

19th Annual Report (2012-2013)



Cerebra Integrated Technologies Limited



www.cerebracomputers.com

BOARD OF DIRECTORS

V. Ranganathan	-	Managing Director
Gururaja K. Upadhya	-	Director Technical
Shridhar S. Hegde	-	Whole-time Director
P. Vishwamurthy	-	Whole-time 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 / 84
Fax: 91 - 80 - 28372609
Web: www.cerebracomputers.com
Email: info@cerebracomputers.com

CORPORATE OFFICE AND ITeS FACILITIES

26/4, 'A' Block, 2nd Floor
Industrial Suburb, Rajajinagar
Bangalore - 560 055

SUBSIDIARIES

1. Cerebra Middle East FZCO
Dubai, UAE
2. Cerebra LPO India Ltd
Bangalore
3. Geeta Monitors Pvt Ltd
Bangalore
4. Cerebra E-waste Recovery Pte. Ltd.
Singapore

STATUTORY AUDITORS

Messrs Ishwar & Gopal
Chartered Accountants
Sri Vinayaka Motor Service Building
No, 21/3. T.S.P. Road Kalasipalyam,
Bangalore – 560 002

REGISTRARS & SHARE TRANSFER AGENTS

Karvy Computershare Pvt. Ltd.
Plot No 17 to 24, Vittal Rao Nagar,
Madhapur, Hyderabad – 500 081
Phone : 040 - 44655185
Fax - 040-23420814

BANKERS

Bank of India

ENLISTMENTS

BSE Limited (BSE)
National Stock Exchange of India Limited (NSE)

DEPOSITORIES

National Securities Depository Limited
Central Depository Services Limited

Dear Stakeholder,

Greetings!

We always look with immense pleasure in welcoming December for the two following reasons:

1. Welcome the New Year which we hope and wish will bring in lot of prosperity, cheer, happiness and overall growth for your company.
2. We get an opportunity to meet up and interact with all of you, the real owners of the company. It gives me great pleasure to welcome you all to the 19th AGM of your company. I am sure we will be able to see all the old supporters of Cerebra and also some new ones during the AGM.

The economic scenario continues to be bleak and bearish. We hopefully assume that this should and will change sooner rather than later. Your Company has performed well in spite of the bleak economic outlook. Enhance inflation, higher interest rates, rising commodity prices and continued weakness in the global economy have added to the woes of the industry. Investments in to Indian Corporate reduced drastically in the past 18 months or so. India's economy grew by a low level of 5% last year and is not expected to be any better this year. The political scenario is also turbulent and we hope this will stabilise post elections round the corner and will have a stable, growth oriented Government in the centre.

Your Company has achieved a turnover of Rs. 23,205.11 Lakhs and a profit of Rs. 536.32 Lakhs during the year. The year saw its ups and downs for your Company. We had signed a SPA to acquire the Singapore based E waste recycling company called Cimelia; however we were forced to abort the same based on the advice of our advisors, well-wishers and investors. We are focusing fully on setting up the India E waste plant and will soon conclude and start the plant in Narsapura Bangalore.

SMT

As mentioned in the last Annual Report, your Company has started exports of products to Canada and the volume of orders and value of booked orders to Canada has exceeded our expectations. Apart from this we have added many new customers and have confirmed orders for the next 12 months. We have been rated as the Top Electronics Manufacturer with a MNC who is based out of Singapore and has a global footprint comprising of the Americas, Asia Pacific, Europe, Middle East and Africa.

Cerebra Middle East:

Your Company's Middle East subsidiary has performed exceedingly well and the future also looks very promising. We have a team of young and dynamic personnel steered by an aggressive team leader and we have always been confident of their achieving the numbers and also exceeding them. Our confidence proved to be right.

Software, BPO, LPO

These divisions continue to perform though not up to our expectations. We have worked on different strategies here and hope this year will witness more encouraging results.

E waste: This continues to be our focus area and have started working on the Narsapura plant. We have started collecting E waste and segregating, shredding and processing them. Repair and refurbishment will start in full swing during the coming year.

Your Directors have covered each sector in great detail and very soon you all will be proud owners of a world class recycling plant.

We take this opportunity to thank you all, partners, vendors, bankers and the Governments of India and Karnataka for their support without which we would not have achieved any of the things mentioned in this report. Needless to add, nothing would have been possible without the relentless and dedicated cooperation extended by the employees at all levels and I sincerely salute them for their efforts.

