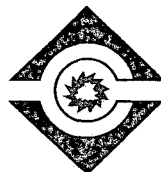


ELEVENTH ANNUAL REPORT 2008-2009

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CHAKKILAM

Chakkilam Infotech Limited

BOARD OF DIRECTORS

Mr. C.V.Subramanyam	Managing Director
Mr. C.Sudhakar	Director
Mr. Bezwada Prabhakar Arthur	Director
Dr. Venkat R.Yerapragada	Director
Mr. P. Vikram	Director,
Mr. B..Srinivasa Rao	Director
Mr. K. Ch. Subba Rao	Director
Mr. K.Nageswara Rao	Director
Mr. D.Suresh	Director

BANKERS

Oriental Bank of Commerce
Secunderabad.
ICICI Bank Limited
Khairatabad.

AUDITORS

M/s. P.MURALI & CO.,
Chartered Accountants,
6-3-655/2/3,
Somajiguda,
Hyderabad - 500 082.
Tel : (040) 23326666

REGISTERED OFFICE

Suit No.106 & 107,
6-3-456/C, MGR Estates,
Dwarakapuri Colony,
Panjagutta, Hyderabad - 500 082.
Tel: (040) 23357904, Fax: (040) 23353980
Website: www.chakkilaminc.com
e-mail: info@chakkilaminc.com

Registrars & Share Transfer Agents

Aarthi Consultants Pvt. Ltd.
1-2-285, Domalguda, Hyderabad-29.
Tel: (040) 27642217/27638111
Fax: (040) 27632184
Email : hyd2_aarcons@sancharnet.in

Notice

Notice is hereby given that the Eleventh Annual General Meeting of the Members of the Company will be held on Tuesday, the **29th day of September, 2009** at 2.00 P.M. at Sundaraiah Vignana Kendram, (Mini Hall) Bagh Lingampalli, Hyderabad – 500 044 to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March 2009 and Audited Profit & Loss Account for the year ended on that date together with the Directors' Report and Auditors' Report.
2. To appoint a Director in place of Mr. C.Sudhakar who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. B.Prabhakar Arthur who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. P.Vikram who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s. P. Murali & Co., Chartered Accountants, Hyderabad as Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting at the remuneration as may be fixed by the Board of Directors of the Company.

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to the provisions of Section 314 (1B) read with The Director's Relatives (Office or Place or Profit) Rules, 2003 and other applicable provisions, if any of the Companies Act, 1956 ("the Act") (including any statutory modifications or re-enactment thereof for the time being in force), consent of the members of the Company be and is hereby accorded to appoint Mr.Chakkilam Srikanth, as Manager - Marketing of the Company at a monthly remuneration not exceeding Rs. 50,000/- who is son of Managing Director of the Company Mr. C.V.Subramanyam and that he shall further be entitled to such benefits as may be applicable under the employment policies of the Company and applicable to other employees occupying similar positions w.e.f. 18 August 2009.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to take such steps as may be necessary for giving effect to this Resolution."

For and on behalf of the Board

Place : Hyderabad
Date : 02.09.2009

C.V.SUBRAMANYAM
Managing Director

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE THEREAT INSTEAD OF HIMSELF / HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. An instrument appointing proxy to be effective must be lodged at the Registered Office of the Company at least 48 hours before the meeting.
3. The Relevant Explanatory Statement in respect of the special Business set out above, as required by sec. 173 (2) of the Companies Act, 1956 is annexed Hereto.
4. The Register of Members / Register of Beneficiaries and Share Transfer Books of the Company will remain closed from Thursday, 24th September, 2009 to Saturday, 26th September, 2009 (both days inclusive).
5. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form are requested to write their Folio Number in the Attendance Slip for attending the Meeting.
6. Members holding shares in physical form are requested to notify / send any change in their address to the Company's Share Transfer Agents, or to the Company at its registered office.
7. Members holding shares in dematerialization form are requested to notify/send any change in their address to the concerned depository participant (s).
8. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
9. Section 109A of the Companies Act, 1956 extends the nomination facility to individual shareholders of the company. Therefore, the shareholders willing to avail this facility may make nomination in form 2B.
10. Shareholders / proxies should bring duly filled attendance slips sent herewith for attending the meeting along with the copies of Annual Reports to the Annual General Meeting.
11. At the ensuing Annual General Meeting Mr. C.Sudhakar, Mr. B.Prabhakar Arthur and Mr. P. Vikram retire by rotation and being eligible offered themselves for reappointment. Pursuant to Clause 49 of the Listing Agreement, brief profile of each of these directors is given below:

Chakkilam Infotech Limited

As required under the Listing Agreement, the particulars of Directors who are proposed to be appointed/re-appointed are given below:

1. **Name** : Mr. C.Sudhakar
 Qualifications : Graduate from JNTU in architecture
 Expertise : He has 17 years of experience in architecture, real estate and construction. He has 6 years experience in software.
 Other Directorships : Chakkilam Constructions Pvt. Ltd.,
2. **Name** : Mr. B.Prabhakar Arthur
 Qualifications : Postgraduate
 Expertise : He has three decades of experience in the field of teaching and retired from Government Services.
 Other Directorships : Nil
3. **Name** : Mr. P. Vikram
 Qualifications : MBA
 Expertise : 10 years experience in the field of Marketing & Business Management.
 Other Directorships : Nil

EXPLANATORY STATEMENT

(Pursuant to Section.173 (2) of the companies act, 1956)

REGARDING ITEM NO. 6

Approval of the members is sought under section 314(1B) of the Companies Act, 1956 read with Director's Relatives (Office or Place or Profit) Rules, 2003 for approving the appointment of Mr.C. Srikanth as Manager-Marketing at a monthly remuneration not exceeding Rs. 50,000 as mentioned in the notice above by passing a special resolution. Mr. C. Srikanth is son of Sri.C.V.Subramanyam, Managing Director of the Company.

The remuneration proposed are well within the limits specified in Section 314(1B) of the Companies Act, 1956 read with The Director's Relatives (Office or Place or Profit) Rules, 2003 and prior consent of the members by special resolution has been sought for better corporate governance.

The Board recommends this resolution for the approval of the members in the Annual General Meeting.

None of the Directors except Sri C. V.Subramanyam and Sri C. Sudhakar are directly or indirectly interested or concerned in this resolution.

For and on behalf of the Board

Place : Hyderabad

Date : 02.09.2009

C.V.SUBRAMANYAM

Managing Director

DIRECTORS REPORT

To the Members

Your Directors have pleasure in presenting you the **Eleventh Annual Report** together with the Audited Balance Sheet, Profit & Loss Account and Cash Flow Statement for the financial year ended 31st March, 2009.

FINANCIAL RESULTS

The highlights of the financial results for the year under review along with the comparative figures for the previous year are as follows:

Rs. in Laksh

Particulars	2008-09	2007-08
Income from Operations	507.34	715.44
Profit before depreciation and Tax	125.47	145.47
Depreciation	113.42	104.57
Profit before Tax	12.05	40.89
Provision for Tax	12.34	20.51
Profit after Tax	0.85	22.36
Provision for Deferred Income Tax Liability/(Asset)	(6.97)	(13.61)
Profit brought forward	256.91	222.91
Profit carried forward to Balance Sheet	263.59	256.91

REVIEW AND PROSPECTS

During the current year, the Company has generated total revenue of Rs.507.34 Lakhs as against Rs. 715.44 Lakhs in the previous year. The profit after tax during the current year is Rs.0.85 Lakhs as against Rs. 22.36 Lakhs in the previous year.

CURRENT SCENARIO

This year your company has gone through tough times and its revenues has taken a hit due to the tough conditions prevailing in the market and its dependence on partners for revenues. However, there is a silver lining in these events. The events in the last year have spurred us to put in place a new strategy to get back on track to deliver better than industry growth over the next few years.

We are aiming turbo charge our growth with the following actions

1. Setup marketing and sales operations in US, Europe and Asia Pacific markets
2. Revamp the management team with senior professionals who have a proven track record.
3. Invest in building our brand image through a combination of online and offline brand building efforts

4. Acquiring small competitors with the right strategic fit

Chakkilam has repositioned itself as a specialist software testing services company. Chakkilam is also in the process of rebranding itself to create an international impact. We have brought in seasoned professionals like Sriram Rajaram in India and Mark Ferguson in UK. We are in the process of hiring a senior executive to head our US operations and an Asia-Pac focused Sales Head to target the rest of the world - India, Asia-Pac and Africa. The sales teams in the US and UK are being supported by marketing and lead generation teams offshore. From a delivery perspective, we are in the process of building world class teams and capability in the areas of performance testing, test automation and medical transcription.

Chakkilam has also started setting up its own marketing and sales organizations in Europe and US. We have started acquiring customers through focused lead generation and sales activities. We have signed up with iRace and Anite in the UK and Apalya in India to test their products. We plan to invest significant amount of money in our sales engine for this year and make additional investments in building delivery capability and organizational systems.

DIRECTORS :

Pursuant to Article 48 of the Articles of Association of the Company, Mr. C.Sudhakar, Mr. B.Prabhakar Arthur and Mr. P. Vikram Directors are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

A brief resume / details relating to the Directors to be appointed / reappointed as stipulated under Clause 49 (VI)(A) of the listing agreement executed with the stock exchanges are furnished in the Explanatory Statement of the Notice of the ensuing Annual General Meeting.

Mr. Terrence J. Leifheit resigned from the Board and the Board has accepted the same at their meeting held on 29th September, 2008. The Board has given appreciation to his valuable services rendered by him during his tenure of period.

