



CEREBRA

Total I.T. Solutions

An ISO 9001 : 2000 Company

Cerebra Integrated Technologies Ltd.

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9th

A N N U A L R E P O R T

2002-2003

CEREBRA INTEGRATED TECHNOLOGIES LTD.

BOARD OF DIRECTORS

V. Ranganathan	– <i>Managing Director</i>
Gururaja K. Upadhy	– <i>Director Technical</i>
Shridhar S. Hegde	– <i>Director</i>
P.Vishwamurthy	– <i>Director</i>
T. S. Suresh Kumar	– <i>Director</i>
P.E.Krishnan	– <i>Director</i>
S. Gopalakrishnan	– <i>Director</i>

REGISTERED OFFICE & OPERATIONS

#S-5, Off 3rd Cross, Peenya I Stage,
Peenya Industrial Area,
Bangalore - 560 058
Tel: 91 - 80 - 8370281/2/3
Fax: 91 - 80 - 8372609
Web: www.cerebracomputers.com
Email: info@cerebracomputers.com

SURFACE MOUNT TECHNOLOGY DIVISION (SMT)

#26/4, "A" Block, I Floor,
Industrial Suburb, , 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

Kershaw House, 449, Great West Road,
Hounslow, Middlesex TW5 OBU U.K.
Tel.+44 (0) 7803 130 330

Werner-Egk-Str.6
D-85591, Vaterstetten,
Germany.
Tel/Fax. +49 8106 898434
Fax: +49 8106 898432
Mob: +49 171 2343469

STATUTORY AUDITORS

Messrs 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

State Bank of India
Canara Bank

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,

The Indian economy continued to be haunted by the events in India and the World over resulting in very slow growth during Financial Year 2002-03. The overall economic growth slid to 4.3% in 2002-03 from 5.6% in 2001-02. This compares very poorly with average growth rate of 6.1% between 1992-93 and 2000-01.

Information Technology Industry continued to be one of the most affected sectors among Indian Industries. Whilst the Computer Hardware market recorded a poor growth and wafer-thin margins, the Indian Software sector was affected by the global recession, resulting in negative growth and severe pricing pressure.

The above events affected most companies across the Board and Cerebra was no exception. Your Company was able to meet its top line of the previous year by recording a gross turnover of Rs.3157.93 lakhs but slipped badly in terms of bottom line by recording a loss of Rs.491.50 lakhs. Your Company's Management continues its focus in both the Hardware and Software Division. Your Company has added four big clients in the Hardware Division during the year 2002-03 with vast potential to increase its orders from these clients during the coming years. The Company has also added five clients in the Software Division in form of overseas orders from Europe. Most of these orders are pilot projects and is nearing completion with larger projects from the same clients expected to materialize during the Financial Year 2003-04.

Several initiatives were infused towards cutting costs, increasing sales, increased focus on business with higher margins, etc. These measures are expected to result in better profitability in the coming months/years.

The Indian Hardware market is expected to record a growth of 20%, as per reports available. The I.T Software market is also expected to pick up and your Company's Management is confident of much better and improved performance in the coming months/years.

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,

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V. RANGANATHAN
Managing Director

NOTICE

NOTICE is hereby given that the Ninth Annual General Meeting of the Company will be held at 10.00 a.m. on Monday, the 22nd day of September 2003 at the registered office of the Company, #S5, off 3rd Cross, Peenya Industrial Area, Peenya I Stage, Bangalore – 560 058 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2003 and the Profit and Loss Account for the year ended on that date along with the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr.Suresh Kumar T.S. who retires by rotation, and being eligible, offers himself for re-appointment
3. To appoint a Director in place of Mr.P.Vishwamurthy who retires by rotation, and being eligible, offers himself for re-appointment
4. To appoint Messrs. M.S. Reddy & Associates, Chartered Accountants, Bangalore as Auditors and to authorise the Board of Directors of the Company to fix their remuneration.

SPECIAL BUSINESS

5. To consider, and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT subject to the provisions of the Companies Act, 1956, 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 modification(s) 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 term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this resolution), be and is hereby authorized to accept, the consent of the Company be and is hereby accorded to the Board to de-list the Equity Shares of the Company from the Stock Exchanges at all or any of the Stock Exchanges at Kolkatta, Ahmedabad and / or Bangalore".

6. To consider, and if thought fit, to pas with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT consent of the Company be and is hereby accorded to the Board of Directors to carry on, or hive off, the business of software, Surface Mount Technology under, or to, as the case may be, as separate entity/entities including Subsidiary / Subsidiaries, in collaboration or Joint venture with strategic partners/investors as and when the opportunity arises and that this be so done or given effect to in the best interest of the Company and that this approval be deemed as approval under Section 293(1)(a) of the Companies Act, 1956 and that Board of Directors be and are hereby empowered to take such steps and to do acts and deeds as may be necessary in this regard".

