967
Qualification: B Com Experience: 13 years in the field of Finance and Accounts
No. of Board Meeting attended during the year: 4
2. **Mr. P.E Krishnan:**
Date of Birth: 13-01-1965
Qualification: B Com Experience: 14 years in the field of Finance
No. of Board Meeting attended during the year: 1

ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:**

Presently the Company's Equity Shares are enlisted in the Stock Exchanges at Bangalore, Mumbai, Kolkatta and Ahmedabad. The volume of trading in the Company's shares on the Stock Exchanges at Kolkatta and Ahmedabad are very low.

The proposed delisting will not affect the interest of the investors as the shareholding in the said areas are very low and it does not commensurate with the Listing fee the Company is paying.

Members approval is being sought by a special resolution for enabling voluntary delisting of the shares from the said Stock Exchanges, subject to such procedures as may be applicable.

None of the Directors are interested or concerned in the resolution except as Shareholders.

By Order of the Board

Place : Bangalore
Date : 31st July 2002

V. KRISHNAN
DIRECTOR - FINANCE.



DIRECTORS' REPORT

Your Directors present their Eighth Annual Report together with the audited Balance Sheet and Profit and Loss Account for the year ended March 31, 2002.

FINANCIAL RESULTS:

Particulars	(Rs.in lakhs)	
	2002	2001
Total Income	3285.62	5371.93
Total Expenditure	2925.40	4823.27
Operating Profits (PBITD)	360.22	548.66
Interest	142.53	151.69
Depreciation	62.27	29.42
Profit before tax (PBT)	155.42	367.55
Provision for Tax - Current	5.00	12.70
Profit after current tax but before Deferred Tax	150.42	—
Deferred Tax	33.50	—
Profit available for appropriations	116.92	354.85
Appropriations		
Dividend - Recommended	58.96	118.14
Tax on Dividend	—	12.05
Transfer to General Reserve	57.86	26.62
Earnings per share - (Rs.)	1.98	6.40*

* On expanded share capital

REVIEW OF OPERATIONS:

The year 2001 was the most unforgettable year till date for the Indian Hardware Industry. The Hardware Industry took a dip for the first time in the last few years. The Industry has been steadily growing at a compounded annual growth rate of around 25%, with 2001-02 showing a negative growth. Similarly, the Software Division too underwent a global change due to the impact of the slow down in the World economy in general and the U.S economy in particular. The I.T budgets have been slashed by many and the pressure of the billing continues. These factors contributed in your Company recording a decrease in revenue for the year. The Gross Revenue decreased from Rs.5371.93 lacs to Rs.3285.62 lacs showing a decrease of 38.84%. The Profit after Tax decreased by 57.61% from Rs.354.85 lacs in 2000-01 to Rs.150.42 lacs in 2001-02.

DIVIDEND:

Keeping in mind the reduced Profits available for appropriation and with a view to conserving the reserves for the testing times ahead, your Directors are pleased to recommend a Dividend of 10% (Previous Year - 20%) i.e. Re 1/- per fully paid equity share of Rs. 10/- each.

DIRECTORS:

Mr. S. Gopalakrishnan and Mr. P. E. Krishnan Directors, retire by rotation. In accordance with the Companies Act, 1956 and Articles of Association of the Company they being eligible, offer themselves for re-appointment.

FIXED DEPOSITS:

Your Company has neither accepted nor renewed any Fixed Deposits during the year ended March 31, 2002.

AUDITORS:

Messrs. M S Reddy & Associates, Chartered Accountants, Bangalore, Auditors of the Company retire at the end of forthcoming Annual General Meeting and are eligible for appointment.

FORFEITURE OF SHARES:

The Board in their meeting held on 29th day of January 2002 forfeited 20,300 Unpaid Equity Shares after giving due notices and three reminders.

PARTICULARS OF EMPLOYEES:

There was no employee drawing remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rules, 1975.

COMPLIANCE OF STOCK EXCHANGE FORMALITIES:

Your Company has fully complied with the Listing formalities of all Stock Exchanges where the Company's shares are listed. Your Directors have taken necessary action in connection with the Guidelines/Regulations issued by Securities and Exchange Board of India (SEBI) on Insider Trading. Listing fees has been paid up to date.

ACCOUNTING STANDARDS:

The Company has followed the mandatory Accounting Standards for preparation of Financial Statements for the year ended March 31, 2002

CORPORATE GOVERNANCE:

A detailed report on Corporate Governance has been included separately in the Annual Report.

