



**10<sup>th</sup>**  
**Annual Report 2003-04**

**Compucom Software Limited**

IT-14-17, EPIP, Sitapura, JAIPUR - 302 022

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**Board of Directors****Ajay Kumar Surana**

CEO-US Operations

Co-founder of Compucom in 1991 in USA

**Surendra K Surana**

Managing Director and

CEO India operations

Co-founder of Compucom in 1991 in USA

**Shubh Karan Surana**

Director

**John A. Giunta**Director, Executive Marketing and sales with Tekmark Solutions, LLC  
the strategic alliance partner of Compucom**Stephen C. Viehman**

Director

**Sanjiv Agarwal**

Non-Executive Independent Director

Audit Committee &amp; Shareholders Grievances Committee.

**Dr. K.P. Sharma**

Non- Executive Independent Director,

Audit Committee &amp; Compensation Committee

**S.D.Shukla**

Non- Executive Independent Director

Shareholders Grievances Committee &amp; Compensation Committee.

**Executive Management**

Mr. Ajay Kumar Surana

CEO - US Operations

Mr. Surendra (Sam) K Surana

CEO - India Operations

Lt. Col. Revail Singh (Retd.)

Sr. Administrative Officer

Mr. Atul Lakhotia

Company Secretary / Compliance Officer

Mr. Nitin Kapoor

Operations Manager (International Projects)

**Auditors**

M/s S. Misra &amp; Associates

Chartered Accountants

5A, Tilak Marg, C-Scheme, Jaipur 302005

**Legal Advisor**

Mr Amrit Surolia,

Advocate, Raj.High Court

**Bankers**

- The ING. Vysya Bank Ltd.
- Bank of Baroda
- HDFC Bank Ltd.
- SBBJ

**Registered office**

IT 14-17, EPIP, Sitapura, Jaipur-302022

Rajasthan, India

## A Historical Perspective

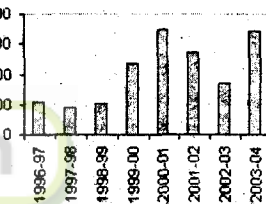
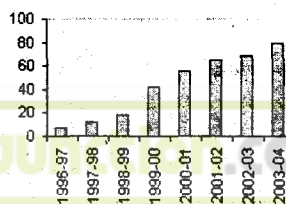
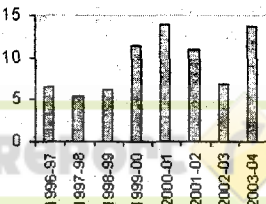
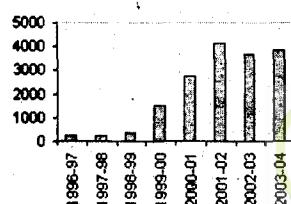
	Rs. in lacs							
Particulars	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Revenue	247.34	224.27	336.6	1500.4	2707.1	4151.1	3683.5	3839.5
Operating Profit (PBDIT)	217.71	181.61	224.11	507.56	789.08	688.95	501.2	926.95
Interest	0	0	0	1.39	4.18	1.39	0.77	0.56
Depreciation	1.33	4.25	13.36	15.98	26	81.86	121.7	129.76
Provision for Income Tax and Deferred Tax	0	0	1.54	17.54	63.18	59.88	36.21	107.34
Profit after tax from ordinary activities	216.38	177.36	209.21	472.65	695.72	545.82	342.52	689.28
Dividend	1.74	0.87	2.08	91.56	138.44	50.25	125.63	141.85
Return on average net worth %	166.15	54.44	40.38	35.41	28.59	18.05	10.13	18.42
Return on average capital employed %	166.15	54.44	40.38	35.41	28.59	18.05	10.13	18.42
As at the end of year								
Share Capital	7.94	7.94	334.65	499.94	502.45	502.45	502.45	502.45
Reserves and Surplus	229.57	406.08	287.48	1614	2298.31	2793.87	2965.03	3512.5
Long Term Debt	0	0	0	0	0	0	0	0
Gross Block	98.37	155.66	221.78	437.16	998.29	1419.18	1537.19	1841.4
Net Current Assets	127.91	250.36	380.3	1183.3	1093.7	379.30	327.34	934.58
Earnings From Ordinary Activities (Rs.)	6.49	5.32	6.25	11.37	13.87	10.86	6.82	13.72
Book Value	7.12	12.42	18.59	42.28	55.74	65.6	69.00	79.90
Dividend (Rs.)	2	1	2	2	2.5	1	2.5	2.5

Total Income (Rs. in lacs)

Earnings Per Share (Rs.)