On behalf of Team Cerebra, I take this opportunity to wish all of you a Very Happy and Prosperous New Year 2014!

Warm Regards

V Ranganathan
Managing Director

CEREBRA INTEGRATED TECHNOLOGIES LIMITED

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

NOTICE

NOTICE is hereby given that the Nineteenth Annual General Meeting of the Company will be held at 11 a.m. on Tuesday, the 31st day of the December, 2013 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 30th September, 2013 and the Statement of Profit and Loss 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. Gururaj K. Upadhyaya, who retires by rotation, and being eligible, offers himself for re-appointment.
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 Messrs Ishwar & Gopal, Chartered Accountants, to hold the Office of Statutory Auditors from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting.

By Order of the Board

Place : Bangalore
Date : 30th November, 2013

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. For the convenience of the Members and for proper conduct of the Meeting, entry to the place of Meeting will be regulated by an Attendance Slip, which is forwarded as detachable part of Annual Report. Members are requested to affix their signature at the place provided in the Attendance Slip and hand it over at the entrance.
3. Members, who hold shares in dematerialized form, are requested to bring in their Client ID and DP ID nos. for easier identification of attendance at the meeting and those who hold shares in physical form are requested to write their folio number in the attendance slip for attending the meeting.
4. A member desirous of getting any information on the accounts or operations of the Company is requested to forward his/her queries to the Company at least 7 days prior to the meeting, so that, the required information can be made available at the meeting.
5. Members holding shares in physical form are requested to notify immediately any change in their address to the Company's Registrar and Transfer Agent, Karvy Computershare Private Limited. Members holding shares in electronic form may intimate any such changes to their respective Depository participants (DPs).
6. Members holding more than one share certificate in different folios are requested to kindly apply for consolidation of the folios and send the relative share certificates to the Company's Registrar and Share Transfer Agent, Karvy Computershare Private Limited, (Unit: Cerebra Integrated Technologies Limited), Plot No 17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081.
7. Listing fee has been paid to the Bombay Stock Exchanges up to date and the Company has already made delisting applications to Kolkutta Stock Exchange and Ahmedabad Stock Exchange.
8. The Company's Shares are traded in electronic form with ISIN No. INE345B01019.
9. The Register of Members and the Share Transfer Books will remain closed on 31st December 2013 in connection with the Annual General Meeting.
10. Members are kindly requested to bring Annual Report 2012-13 along with them to the Annual General Meeting., since extra copies will not be supplied at the Meeting.
11. Pursuant to Section 205A (5) of the Companies Act, 1956, as amended, any money transferred to Unpaid Dividend Account and remaining unclaimed for a period of 7 (seven) years from the date of such transfer to the Unpaid Dividend Account shall be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government, and thereafter, the Shareholders shall not be able to claim any Unpaid Dividend from the said fund or from the Company. This information is included for the benefit of the Shareholders for future purposes.

12. The Shares of the Company are compulsorily traded in electronic form. The Members are requested to forward all applications for transfer and all other shares related correspondence, including intimation for change of address, if any, to the Registrars and Transfer Agent of the Company at the following address:

Karvy Computershare Pvt. Ltd.
Plot No 17 to 24 Vittal Rao Nagar,
Madhapur, Hyderabad - 500 081
Fax - 040-23420814
Phone: 040- 4465 5000, 44655185

13. Pursuant to SEBI notification no. MED/ DOP/ Circular/05/2009 dated May 20, 2009, it has become mandatory for the transferee(s) to furnish copy of PAN Card to the Company/RTA to enable/effect transfer of Shares in physical form.

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

1. **Mr. Gururaj K. Upadhya:**
Date of Birth: 15.06.1964
Qualification: B.E
Expertise: Director Technical
No. of Board Meetings attended during the year: 04
2. **Mr. S. Gopalakrishnan:**
Date of Birth: 08.09.1967
Qualification: B Com
Expertise: Independent Director
No. of Board Meetings attended during the year: 04

DIRECTORS' REPORT

Your Directors present their Nineteenth Annual Report together with the audited Balance Sheet and the Statement of Profit and Loss for the year ended 30th September, 2013.