By Order of the Board

Place : Bangalore
Date : 30th July 2003

V. RANGANATHAN
Managing Director

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. 5 and 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 16-9-03 to 22-9-03(both days inclusive).
5. Members are requested to notify their change in address to the Registrars and Transfer Agents by quoting their relevant registered Folio Number.
6. 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.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE ANNUAL GENERAL MEETING:**1. Mr. SURESH KUMAR T.S.**

Date of Birth: 17.11.1966

Qualification: B.Sc.

Expertise: He has wide ranging experience in the field of Finance Solutions & Stock Broking activities. He has successfully managed activities of the whole organization in his earlier tenure with leading stock broking Companies.

No. of Board Meetings attended during the year: 4

2. Mr. P.VISHWAMURTHY

Date of Birth: 03.05.1967

Qualification: B.E.

Expertise: He has completed his Graduation in Engineering from Bangalore University and was involved in marketing of various products in earlier tenure. He joined Cerebra in 1995 and managed the entire activities of a few branches of Cerebra. He took over as the Centre Head of one of the Franchisees of Aptech and managed this enterprise successfully for 3 years. He took over as Director – Software Division of Cerebra in 2000 and is since involved in sales & marketing activities of Software Division.

No. of Board Meetings attended during the year: 2

ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:****Item No.5:**

Your Company's Shares are enlisted on the following Stock Exchanges:

- | | |
|-------------------------------------|------------------------------------|
| 1. Bangalore Stock Exchange Limited | 3. Kolkatta Stock Exchange Limited |
| 2. The Stock Exchange, Mumbai | 4. Ahmedabad Stock Exchange |

The Listing Regulatory Authorities have introduced new Guidelines namely the SEBI (Delisting of Securities) Guidelines, 2003 which came in to force some time ago and have simplified the procedural requirements for Delisting.

Approval of the Members is being sought by way of a Special Resolution to enable the Board to delist the Company's Equity Shares, from all the Exchanges except The Stock Exchange, Mumbai.

Your Company pays Listing Fees annually to the various Stock Exchanges. Delisting if approved at all levels, would save your Company such amount and other operational costs for compliance with the listing Regularities of the Stock Exchanges. Needless to add, these compliances are in any case required to be done with respect to the Stock Exchange at Mumbai.

Your Company's Shares will continue to be listed on the Mumbai Stock Exchange which is a premier Exchange. We shall make an application to list on the National Stock Exchange (NSE), at an appropriate time, subject to satisfying the listing Rules & Regulations of NSE

The delisting will take effect after all approvals, permissions and sanctions are received.

The proposed delisting of the Company's Shares from the aforementioned Stock Exchanges shall not cause any hardships to the investors, since, trading on your Company's Shares on the BSE can be done from anywhere in India.

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

Your Directors recommend the resolution for your approval.

Item No.6:

The Board of Directors of the Company have felt it necessary, after series of discussions and consultations with potential strategic allies that the software, Surface Mount Technology business be carried out separately as independent profit centers so as to enable their participation. Although there is no specific proposal at this point in time, your Board thought it fit to seek your approval as required under Section 23(1)(a) of the Companies Act, 1956. Due accounting compliance and valuation as also other legal requirements and obligations will be fully met and your company will continue to be an active participant in the proposed entity/entities or Subsidiary/Subsidiaries as and when it materializes.

The Directors recommend the resolution for your approval.

None of the Directors in concerned or interested in the resolution.

By Order of the Board

Place : Bangalore
Date : 30th July 2003

V. RANGANATHAN
Managing Director

DIRECTORS' REPORT

Your Directors present their Ninth Annual Report together with the audited Balance Sheet and Profit and Loss Account for the year ended March 31, 2003.

FINANCIAL RESULTS :

Particulars	(Rs.in lakhs)	
	2002-2003	2001-2002
Total Income	3196.78	3285.62
Total Expenditure	3422.69	2925.40
Operating Profits (PBIDT)	-225.91	360.22
Interest	207.21	142.53
Depreciation	70.59	62.27
Profit Before Tax (PBT)	-503.71	155.42
Provision for Tax - Current	0.00	5.00
Profit after Current Tax but before Deferred Tax	-503.71	150.42
Deferred Tax	-12.21	33.50
Profit available for appropriations/(Loss)	-491.50	116.92

REVIEW OF OPERATIONS

Your Company earned an operating profit of Rs.137.02 lakhs. However, the high incidence of Financial Charges coupled with write off towards miscellaneous expenditures and others of Rs.557.93 lakhs resulted in a negative bottom line.