Book-Value per share (Rs.)

Net Profit (Rs. in lacs)



## Letter to Shareholders

Dear shareholder,

In the current year, Company has distributed its maiden Interim Dividend @ 1.5 per share to the shareholders. The year began with the spectres of the Iraq war, the SARS crisis and the possibility of continuous pricing pressure. Increased global competitiveness on the Indian shores has tested our response and resilience. As the year progressed, the situation improved and our worst fears and apprehensions were laid to rest.

During the current year also, Learning Solutions Segment continues to show a growth trend and witnesses a sharp rise of 71.18 % in the revenues. This was the first time that revenues from this Segment have beaten the software export revenues of the Company. The growth in this sector was some what offset by the continuing down trend in software development and services, which show a declining growth of 30.11%. Domestic markets do provide encouraging hopes as e-Governance, e-CRM, e-Commerce, IT enabled services and Telecom reforms are slowly catching up in the country. The poor business prospects of export and appreciation of the Indian rupee against the dollar by over 8.7% in the last year and its continued appreciation, during the current financial year, will continue to exert pressures on margins.

As apart of its diversification program, as envisaged during the previous year, The Company has set up a Wind Power Generation Plant of 1.2 MW in Gorera Village of Jaisalmer District. This was undertaken as the State Government is providing various fiscal benefits to promote power generation from renewable source of energy. The Company intends to set up a few more plants in the coming financial year.

Though the clamour against outsourcing has abated to some extent yet it has the potential to create an unpredictably regulatory response. While pricing pressure has eased, the challenge is to create measurable value of clients, regain pricing power through differentiation, and successfully master the rules of the new game. Slowdown in the IT Education segment has to be combated through generating revenues from other areas. The Company believes that stable Government, IT development in the Government Departments, and anticipated GDP growth, will generate more opportunities for Information Technology in the country.

With warm regards,

Sd/-

**Surendra Kumar Surana**

Managing Director

Jaipur, July 30, 2004

**Directors' Report**

Dear Members,

The Board of Directors is pleased to present their report on business and operations of the Company for the year ended on March 31, 2004.

**Financial Results**

	Rs. in lacs	
Year ended March 31, 2004	2004	2003
Total income	3839.46	3683.52
Total expenses	2912.52	3182.32
Operating Profit (PBDIT)	926.94	501.20
Interest	0.56	.77
Depreciation	129.76	121.70
Profit before tax from ordinary activities	796.62	378.73
Provision for Income-Tax	107.34	36.21
Profit after tax from ordinary activities	689.28	342.52
Extraordinary item	-	29.64
Net profit after tax	689.28	312.88
Appropriations		
Dividend	125.63	125.63
Dividend Tax	16.22	16.10
Transfer to General Reserve	100.00	100.00
Earning per share: Basic & Diluted (in Rupees)		
- Considering Extraordinary item	13.72	6.23
- Without considering extra ordinary item	13.72	6.82

**Results of Operations** - Total revenues during the year increased by 4.23 % from Rs. 3683.52 lacs to Rs. 3839.46 lacs. The profit before tax also zooms by a staggering 110.34% to Rs. 796.62 lacs. The final dividend @ Rs. 1 per share, being proposed, and paid to shareholders after its approval at ensuing AGM.

As required by AS 21, Consolidated Financial Statements are provided in the later section of this Annual Report.

**Dividend** - The Board is pleased to recommend, subject to approval of members in the AGM, a final dividend of Rs.1 per share for the year ended 31st March, 2004. Board of Directors has also declared and distributed an Interim Dividend @ Rs. 1.5 for the financial year ended on 31st March, 2004. Total dividend amount for the current year is Rs.2.5 per share (interim and final) similar to that of the previous year. This dividend is exempt in the hands of shareholder.