FINANCIAL RESULTS:

(Rs. in lakhs)

Particulars	2012-13	2011-12
Total Income	23205.11	16359.02
Total Expenditure	22615.33	15880.42
Operating Profits (PBIDT)	821.90	652.72
Interest	116.81	96.05
Depreciation	115.31	78.07
Profit Before Extra Ordinary Income	589.78	478.60
Tax Expense	33.37	131.58
Profit after Current Tax	556.41	347.02
Minority Interest	20.09	48.96
Profit available for appropriations	536.32	298.06

REVIEW OF OPERATIONS & GROWTH OPPORTUNITIES-MANAGEMENT DISCUSSION AND ANALYSIS REPORT FOR THE YEAR ENDED 30TH SEPTEMBER, 2013:

Perhaps the Shareholders have widely observed continued global economic impact and rising of the Euro debt crisis leading to recessionary trends in the Corporate Sector. Given the circumstances, your Company was still able to overcome some of these hurdles and has achieved better performance. Your Company continued to focus on the hardware business and this segment turned out to be a major revenue earner this year too.

Despite the continued recession, the Company achieved better results in the year under report as can be witnessed from the financials

Whilst the total income increased from Rs. 16359.02 lakhs in the previous year to Rs. 23205.11 lakhs in the year i.e. by Rs. 6846.09 lakhs with 42% growth, the Profit stood enhanced from Rs.298.06 lakhs in the previous year to Rs. 536.32 lakhs in the year with 80% growth.

Your Company has registered and taken possession of 12 acres of industrial land near Bangalore, allotted by the Government of Karnataka.

Meanwhile, an important development which gives this project tremendous fillip is that the E-Waste Disposal Rule has been passed by the Ministry of Environment and Forests making it mandatory from May 1, 2012, for all to dispose of their E-Waste through authorised E-waste recycler only.

The team from E-Waste Recycling Division is being expanded. Cerebra is the only Company in India to be given the license to set up an Integrated E-Waste Recycling Facility with a processing capacity of 96,000 MT per annum. This license has been obtained from the Karnataka State Pollution Control Board (KSPCB), Bangalore. The temporary E-Waste facility at Peenya is doing well and has successfully added many new customers and contracts and the preferred E-Waste Management partners for many MNC Companies and many others. Cerebra after calling off the SPA with Enviro Hub Holdings Limited in Singapore has entered in to a MOU with E-Waste Systems INC, UK.

The Directors report that the Company continues to be debt free except for subsidiary Company Geeta Monitors Private Limited.

SUBSIDIARY COMPANIES

The Company has following subsidiaries:

1. Cerebra LPO India Limited.
2. Geeta Monitors Private Limited.
3. Cerebra Middle East FZCO, Dubai.
4. Cerebra E Waste Recovery Pte Ltd. Singapore

The Ministry of Corporate Affairs, Government of India has issued Circular granting general exemption to Companies under Section 212(8) of the Companies Acts, 1956 ('the Act') from attaching the document referred to in Section 212(1) of the Act pertaining to its subsidiaries. However, certain information as required is furnished in Annexure.

ITES DIVISION:

Cerebra LPO India Limited continued to consolidate its business and has added a couple of clients. Cerebra LPO added one client from Australia to do exclusivity agreements. Cerebra LPO entered in to a partnership agreement with a leading Legal advisory Company in New York, USA for acquiring Immigration related work. Long term agreements with a conveyancing firm in UK for paralegal services ended in August 2013. Cerebra LPO signed another agreement with a UK based Conveyancing firm who has begun providing Legal transcription work and will then move on to residential conveyancing process.

Medical transcription Services added one more client from USA and are currently doing about 5 Lakh lines per annum. Talks are on with another USA based large firm who are expected to provide about 20000 lines per month initially and should start by December 2013. Overall the subsidiary performed well by adding new clients.

Geeta Monitors Pvt. Ltd (GMPL), popularly known as **Geeta Electronics** has been going through change in structure to adapt to the market situations and its mission is to become a pure SI company in next 2 years. Some of the key initiatives which were put in place to adapt to the vision were to take up security products. While the run rate business of hardware continue through the committed resellers, the company also thought that solution and service based business should be taken up priority with the end enterprise customer is the way forward which otherwise was predominantly addressing the SME and SMB segment.

GMPL also put in place for the customers what we call as **"FAAS- Finance as a Service"** to take the route of OPEX model to support its esteemed customers. There were some customer additions through this models also in the last quarter.

ESD Division – During the year under report, the focus on research labs, defense, PSUs, PSBs, etc has been fruitful with Cerebra successfully executing orders from PSU's and Defense sectors. The Company also has been successful in closing deals in the higher education segment both in Government as well as private institutions. Cerebra is considered as a preferred vendor by many of these organizations. Cerebra has also strengthened its relationships with leading MNC OEM Brands and has established itself as a key player especially in education, defense, space & research lab segments whilst we stay focused on making a mark in other state & central government departments/bodies/PSUs.