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to the Directors' Responsibility Statement, it is hereby confirmed that :

- i) In the preparation of the annual accounts for the year ended 31st March, 2009, the applicable accounting standards have been followed and there are no material departures.
- ii) We have selected appropriate accounting policies and applied them consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March 2009 and of the profit of the company for the financial year ended 31st March 2009.
- iii) We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) We have prepared the annual accounts for the financial year ended 31st March, 2009 on a going concern basis.

STATUTORY AUDITORS :

M/s. P. Murali & Co., Chartered Accountants, Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

M/s. P.Murali & Co., Chartered Accountants have furnished a certificate of their eligibility u/s 224(1B) of the Companies Act, 1956. The Board recommended to the members to reappoint the auditors and authorize the Board of Directors of the Company to fix their remuneration

FIXED DEPOSITS :

The Company has not accepted fixed deposits as on 31st March, 2009 so as to attract the provisions of Section 58A of the Companies Act, 1956 read with Companies (Acceptance of the Deposits) Rules 1975 as amended from time to time.

REPORT ON CORPORATE GOVERNANCE :

In order to bring more transparency in the conduct of business, the Stock Exchanges have amended the listing agreement incorporating the code of corporate governance to listed companies. Your Company has always been committed to the best practices in the governance of its affairs. Your company had taken steps and complied with most of the recommendations during the year. For the year under review, the Compliance Report is provided in the Corporate Governance section in this Report. The Auditors' Certificate on compliance with the mandatory requirements of Corporate Governance is given in "Annexure to this Report."

MANAGEMENT DISCUSSION AND ANALYSIS REPORT :

This has been dealt with in the separate Annexure to this report.

STATEMENT PURSUANT TO LISTING AGREEMENT :

The Shares of the Company are listed on Bombay Stock Exchange Limited, Mumbai under Indonext platform and Bangalore Stock Exchange Limited. The required listing fee has been paid to the Stock Exchanges for the financial Year 2009-2010.

PARTICULARS OF EMPLOYEES :

In pursuance of the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, the Directors are to report that no employee was in receipt of remuneration of Rs.24,00,000/- or more per annum or Rs.2,00,000 - or more per month where employed for a part of the year.

ADDITIONAL INFORMATION AS REQUIRED U/S 217(1)(E) OF THE COMPANIES ACT, 1956**(a) Conservation of Energy:**

The Company is monitoring the consumption of energy and is identifying measures for conservation of energy.

(b) (i) Technology Absorption, adaptation and innovation:- No technology either indigenous or Foreign is involved.

(ii) Research and Development (R & D): No research and Development has been carried out.

(c) Please refer to "Notes to Accounts" for Foreign exchange earnings & Foreign Ex-change outgo**ACKNOWLEDGEMENTS**

Your Directors place on record their appreciation of the continuous assistance and co-operation extended to your Company by the customers, bankers, Central & State Governments. Your Directors also sincerely acknowledge the significant contributions made by all the employees for their dedicated services to the Company. Your Directors also wish to acknowledge the continued support and confidence reposed in the management by the Shareholders.

For and on behalf of the Board

C.V.SUBRAMANYAM
Managing Director

C.SUDHAKAR
Director

Place : Hyderabad
Date : 02.09.2009

ANNEXURE TO DIRECTORS REPORT**MANAGEMENT DISCUSSION AND ANALYSIS REPORT:**

Pursuant to Clause 49 of the Listing Agreement, a Management Analysis Report is given below:

A. INDUSTRY STRUCTURE AND DEVELOPMENTS

The two segments we are currently targeting are Software Testing Services and Medical Transcription.

SOFTWARE TESTING

The size of independent software testing outsourcing worldwide has been estimated at \$25 Billion in 2008 by Datamonitor. Out of this, more than \$2 Billion was outsourced to India in 2007-8. This is expected to grow to \$6 Billion by 2011. There are more than 100,000 software testers in India who work on Independent software testing projects. Large services companies in the industry derive between 8-12% of their revenues from independent software testing projects. Independent Testing companies have grown in the last five years.

MEDICAL TRANSCRIPTION

Medical Transcription is a \$20+ Billion Market worldwide (AAMT) with the US contributing around \$12 Billion. Currently, only about \$1 Billion is outsourced and of this only about \$300 Million is currently outsourced to India. There are about 50,000 Medical Transcriptionists in India. The MT outsourcing business in India has the potential to grow to about \$1 Billion within the next five years given the huge push for organized healthcare in the US and need to cut healthcare costs.

MT companies that talk to Hospitals and Doctors can also offer allied services like

- ❖ Medical Coding and Billing
- ❖ Document Management
- ❖ Patient Reminder Services
- ❖ Appointment Scheduling
- ❖ Outsourced Radiology and Pathology Reporting

OPPORTUNITIES:

Chakkilam has picked a niche in IT services like software testing. We have the right set of people with world class leadership in software testing. Few companies have been able to position themselves as specialist software testing companies. The big generalists cannot reposition themselves as a software testing specialist even though they have large revenues coming from testing. Strategically there is still an opportunity for an independent software testing company to get to the top three within the next three years.