**Business / Operations** - This year the declining trend in total revenues witnessed in the past two years has been reversed, the total income has risen by 4.23% during the current year. Learning Solutions revenues continue to show an upward trend with the total rise in revenue by 71.18%, other income grew by 77.25%. Decline in revenues is only in software export segment to the extent of 30.38%. Operating profits of the Company rose to Rs. 9.27 crores, a rise of 84.94% from the previous year. Rise in operating profit is mainly attributed to the aggressive cost cutting measures adopted to reduce the Manpower and Administrative and other expenses.

- a. **Export Markets** : During the year under review the focus of the Company has been shifted to development of Offshore Software business. This has resulted in decline in top line from Software Export. The margin on offshore business is predominantly higher than the margins on onsite software export business. Although the top line has declined by 30.11%, yet the Net Profit from this segment is marginally higher from the previous year. During the year TGS, the strategic alliance partner maintained and extended their full support to the Company despite many political odds in USA.

The Company has formed a Product Realization Group to develop Software Products, which are in demand. These products are under testing process, and the Company intends to market the same with a planned marketing strategy in the local market. Company's Kolkata Development Centre will play a lead role in marketing these products.

- b. **ITneer, Inc. -USA Subsidiary (Formerly known as Compucom Global Solutions, Inc.)** : ITneer, INC earned a total revenue totalling US\$ 11,02,514/- and earned a profit of US\$ 25,598/- during the year as against the loss of US \$ 1517 during the previous year. The copy of audited accounts together with Auditor's (CPA-USA) Report is provided in a separate section of this Annual Report. ITneer, Inc., through its marketing efforts is soliciting clients to market the Compucom Software Products in USA.

- c. **Learning Solutions.** : Learning Solutions business, has registered an impressive growth of more than 71.18 % due to increase in scope of the work in the Board of Secondary Education, Rajasthan Government School Computer Education Project. In the last academic session, Computer education has been made mandatory for all the students of class IX to XII Standards due to which the scope of the project increased.

The new Government that came to power in the State has imposed blanket stoppage on the payments from schools to various external agencies in January 2004. This has temporarily affected the Cash Flows of the Company. This blanket stoppage was lifted through an announcement dated 23rd July, 2004, by Ministry of Education, Rajasthan State Government. The new State Government is also reviewing the scope and may change / alter, mandatory requirement of undergoing Computer Education by students of IX and X standards from the academic session 2004-05. This may adversely affect the revenues and profits from this segment in the coming financial year.

- d. **Wind Power Generation** : With a view to diversify and at the same time availing tax benefits, your Company, in the previous AGM, has passed a resolution by means of Postal Ballot amending itself of the object clause of the Memorandum of Association of the Company to include inter-alia, the business of Power Generation from renewable source of Energy. Considering the fiscal and tax benefits provided by the Rajasthan State Government, the Company has set up a Wind



Power Project of 1.2 MW in Gorera village of Jaisalmer District. The Company has outsourced the entire project on turn key basis to Enercon (India) Limited which is pioneering in setting up this kind of project in INDIA. Enercon (India) Limited has provided generation guarantee of 30 lakh units per annum for a period of three years from the date of commissioning of the plant. Your company has already executed a Power Purchase Agreement with six discoms of RVVNL (a State Govt undertaking) India for a period of 20 years to sell power @ Rs 3.32 per KWH with an escalation of 2% every year. The project was commissioned on 10th March, 2004, with total capital investments of Rs. 5.79 crores. Approximate revenues of Rs. one crore per annum is likely to be generated from this segment in the coming financial year.

- e. **Treasury Activities** : Income from this segment has witnessed a growth of 77.25% mainly due to the strategy adopted to invest in the diversified and selective Equity Schemes of Mutual Fund. This has paid off during the current financial year and the overall return on total investments of the Company is 14.29%. Profit booking in equity schemes is the essence of making / generating high returns which has been wisely deployed by the Company during the current financial year. The Company, however, is selectively diversifying its portfolio into Equity Schemes of Mutual Funds to reap higher returns and tax free dividend earning and at the same time ensuring that the risk is minimized and controlled.
- f. **CSL Global Solutions GmbH (German Subsidiary)** : The German Subsidiary was closed down in the previous year and provision for estimated loss was provided therein the books of account for the period 2002-03, pending approval of RBI to write off the same. The Company has also received RBI approval to write off the loss on Investments vide their letter dated.