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

Information pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 is Nil.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

Foreign Exchange Earnings : Rs. 86.01 Lakhs Foreign Exchange Outgo : Rs. 969.90 Lakhs

DIRECTORS' RESPONSIBILITY STATEMENT:

As per Section 217(2AA) of the Companies (Amendment) Act, 2000 your Directors hereby confirm that -

- In the preparation of these annual accounts, the applicable accounting policies and standards are followed, as issued by the Institute of Chartered Accountants India (ICAI) and the requirements of the Companies Act, 1956, to the extent applicable. No material departures are noticed from the prescribed accounting standards ;
- The accounting policies are consistently applied and reasonable, prudent judgment and estimates are made so as to give a true and fair view of the state of affairs of the Company as at the end of the Financial Year ended March 31, 2002 and of the "Profit" of the Company for that year ;
- The annual accounts have been prepared on a system of historical cost, on a going concern and on accrual basis ;
- Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud, errors and other irregularities.
- Financial Statements have been audited by Messrs. M S Reddy & Associates, Chartered Accountants, Bangalore being the Statutory Auditors of the Company.

ACKNOWLEDGEMENTS:

Your Directors thank the Shareholders/Investors for their response and confidence, Customers, Vendors, Bankers, Canbank Factors, Channel Partners, Software Technology Park of India, Bangalore, the Customs and Central Excise Departments, Sales Tax and Income Tax Departments for their invaluable co-operation and support for your Company's growth.

Despite the uncertainty and tough market conditions faced with reduced spending by IT Companies, your Directors believe that by optimising the resources and by being increasingly market conscious, better results are achievable in the days to come.

For and on behalf of the Board

Place : Bangalore
Date : July 31, 2002

V.S. Rajan
Chairman

REPORT ON CORPORATE GOVERNANCE (In terms of recommendations by SEBI)

INTRODUCTION

As reported in the Last Annual Report, your Company has implemented and complied with the Corporate Governance Code recommended by the Securities and Exchange Board of India (SEBI). Your Company shall always be managed with the principles of Good Corporate Governance with a view to enhance overall shareholder value and to run the business effectively to achieve its corporate objectives.

I. BOARD OF DIRECTORS

A. The Board of Directors of the Company has an optimum combination of 5 executive and 5 non-executive Directors. The Company has a Non-Executive Chairman.

After due circulation of agenda and notes thereon, the Board of Directors have met at reasonable periods of intervals to transact business on various Board's functions, responsibilities and accountabilities. Compliances of various Laws and Regulations along with the Corporate Philosophy, goal, plans and strategies have been dwelt at length by the Board at its various proceedings.

The details of the Directors' attendance at the meetings of the Board of your Company for the year 2001-2002 are given below:

Sl. No.	Name	Designation	No. of Board Meetings held	No. of Board Meetings attended
Executive Directors				
1.	V. Ranganathan	Vice Chairman & Managing Director	7	5
2.	V. Krishnan	Director - Finance	7	7
3.	Gururaja K Upadhy	Director - Technical	7	7
4.	Shridhar S Hegde	Director - Marketing	7	5
5.	P. Vishwamurthy	Director - Software	7	3
Non-Executive Directors and Independent				
6.	V. S. Rajan	Chairman	7	4
7.	Suresh Kumar T.S.	Director	7	6
8.	P.E. Krishnan	Director	7	1
9.	S.Gopalakrishnan	Director	7	4
Non-executive				
10.	Mythili Kannan	Director	7	0

All other Directors except Mrs.Mythili Kannan, who is based in U.S.A and Mr. P.E. Krishnan, attended the Seventh Annual General Meeting. No Extraordinary General Meeting was held during the year under report.

II. AUDIT COMMITTEE

The functions of Audit Committee are as follows:

- To oversee the company's financial reporting process and disclosure of its financial information;
- To recommend the appointment of statutory auditors and fixation of the audit fee;
- To review and discuss with the auditors about internal control systems, the scope of audit including the observations of the Auditors, adequacy of the internal audit function, major accounting policies, practices and entries;
- Compliance with accounting standards;
- Compliance with the Stock Exchange and legal requirements concerning financial statement and related party transactions, if any;
- To review the company's financial and risk management policies;
- Discuss with the internal auditors any significant findings for follow-up thereon;
- To review the quarterly, half yearly and annual financial statement before submission to the Board of Directors.

The committee also meets the management team and reviews the operations, new initiatives and performance of the business units. The minutes of the audit committee are circulated to the Board, discussed and taken note of.