DIVIDEND

Your Directors regret to inform you that in view of the losses, no dividend is declared for the year ended 31.3.2003.

BOARD OF DIRECTORS

The following changes were made in the constitution of the Board with effect from 30.7.2003:

Sl.No.	Name	Before the Change	After the Change
1.	Mr. V.S. Rajan	Chairman	Ceased to be Chairman and Director
2.	Mr. V. Ranganathan	Vice Chairman & Managing Director	Managing Director
3.	Mrs. Mythili Kannan	Director US Operations	Ceased to be a Director
4.	Gururaja K Upadhya	Director Technical	Director Technical
5.	Shridhar S Hegde	Director Marketing	Director
6.	V. Krishnan	Director Finance	Ceased to be Director Finance and Director
7.	P. Vishwamurthy	Director Software	Director
8.	T.S. Suresh Kumar	Director	Director
9.	P.E. Krishnan	Director	Director
10.	S. Gopalakrishnan	Director	Director

Your Directors record their appreciation for the services rendered by the outgoing Directors. Mr. Suresh Kumar and Mr. P. Vishwamurthy retire by rotation and are eligible for re-appointment.

FIXED DEPOSITS

Your Company has neither accepted nor renewed any Fixed Deposits during the year ended March 31, 2003.

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.

AUDITOR'S REPORT

Attention is drawn to Para 2(l) of the Auditors Report dated 30th June 2003. The Management is hopeful to recover the 'outstandings of Rs.270.15 Lakhs outstandings for more than 3 years and therefore the same is not provided for.

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.

ACCOUNTING STANDARDS

The Company has followed the mandatory Accounting Standards for preparation of Financial Statements for the year ended March 31, 2003.

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

- a. Energy Conservation : Although your Company does not consume energy substantially, measures have been imposed to conserve energy at all possible points.
- b. Technology Absorption : The Company continues to obtain improved technology by aggressive interaction, through media and program channel partners.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earnings : Rs.103.77 Lakhs

Foreign Exchange Outgo : Rs. 447.57. 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, 2003 and of the "Profit/(Loss)" 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.

SHIFTING OF THE REGISTERED OFFICE

The registered office of your Company was shifted from # 24, 12th Main, I Block, Rajajinagar, Bangalore - 560 010 to # S-5, off 3rd Cross, I Stage, Peenya, Industrial Area Bangalore - 560 058 with effect from 1st June 2003.

ACKNOWLEDGEMENTS

Your Directors thank the Shareholders/Investors for their response and confidence, Customers, Vendors, Bankers, Canbank Factors Ltd, 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.

For and on behalf of the Board

Place : Bangalore
Date : July 30, 2003

V.RANGANATHAN
Managing Director

GURURAJA K UPADHYA
Director Technical

REPORT ON CORPORATE GOVERNANCE**INTRODUCTION**

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. Composition of the Board and the various Committees were reconstituted on 30th July 2003. The Board of Directors of the Company had 5 executive and 5 non-executive Directors. After the reconstitution of the Board, the Board of Directors has 2 Executive Directors and 5 Non Executive Directors out of which 3 are Non Executive independent Directors.

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, goals, 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 during the financial year 2002-2003 are given below:

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

With effect from 30.7.2003:

*Ceased to be Vice Chairman but continues as Managing Director.

**Ceased to be Director Finance and Director.

***Ceased to be a Wholtime Director but continues to be Director.

****Ceased to be Chairman and Director.

*****Ceased to be Director.

The reconstituted Board is as follows :

Sl. No.	Name	Designation
Executive Directors		
1.	V Ranganathan	Managing Director
2.	Gururaja K Upadhy	Director Technical
Non-Executive		
3.	Shridhar S Hegde	Director
4.	P. Vishwamurthy	Director
Non-Executive & Independent Directors		
5.	Suresh Kumar T.S.	Director
6.	P.E. Krishnan	Director
7.	S. Gopalakrishnan	Director

All other Directors except Mrs. Mythili Kannan, who is based in U.S.A and Mr. P.E. Krishnan, attended the Eighth 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 new Audit Committee is as follows :

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

The details of attendance of the meetings of the Audit Committee for the financial year 2002-2003 are as follows:

Sl. No.	Name	No. of meeting held during the year	No. of meetings attended during the year
1.	S. Gopalakrishnan	4	4
2.	V.S. Rajan	4	4
3.	P.E. Krishnan	4	4

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. The Company is in the process of strengthening its internal controls and has taken various measures both internally and externally by appointing suitable persons to improve the various systems and set controls wherever necessary. Based on the recommendations so made, the Company has engaged the services of M/s. Murugendrappa and Co., and M/s. B. Chandrashekar and Co., both independent firms of Chartered Accountants to act as Internal Auditors to carry out the various functions connected thereto.