17th December, 2003. In view of the above, provision of loss of Company's investment (Rs.29.64 lacs) in the subscribed capital of German Subsidiary was written off during the current financial year.

**Stock Options** - No stock options were issued during the year except to employees under ESOP plan which was set up in 1999.

**Directors' Responsibility Statement** - Pursuant to Section 217(2AA) of the Companies Amendment Act 2000, Directors confirm that:

1. In preparation of the annual accounts applicable accounting standards have been followed.
2. Directors have selected such accounting policies and applied them consistently and made such judgments and estimates that are reasonable and prudent so as to provide a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2004, and of the profit of the Company for that year.
3. Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud / irregularities.
4. Directors have prepared the Annual Accounts on a going concern basis.

**Fixed Deposits** - Your Company did not accept any fixed deposit falling within the definition of Section 58A of Companies Act, 1956.

**Directors** - Mr. Ajay Kumar Surana and Mr. Shubh Karan Surana retire by rotation at the ensuing annual general meeting. Being eligible for reappointment, they are willing to continue on the Board.

The contract of appointment of Mr. Surendra Kumar Surana, Managing Director of the Company, expires on 8th July, 2004. The Board of Directors at its meeting held on 27th April, 2004, re-appointed Mr. Surendra Kumar Surana, Managing Director, for a further period of five years from July 9, 2004 to July 8, 2009, subject to your approval at the ensuing Annual General Meeting. Notice of the meeting contains the draft proposed resolution to be passed for his re-appointment and the approval of the terms of remuneration for a further period of five years.

Mr. R.P. Udawat who is appointed as an Additional director by the Board and for whom the Company has received a notice from member is being proposed to be appointed as Director, liable to retire by rotation at the ensuing Annual General Meeting.

**Auditors** - The Auditors, S. Misra & Associates, Chartered Accountants, hold office until the conclusion of ensuing Annual General Meeting and being eligible, have offered for reappointment. As required under Section 224 of the Companies Act, 1956, the Company has obtained from them a confirmation to the effect that their re-appointment, if made, would be in conformity with the limits prescribed in the said Section.

**Conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo.**  
(Particulars prescribed under Section 217(1)(e) of Companies Act, 1956 read with Rules made there under)

Operations of the Company are least energy intensive. Electricity forms a very little part of the total revenue of the Company. However, Management is cautious about energy wastage. The Company has installed, wherever possible, energy efficient lightings and equipments. Financial impact of these measures is immaterial.

The Company is continuously improving its business process by research and developments for better quality and innovative products / services. The Company has well laid out training programs to upgrade skills of its employees in line with changing market conditions.

**Foreign Exchange earning and outgo for the period under review is as follows:**

FOB value of Exports 170,722,931 (Previous Year Rs. 244,278,084)

CIF Value of Imports Rs. 13,38,385 (Previous year Rs. 9,84,940)

Other expenses incurred in foreign currency on manpower, administrative and marketing expense- Rs 120,593,061 (Previous year Rs 212,490,201).

**Particulars of Employees** - Pursuant to Section 217 (2A) of the Companies Act, 1956 and Companies (Particulars of Employees) Rules 1975, it is reported that there was no employee drawing remuneration during the year at or above the rates mentioned therein.

**Litigation** - In the last report it was reported that, a Company in USA filed a civil action suit for Trademark infringement related claim against Company and its US Subsidiary which was being contested by the Company. The said suit was settled without any financial liability on the Company and its subsidiaries, but in order to comply with the verdict announced by the United States District Court

Southern District of New York on 10th October, 2003, US Subsidiary has to change its name to ITneer, INC, and CSL is being restricted to use in the United States of domain names that contain the mark "Compucom". Accordingly the Company's website access has been restricted to the people of United States. Management firmly believes that restriction on use of the name of "Compucom" in USA will not effect the Software export business of the Company.

