

# **TWELFTH ANNUAL REPORT 2009-2010**



**Chakkilam Infotech Limited**

## Chakkilam Infotech Limited

### BOARD OF DIRECTORS

|                          |                   |
|--------------------------|-------------------|
| Mr. C.V.Subramanyam      | Managing Director |
| Mr. C.Sudhakar           | 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          |

**Regd. 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

**Auditors** : **M/s. P. Murali & Co.,**  
Chartered Accountants  
6-3-655/2/3, Somajiguda  
Hyderabad – 500 082

**Registrars & Share  
Transfer Agents** : **Aarthi Consultants Pvt. Ltd.**  
1-2-285, Domalguda, Hyderabad-29.  
Tel: (040) 27642217/27638111  
Fax: (040) 27632184  
Email : info@arthconsultants.com

**Bankers** : **Oriental Bank of Commerce**  
S.D. Road, Secunderabad.

**ICICI Bank Limited**  
Khairatabad.

## Chakkilam Infotech Limited

### **NOTICE**

Notice is hereby given that the Twelfth Annual General Meeting of the Members of the Company will be held on Wednesday the **29<sup>th</sup> September 2010** at 10.00 am at Sundaraiah Vignana Kendram, (Mini Hall), Bagh Lingampally, Hyderabad – 500 044 to transact the following business:

#### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as on 31<sup>st</sup> March 2010 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. Kolla China Subba Rao, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. D. Suresh, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. Venkat R. Yerapragada, 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 and to fix their remuneration.

#### **SPECIAL BUSINESS:**

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

Issue of 25,00,000 Warrants, convertible into Equity Shares, to Promoters/promoters group on preferential basis.

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act 1956 (including statutory modification(s), amendments or re-enactments thereof for the time being in force) and in accordance with the enabling provisions in the Memorandum and Articles of Association of the company and the Listing Agreement entered into between the Company with the Stock Exchanges, the subsisting guidelines and clarifications issued by the Government of India / Reserve Bank of India (RBI) Securities and Exchange Board of India (SEBI) or any other relevant authority and subject to such approvals, consents, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions, which may be agreed to by the Board of directors of the company, consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company and / or a duly authorized committee thereof for the time being exercising the powers conferred by the Board of Directors (herein after referred to as "the Board") in its absolute discretion, to offer /issue and allot in one or more tranches 25,00,000 (Twenty five lakhs only) Warrants, convertible into Equity shares at a price as determined in accordance with the relevant SEBI Guidelines, convertible in to Equity Shares at the option of the warrant holders within an aggregate time period of 18 months from date of allotment of the warrants in not more than 25,00,000 (Twenty five lakhs only) Equity Shares of Rs.10/- per share as determined in accordance with the relevant SEBI Guidelines, to the promoter/promoters group of the company as mentioned in the Explanatory Statement attached to the notice convening this meeting, on a preferential basis, as the Board may in its absolute discretion decide, in one or more tranches and on such terms and conditions, as the board considers fit, subject to the following:

1. The warrants and the equity shares to be offered and allotted upon conversion shall be subject to the provisions of the Memorandum and Articles of Association of the company in all respects.
2. The relevant date for calculating the price for issue and allotment of the above warrants is 30<sup>th</sup> August, 2010.
3. The equity shares to be allotted on conversion of the warrants shall rank pari passu with the existing equity shares of the company in all respects.
4. The allotment of these warrants however subject to the condition that no conversion of warrants issued under the sanction of this resolution shall be admissible after a period of 18 months from the date of allotment.
5. An amount equal to 25% of the price fixed in relation to each of the warrant shall be paid upfront by the person to whom the allotment is being made, at the time of allotment of the warrant and the same shall be adjusted against the price payable for the subsequent allotment of equity shares against the warrants. Further, in the event the option of conversion of warrant into equity share is not exercised by the warrant holder, in terms of this resolution the upfront payment of 25% shall stand forfeited.

