



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

**Cerebra Integrated Technologies Ltd.**

Report  Junction.com

**11<sup>th</sup>**

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

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**2004-2005**

## **BOARD OF DIRECTORS**

**V. Ranganathan** - *Managing Director*  
**Gururaj K. Upadhya** - *Director Technical*  
**Shridhar S. Hegde** - *Director*  
**P. Vishwamurthy** - *Director*  
**T. S. Suresh Kumar** - *Director*  
**P. E. Krishnan** - *Director*  
**S. Gopalakrishnan** - *Director*

## **REGISTERED OFFICE, FACTORY AND WORKSTATION**

#S-5, off 3rd Cross, I Stage,  
Peenya Industrial Area,  
Bangalore - 560 058  
Tel: 91 - 80 - 28370282 / 284  
Fax: 91 - 80 - 28372609  
Web: [www.cerebracomputers.com](http://www.cerebracomputers.com)  
Email: [info@cerebracomputers.com](mailto:info@cerebracomputers.com)

## **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 0BU U.K  
Tel: +44 (0) 7803 130 330

## **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 Computershare Pvt 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  
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

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**CEREBRA INTEGRATED TECHNOLOGIES LIMITED**

Regd Off. #S-5, off 3rd Cross, I Stage, Peenya Industrial Area, Bangalore - 560 058

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**NOTICE**

NOTICE is hereby given that the Eleventh Annual General Meeting of the Company will be held at 10.00 a.m. on Saturday, the 31<sup>st</sup> day of December 2005 at the Registered Office of the Company to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited Balance Sheet as at September 30, 2005 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. P Vishwamurthy, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. T S Suresh Kumar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Messrs. M.S. Reddy & Associates, Chartered Accountants, Bangalore who retire at the end of the ensuing 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**

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

"RESOLVED THAT the members hereby take note of the fact that by virtue of erosion of entire net worth, the Company has become a 'Potentially Sick Industrial Undertaking' in terms of the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) and that the Board of Directors of the Company were required to, make necessary application(s) and do such other acts and deeds as were/may be required in this regard, with the Board for Industrial and Financial Reconstruction (BIFR) as may be required."

By Order of the Board  
For Cerebra Integrated Technologies Limited

Place : Bangalore

Date : 30<sup>th</sup> November 2005

**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 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 on 31.12.2005
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-APPOINTMENT AT THE ANNUAL GENERAL MEETING:**

**1. Mr. P Vishwamurthy:**

Date of Birth: 3.5.1967

Qualification: B.E

Expertise: He was involved in marketing of various products in his earlier tenure. He joined Cerebra in 1995 and managed the entire activities of a few branches of Cerebra. He took over as the Center Head of one of the Franchisees of Aptech and managed this enterprise successfully for three years. He took over as Director – Software Division of Cerebra in 2000 and is since involved in marketing activities of Software Division

Number of Board Meeting attended during the year: 5

**2. Mr. T S Suresh Kumar:**

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.

Number of Board Meeting attended during the year : 0

**ANNEXURE TO THE NOTICE**

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956  
Item # 5**

Your Company due to continuous losses during the last three years has eroded its entire Network and therefore has become 'Potentially Sick Industrial Undertaking' in terms of the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). Your Board of Directors of the Company has already made application(s) to the Board for Industrial and Financial Reconstruction (BIFR) as may be required and have done such other acts and deeds in this regard. The same may be noted by the members.

The Board of Directors of the Company took a decision on referring the aforesaid situation of the Company to the BIFR on 21.12.2004 and made an application to them on 3.01.2005 BIFR has accepted the application and registered the Company as a Potentially Sick Industrial Undertaking on 14.03.2005. The registration case number is 94/2005.

Your Directors recommend the resolution for your approval.

None of the Directors of the Company is in any way concerned or interested in the resolution except to the extend of their shareholding.

Place : Bangalore

Date : 30<sup>th</sup> November 2005

By Order of the Board  
For Cerebra Integrated Technologies Limited

**V. RANGANATHAN**  
**MANAGING DIRECTOR**

**CEREBRA INTEGRATED TECHNOLOGIES LIMITED**

Regd Off.: #S-5, off 3rd Cross, I Stage, Peenya Industrial Area, Bangalore - 560 058

**DIRECTORS' REPORT**

Your Directors present their Eleventh Annual Report together with the audited Balance Sheet and Profit and Loss Account for the year ended September 30, 2005.

**FINANCIAL RESULTS:**

Particulars	(Rs.in lakhs)	
	2004-05(12 Months)	2003-2004 (18 Months)
Total Income	222.93	275.14
Total Expenditure	761.98	2968.63
Operating Profits (PBIDT)	-539.06	-2693.50
Interest	123.86	201.69
Depreciation	38.41	88.99
Profit Before Tax (PBT)	-701.32	-2984.17
Provision for Tax – Current	0.00	0.00
Profit after Current Tax but before Deferred Tax	-701.32	-2984.17
Deferred Tax	-6.81	-14.48
Profit available for appropriations/(Loss)	-694.50	-2969.69

**REVIEW OF OPERATIONS:**

The Company during the year executed a major order for an Original Equipment Manufacturer (OEM) worth Rs1.46 Crores. The losses are due to amount of write off and impairment of fixed assets.

**DIVIDEND:**

Your Directors regret to inform you that no dividend is declared for the year-ended 30.9.2005 in view of the losses incurred.