The Audit Committee is comprised of the following Directors : —

1. Mr. S. Gopalakrishnan — Chairman
2. Mr. V.S. Rajan — Member
3. Mr. P.E. Krishnan — Member

The details of attendance of the meetings of the Audit Committee for the year 2001-2002 are as follows

Name	No. of meetings held during the year	No. of meetings attended during the year
Mr. S. Gopalakrishnan	3	3
Mr. V.S. Rajan	3	3
Mr. P.E. Krishnan	3	1

The Audit Committee reviewed the financial results, accounting and financial controls as well as policies and practices as also internal control and internal audit systems.

Based on the recommendations so made, the Company has engaged the services of Messrs Murugendrappa and Co., an independent firm of Chartered Accountants to act as Internal Auditors to carry out the various functions connected thereto.

III REMUNERATION COMMITTEE

The functions of Remuneration Committee are as follows:

- To review, assess and recommend the appointment of executive and non-executive Director from time to time;
- Periodically review the remuneration package of the executive Directors and recommend suitable revision to the Board;
- To recommend compensation to the non-executive Directors in accordance with the provisions of the Companies Act, 1956;
- To consider and recommend Employee Stock Option Schemes from time to time and to administer and supervise the same.

Remuneration of employees largely consists of base remuneration, perquisites and performance incentives.

The Remuneration Committee consists of the following Directors : —

1. Mr. S.Gopalakrishnan — Chairman
2. Mr. T.S Suresh Kumar — Member
3. Mr. P.E.Krishnan — Member

There was no occasion for the Committee to meet during the year since there was no review of the remunerations payable to the Directors.

Details of Remuneration of all Directors:

(Amount in Rs.)

Sl. No.	Name	Salary	Sitting fee
1.	V. Ranganathan	4,82,080	—
2.	V. Krishnan	4,82,080	—
3.	Gururaja K Upadhy	4,82,080	—
4.	Shridhar S Hegde	4,82,080	—
5.	P. Vishwamurthy	4,82,080	—
6.	V.S. Rajan	—	3,000
7.	Suresh Kumar T.S.	78,520	6,000
8.	P.E. Krishnan	—	1,000
9.	S. Gopalakrishnan	26,320	4,000
10.	Mythili Kannan	—	—

IV INVESTORS GRIEVANCES COMMITTEE:**The functions of Investors Grievances Committee are as follows:**

- To look into the shareholders complaints, if any and to redress the same expeditiously.
- To approve the request for issue of duplicate share certificates and issue of certificates after split/consolidation.

The Investors Grievance Committee consists of the following:

1. Mr. S. Gopalakrishnan – Chairman
2. Mr. V.S. Rajan – Member
3. Mr. P.E. Krishnan – Member

The Sub-Committee duly appointed by the aforesaid Committee met continuously to address the various issues relating to the investors, including non-receipt of Annual Reports, Dividend related issues, Change of addresses, transfers of shares, dematerialization and other related aspects. The Company has also continuously requisitioned the services of an independent Practicing Company Secretary to review the procedures followed by the RTA. No major grievance of any investor was pending as on March 31 2002.

During the year, 54 letters/complaints/requests were received from the shareholders and all the 54 letters/complaints/requests were resolved to the satisfaction of the parties.

None of the Directors of the Company were members in more than 10 committees nor acted as Chairman of more than five committees across all companies in which they were Directors. During 2001-02, no transactions of material nature had been entered into by the Company with the Management or their relatives that may have a potential conflict with interest of the Company.

V. MANAGEMENT

Clause 49 of the Listing Agreement with the Stock Exchanges states the following as regards the Management

The Company agrees that as part of the Directors' Report or as an addition there to, a Management Discussion and Analysis report should form part of the annual report to the Shareholders. This Management Discussion & Analysis should include discussion on the following matters within the limits set by the Company's competitive position:

- i. Industry structure and developments
- ii. Opportunities and Threats
- iii. Segment wise or Product-wise performance
- iv. Outlook
- v. Risks and concerns
- vi. Internal control systems and their adequacy
- vii. Discussion on financial performance with respect to operational performance
- viii. Material developments on the Human Resources/ Industrial Relations front, including number of people employed

A 'Management Discussion and Analysis of Results of Operations and Financial Condition' report is included hereunder. The report contains all the information specified above.

The Company has a policy under which all the Directors of the Company are required to disclose all material financial and commercial transactions where they have a personal interest to the Board. All the related party transactions are disclosed as Note 15 under Notes to Accounts.