FURTHER RESOLVED THAT for the purpose of giving effect to this resolution, then Board / Committee be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion deemed necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer / issue, allotment and utilization of the proceeds.

For and on behalf of the Board

Place : Hyderabad  
Date : 02.09.2010

C.V.SUBRAMANYAM  
MANAGING DIRECTOR

## Chakkilam Infotech Limited

### NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE THERE AT 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. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is herewith annexed.
4. The Register of Members / Register of Beneficiaries and Share Transfer Books of the Company will remain closed from Monday 27<sup>th</sup> September 2010 to Wednesday 29<sup>th</sup> September 2010 (both days inclusive).
5. Members who hold shares in dematerialised 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 dematerialisation 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.

**Chakkilam Infotech Limited**

**ADDITIONAL INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT**

Breif Details of Directors seeking re-appointment at this Annual General Meeting  
(Pursuant to Clause 49 of the Listing Agreement)

1. Name : **Sri Kolla China Subba Rao**  
Age : 55  
Qualification : Master of Science  
Experience : He has experience in Real Estates and other related activities.  
Other Directorships : Nill
  
2. Name : **Mr. D. Suresh**  
Age : 50  
Qualification : M.Sc. (Computer Science)  
Experience : Experience in leading programming development and System Analysis Design Roles with Visa Interactive MIC Metro, Bellcore and AT & T Bell Laboratories.  
Other Directorships : Nill
  
3. Name : **Dr. Venkat R. Yerapragada**  
Age : 45  
Qualification : Ph.D in Food and Nutrition from University of Wisconsin, USA  
Experience : Worked as conusltant for many organizations. He has wide contacts in various business in general and Health Care Industry in Particular.  
Other Directorships : Nill

**EXPLANATORY STATEMENT**

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

**Item No.6**

It is proposed to offer, issue and allot 25,00,000 Warrants convertible into equal number of Equity Shares of Rs. 10/- each of the Company to promoter / promoter group on preferential basis at such price as may be determined in accordance with the SEBI Guidelines in this regard, vide Resolution No. 6 of this Notice.

The information as required under the regulations of SEBI (ICDR) Regulations, 2009 as issued by the Securities and Exchange Board of India (SEBI) on preferential issues are as under.

**a) Reasons & Purpose of the issue:**

In view of the expansion of Company's business, Various financing options are being explored to meet the cost of project and working capital requirements. In the first instance, Promoters are investing in the project, by subscribing to the equity shares of the company by way of Preferential Allotment.

**b) Intention of the Promoters to subscribe to the equity shares:**

The intention and primary objective of the Promoters to subscribe to the equity shares through this Preferential Issue is to make available scarce funds readily to finance the expansion of Company's business.

There is no change in control of the company subsequent to the issue of shares by way of preferential issue.

**c) Shareholding pattern before and after the issue :**

The information on shareholding pattern before and after the preferential issue is given hereunder.

**Shareholding Pattern of the Company before and after proposed preferential issue:**

| S.No. | CATEGORY               | Pre issue holding details |              | Pre issue holding details* |              |
|-------|------------------------|---------------------------|--------------|----------------------------|--------------|
|       |                        | No. of Shares             | % to Capital | No. of Shares              | % to Capital |
| A     | Promoter Share Holding |                           |              |                            |              |
| 1     | Indian Promoters       | 3210900                   | 37.37        | 5710900                    | 51.49        |
| 2     | Foreign Promoters      | 233200                    | 2.71         | 233200                     | 2.10         |
|       | Sub-Total (A)          | 3444100                   | 40.09        | 5944100                    | 53.59        |