**DIRECTORS:**

Mr. P Vishwamurthy and Mr. T S Suresh Kumar 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 September 30, 2005.

**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.

**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 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 September 30, 2005.

**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 not applicable.

**FOREIGN EXCHANGE EARNINGS AND OUTGO:**

Foreign Exchange Earnings: Nil

Foreign Exchange Outgo: Nil

**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 of 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 year ended September 30, 2005 and of the "Profit/(Loss)" of the Company for that year;
- The accounts for the year-ended 30.9.2005 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 and other Government Departments for their valuable co-operation and support for your Company's survival.

Despite the uncertainty and tough market conditions faced with high competition your Directors believe that by optimizing the resources and by being increasingly market conscious, better results are achievable in the days to come.

By Order of the Board  
For Cerebra Integrated Technologies Limited

Place: Bangalore  
Date: November 30, 2005

V Ranganathan  
Managing Director

Gururaj K Upadhya  
Director Technical

**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 2 Executive 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, goal, plans and strategies have been dwelt atlength by the Board at its various proceedings.

The details of the Directors' attendance at the meetings of the Board of your Company during the 12 Months year ended 30.9.2005 are given below:

Sl. No.	Name	Designation	No. of Board Meeting held	No. of Board Meetings attended
<b>Executive Directors</b>				
1.	V Ranganathan	Managing Director	5	5
2.	Gururaj K Upadhya	Director - Technical	5	5
<b>Non-Executive</b>				
3.	Shridhar S Hegde	Director	5	5
4.	P Vishwamurthy	Director	5	5
<b>Non-Executive and Independent Directors</b>				
5.	Suresh Kumar TS	Director	5	0
6.	PE Krishnan	Director	5	0
7.	S Gopalakrishnan	Director	5	0

The Board Meeting dates being 12.01.05, 28.01.05, 29.04.05, 30.7.05, and 15.11.2005.

All other Directors attended the Tenth 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. TS Suresh Kumar – Member
3. Mr. P.E. Krishnan – Member

The details of attendance of the meetings of the Audit Committee for the 12 Months year ended 30.9.2005 are as follows :

SI No.	Name	No. of meeting held during the year	No. of meetings attended during the year
1.	S Gopalakrishnan	4	4
2.	TS Suresh Kumar	4	4
3.	PE Krishnan	4	3

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.

## **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 remuneration payable to the Directors.

**Details of Remuneration of all Directors:**

(Amount in Rs.)

Sl. No.	Name	Designation	Salary	Sitting fee*
<b>Executive Directors</b>				
1.	V Ranganathan	Managing Director	NIL	NIL
2.	Gururaj K Upadhy	Director – Technical	NIL	NIL
<b>Non-Executive</b>				
3.	Shridhar S Hegde	Director	NIL	NIL
4.	P. Vishwamurthy	Director	NIL	NIL
<b>Non-Executive and Independent Directors</b>				
5.	Suresh Kumar TS	Director	NIL	NIL
6.	PE Krishnan	Director	NIL	NIL
7.	S Gopalakrishnan	Director	NIL	NIL

\* In view of the poor performance, no sitting fee was paid to the Directors.

**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. TS Suresh Kumar – 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 30.9.2005.

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 2004-2005, 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.

### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT FOR THE 12 MONTHS YEAR ENDED 30TH SEPTEMBER 2005:**

The Management of Cerebra Integrated Technologies Limited presents the Analysis of Division wise performance of the Company for the year ended 30<sup>th</sup> September 05 and its outlook for the future. The outlook is based on assessment of the current business environment and may vary due to future economic and other developments both in India and abroad.

#### **Cerebra- System Integration Division (S.I.D)**

The System Integration Division is located at S5, Off 3<sup>rd</sup> cross, Peenya Industrial Area, Peenya I Stage Bangalore-560058 and manufactures PCs, Servers, Laptops, etc., and trades in all kinds of I.T products and peripherals. This division recorded Gross Sales of Rs.219.85 lacs in the year 2004-05 when compared to the gross sales of Rs.211.28 lacs during the financial year 2003-04. The Company during the year executed a major order for an Original Equipment Manufacturer (OEM) worth Rs1.46 Crores. The losses are due to amount of write off and impairment of fixed assets. The management plans to continue their focus on this division.

#### **Cerebra- Surface Mount Technology Division (S.M.T Division)**

The Surface Mount Technology Division is located at S5, Off 3<sup>rd</sup> Cross, Peenya I Stage, Peenya Industrial Area, Bangalore-560058. This division during the year 2004-05 continued its focus to sub-contracts works. This division recorded a NIL sales in the year 2004-05 when compared to gross sales of Rs 7.12 lacs for the year 2003-04.

#### **Cerebra-Software Division**

The Software Division is located at S5, Of f 3<sup>rd</sup> Cross, Peenya Industrial Area, Peenya I Stage, Bangalore – 560 058. This division is currently focusing on Staff Augmentation, small testing projects, etc., This division recorded a NIL sales for the financial year 2004-05 when compared to Rs. 21.03 lacs for the financial year 2003-04.

#### **Cerebra- Securities Division**

This division earned NIL brokerage income for the financial year 2004-05 when compared to Rs. 23.20 lacs for the Financial Year 2003-04.

The certificate obtained from the statutory Auditors Messes M.S. Reddy & Associates, Chartered Accountants dated 30.11.2005 is annexed herewith.