With continued focus from the account managers in the Education, Defense, Space, PSU, Research Labs, Healthcare, etc. the Company intends to bring new business opportunities and a fairly large contribution to Cerebra's revenues in the new financial year 2013-2014. The market in Bangalore/Karnataka alone has a potential opportunity of close to INR 100 crores during the new financial year with demands for server, storage, networking, security and managed services expected to see an improved growth during this period. Further the Company will also look for opportunities outside the state to help maximize the revenues. With the E-waste division making decisive inroads in their domain, it is hoped to maximize the opportunities by working in tandem.

Cerebra M E FZCO - Cerebra Middle East has seen a tremendous growth in FY 12-13 both in terms of a massive increase in revenue as well as an expansion of its channel partner base in the Middle East. CME closed the year with a revenue of USD 9.25 Million as against USD 3.65 Million last year with good profitability.

Having closed the fiscal year by winning a major Data Center contract for 2.3 Million USD which will be billed and executed in the first quarter of FY 13-14, CME's focus areas for the new financial year are going to be channel growth, channel enablement, loyalty programs and a substantial increase in its vendor and solutions portfolio. The year will see an increase in CME's industry specific portfolio coverage with storage, infrastructure and security solutions for the Oil and Gas, Banking, Healthcare, Telco, Media, Education, Retail & Hospitality verticals. Cerebra Middle East will launch its partner program, C-Connect, in early 2014 and is expected to onboard at least 4 new vendors before end of its second quarter.

DIVIDEND:

Your Directors regret to inform you that no dividend is recommended for the year ended 30th September, 2013 considering the aggressive expansion programs in different verticals and the need of capital needs – both capex and opex.

DIRECTORS:

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

FIXED DEPOSITS:

Your Company has neither accepted nor renewed any Fixed Deposits during the year ended 30th September, 2013.

AUDIT COMMITTEE:

Audit Committee constituted by the Board of Directors with requisite composition to fall in line with the prevailing laws continued to discharge its functions during the year under report.

AUDITORS:

Messrs Ishwar & Gopal, Chartered Accountants, the existing Auditors, have expressed their willingness to get reappointed at the ensuing Annual General Meeting.

The Board of Directors recommends their appointment.

AUDITORS' REPORT:

Regarding the opinion of the auditors emphasis of matter which are self explanatory in note no. 2B(l, m and n) the explanations of the directors are as follows :

Regarding the share application monies and capital advances the management is negotiating for an amicable settlement.

Regarding trade receivable the management is hopeful of recovering the amount from debtors and hence no provision was made.

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.

DEPOSITORY SYSTEMS:

Your Company continues with an arrangement with National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for dematerialization of your Company's securities in accordance with the provisions of the Depositories Act 1995, which are fully operational and members may avail of such facilities. With this, the members have an option / discretion to hold their demat shares in the Company through National Securities Depositories Limited and/or Central Depository Services (India) Limited.

COMPLIANCE OF STOCK EXCHANGE FORMALITIES:

Your Company has fully complied with the Listing formalities of all the 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 30th September, 2013.

CORPORATE GOVERNANCE:

The Company has complied with all the recommendations of Corporate Governance Code as provided in Clause 49 of the Listing Agreement. A detailed report on Corporate Governance has been included separately in the Annual Report.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:

Your Company is committed to transparency, good Internal Controls and risk Management. It has established Adequate System of Internal Control commensurate with size of the business.

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. 293.72 Lakhs

Foreign Exchange Outgo: Rs. 76.01 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 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, 2013 and of the "Profit/(Loss)" of the Company for that year;
- The accounts for the year-ended 30.9.2013 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 Ishwar & Gopal, Chartered Accountants, Bangalore, being the Statutory Auditors of the Company.

UNUSUAL ITEMS AFTER THE YEAR END DATE:

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially the results of the operations of the Company and for the financial year in which this report is made.

ACKNOWLEDGEMENTS:

Your Directors thank the Shareholders/Investors for their response and confidence, Customers, Vendors, Bankers, Channel Partners, Software Technology Park of India, the various Central Government Departments and State Government Departments for their invaluable co-operation and support for your Company's survival.

For and on behalf of the Board

Place: Bangalore

Date: 30th November, 2013

V Ranganathan

Managing Director

Shridhar S. Hegde

Whole time Director