## Chakkilam Infotech Limited

### Shareholding Pattern of the Company before and after proposed preferential issue:

| S.No. | CATEGORY             | Pre issue holding details |              | Pre issue holding details* |              |
|-------|----------------------|---------------------------|--------------|----------------------------|--------------|
|       |                      | No. of Shares             | % to Capital | No. of Shares              | % to Capital |
| B     | Public Share holding |                           |              |                            |              |
| 1     | Institutions         |                           |              |                            |              |
| 2     |                      |                           |              |                            |              |
| a)    | Bodies Corporate     | 170948                    | 1.99         | 170948                     | 1.54         |
| b)    | Individuals          | 3766744                   | 43.84        | 3766744                    | 33.96        |
| c)    | NRIs                 | 1208500                   | 14.07        | 1208500                    | 10.90        |
| d)    | Trusts               | -                         | -            | -                          | -            |
| f)    | Clearing Members     | 1106                      | 0.01         | 1106                       | 0.01         |
|       | Sub-Total (B)        | 5147298                   | 59.91        | 5147298                    | 46.41        |
|       | Grand Total (A+B)    | 8591398                   | 100.00       | 11091398                   | 100.00       |

\* Assuming that all warrants are converted into equity shares

**d) Proposed time within which the allotment shall be completed:**

The allotment of Convertible Warrants shall be completed, within a period of 15 days from the date of passing of the resolution by the Members provided, that where the allotment is pending on account of pendency of any approval from any regulatory authority or the Central Government, the allotment shall be completed by the Company within a period of 15 days from the date of such approvals.

**e) Issue Price and relevant date:**

The issue price of the convertible warrants is fixed as Rs.10/- per warrant which is as per the SEBI (ICDR) Regulations, 2009. The price of the convertible warrants is decided on the basis of the relevant date. The relevant date for the purpose is 30.08.2010 being 30 days prior to the date AGM – 29.09.2010.

For this purpose, the share price quotations available at the Bombay Stock Exchange Limited, Mumbai, has been considered. The average of the high and low of the weekly closing prices preceding 6 months and 2 weeks to the relevant date is Rs.7.32 and Rs.7.63 respectively. The minimum issue price shall not less than the price determined as per the SEBI (ICDR) Regulations, 2009 i.e. Rs.7.63 against which the Company has fixed issue price as Rs. 10/- per warrant which is higher than the minimum price of Rs.7.63 per warrant.

A Certificate has been obtained from the Statutory Auditors of the Company confirming the minimum price for the preferential issue as per Preferential Issue Guideline in Chapter VII of SEBI (ICDR) Regulations, 2009 and showing the calculation thereof and the same will also be made available for inspection at the Registered Office of the Company and apart from placing before Annual General Meeting.

## Chakkilam Infotech Limited

**f) Identity of the proposed allottee and percentage of pre and post preferential issue is as under :**

| Name of the Proposed allottee | Pre issue holding details |              | Warranty proposed to be allotted | Pre issue holding details* |              |
|-------------------------------|---------------------------|--------------|----------------------------------|----------------------------|--------------|
|                               | No. of Shares held        | % to Capital |                                  | No. of Shares              | % to Capital |
| <b><u>Promoters</u></b>       |                           |              |                                  |                            |              |
| C.Srikanth                    | -                         | -            | 25,00,000                        | 25,00,000                  | 22.54        |

\* Assuming that all warrants are converted into equity shares

**g) Lock-in Period**

The convertible warrants or equity shares allotted to the proposed allottee shall be subject to 'lock-in' for a period of three years from the date of their allotment of equity shares as per Clause 78 of the SEBI (ICDR) Regulations, 2009.

**h) Change in the control or composition of the Board,**

There will be no change in the control or composition of the Board after the preferential allotment

Consent of the members is being sought by a Special Resolution pursuant to the provisions of Section 81 (1A) and other applicable provisions of the Companies Act, 1956, for preferential allotment. The Special Resolution as set out at the item 6 of the Notice, if passed will have the effect of allowing the Board to issue and allot shares to the persons on the terms and conditions as may be decided by the Board. The Board may be authorized to take all steps necessary for implementing this Resolution.

A certificate from the Auditors of the Company certifying that the proposed preferential issue conforms to the subsisting guidelines issued by the SEBI will be available for inspection by the members of the Company during business hours i.e. from 10.00 A.M. to 5.00 P.M. on all working days at the Registered Office of the Company and also at the Meeting.

The Directors recommend the passing of the above resolution as a Special Resolution.

Except Mr. C.V. Subramanyam, Chairman & Managing Director and Mr. C. Sudhakar Director of the company, being the relatives of Mr. C. Srikanth, none of the Directors are concerned or interested in the above said resolution to the extent of issue of convertible warrants to him under promoters category.

For and on behalf of the Board

Place : Hyderabad  
Date : 02.09.2010

C.V.SUBRAMANYAM  
MANAGING DIRECTOR



## Chakkilam Infotech Limited

### DIRECTORS REPORT

Dear Members

Your Directors have pleasure in presenting the Twelfth Annual Report together with the Audited Balance Sheet, Profit & Loss Account and Cash Flow Statement for the financial year ended 31<sup>st</sup> March, 2010.

#### **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:

| Particulars   | Rs. in Laksh |         |
|---|--------------|---------|
|   | 2009-10      | 2008-09 |
| Income from Operations                              | 505.59       | 507.34  |
| Profit before depreciation and Tax                  | 133.21       | 125.47  |
| Depreciation  | 123.44       | 113.42  |
| Profit before Tax                                   | 9.77         | 12.05   |
| Provision for Tax                                   | 7.82         | 12.34   |
| Profit after Tax                                    | 1.95         | 0.85    |
| Provision for Deferred income Tax liability / Asset | (4.08)       | (6.97)  |
| Profit brought forward                              | 263.59       | 256.91  |
| Profit carried forward to Balance sheet             | 269.62       | 263.59  |

#### **REVIEW AND PROSPECTS**

The total revenue of the Company for the financial year ended 31st March, 2010 is Rs. 505.59 Lakhs as compared to the previous year's total revenue of Rs. 507.34 Lakhs. During this financial year the Company has recorded a net profit of Rs. 1.95 Lakhs as against the previous year's net profit of Rs. 0.85 Lakhs.

##### **1. Current Scenario**

Your company has established itself as an Independent Testing Services company over the last one year. The company has built capability in various aspects of Testing like Functional Testing, Test Automation and Performance Testing.

Your company also has grown the Medical Transcription business and intends to run it independently with a special focus on growing the accounts.

In spite of the fact that small and mid sized players have found it difficult to increase revenues and improve margins, your company has managed to grow the business significantly.

We are also in the process of identifying a new location with modern infrastructure to handle the additional seating capacity needed to manage our growth. Our team has been strengthened with the help of a VP of HR who is putting in place modern HR processes intended to attract, train and retain our talent. We have managed to attract talent from some of the best services and product companies in the country and hope to be a magnet for testing talent in India.

**2. Quality :**

Your company continues to lay emphasis on high-level quality processes to deliver solutions to clients exceeding their expectations, Sophisticated quality management systems and processes are in place and strictly adhered to.

**DIVIDEND**

The Directors regret their inability to recommend dividend for the year under review due to non availability of sufficient profit.

**DIRECTORS**

Pursuant to Article 48 of the Articles of Association of the Company, Mr. K.Ch. Subba Rao, Mr. D. Suresh and Dr. Venkat R. Yerapragada, whose period of office determined by retirement by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr. Bezwada Prabhakar Arthur, resigned from the Board effective 4<sup>th</sup> January 2010. The Board placed on record its deep appreciation and gratitude for his guidance and contribution to the Company.

**CORPORATE GOVERNANCE**

Your Directors are happy to report that your Company is compliant with the Corporate Governance requirements as per Clause 49 of the Listing Agreement with the Stock Exchanges. A separate section on Corporate Governance and Management Discussion and Analysis together with a certificate from the Statutory Auditor's confirming compliance is set out in the Annexure forming part of this report.

**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 31<sup>st</sup> March, 2010, 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 31<sup>st</sup> March 2010 and of the profit of the company for the financial year ended 31<sup>st</sup> March 2010.
- 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 31<sup>st</sup> March, 2010 on a going concern basis.

**AUDITORS**

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