**Human Resource Management** - Employees are vital to your Company. The Company has created a favourable work environment that encourages innovation, nurturing of commercial and managerial talents at its operations; with emphasis on training and employment development. The Company has put in place a scalable recruitment and human resource management process, which enables it to attract and retain high calibre employees. The Company has schemes of bonus and incentives for employees generating revenues for the Company. The Company also provides sharing in ownership of the Company through Employee Stock Option Scheme of the employees, wherein stock options are granted based on the cadre of the employee in the Organization.

**Compucom Institute of Advance Computing** - The Institute and its facilities are being increasingly used as corporate training centre, school computer education project needs for seminars / workshops and for high-end courses centre. The Company has made an investment of Rs.3.12 crores in SP- 5 Land and Building at Sitapura. The Board took a decision to dispose off these assets, which was completed during the year itself so as to invest in more profitable investment avenues.

**Quality Assurance** - Your Company has adopted ISO 9001 : 1994 quality norms which enables it to identify risks at project plan stage itself, mature processes in software development business, and aligning them with customer/project requirements leading to better risk management, higher customer satisfaction and timely delivery of products and services. The Company has initiated up-gradation of the ISO 9001: 1994 certification to ISO 9001-20004 certification inline with the global trend in software industry. Your Company firmly believes that pursuit of excellence is most critical components for competitive success in the global market. To ensure effectiveness of the quality system, an internal System Audit Committee is being constituted to review quarterly the quality of systems, backup procedure, network administration, apart from bi-annual independent audit being conducted by an external agency.

**Corporate Governance** - Pursuant to Clause 49 of the listing Agreements with the Stock Exchanges, a Management Discussion and Analysis, Corporate Governance Report and Auditors' Certificate regarding compliance on Corporate Governance are provided hereinafter in a separate section in this Annual Report. Your Company has been awarded a " CERTIFICATE OF MERIT" by Honorable, SEBI Chairman, Mr. G.N. Bajpai for adopting good corporate governance norms and disclosure practices in the Annual Report for the year 2003-2004.

**Voluntary Delisting of Company's Equity Shares.** - Consequent upon the approval of members, for delisting of Equity Shares of the Company from the Stock Exchanges at Delhi, Ahmedabad and Jaipur Stock Exchange in the previous AGM, the Company had made application to Jaipur, Ahmedabad and Delhi Stock Exchanges for voluntarily delisting of Equity Shares of the Company. While approval for delisting from Delhi and Ahmedabad Stock Exchanges has been received and the approval in respect of the Jaipur Stock Exchange is under process. The Company expects to receive the approval from Jaipur Stock Exchange very soon. Company's shares continue to be listed on Mumbai Stock Exchange and Calcutta Stock Exchange Association Ltd.

**Acknowledgements** - Your Directors wish to place on record their sincere appreciation of the assistance and support extended by Customers, Bankers, Vendors, Government, Stakeholders, Associates and Strategic Alliance Partners, ABA,s and others associated with the activities of the Company.

For and on behalf of the Board

Sd/-  
S. D. Shukla  
Chairman of the Meeting  
Jaipur, July 30, 2004

Sd/-  
Surendra Kumar Surana  
Managing Director

## Auditor's Certificate regarding Compliance of Corporate Governance

To the Members of  
Compucom Software Limited

We have examined the records with respect to the compliance of Corporate Governance as stipulated in Clause 49 of the Listing Agreement entered into by the company with the Stock Exchanges for the financial year ended on March 31, 2004.

The objective of our examination is to give our opinion on whether the Company has complied with the conditions of Corporate Governance as stipulated in the provisions of clause 49 of the Listing agreements with Stock Exchanges in India.

Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of an opinion on financial statements of the company.

In our opinion and to the best of our information and according to the explanations given and representations made by Directors, we certify that the Company has made adequate efforts to comply with conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor as to the efficiency with which the management has conducted the affairs of the company.

**FOR S.MISRA & ASSOCIATES**  
Chartered Accountants

Sd/-  
SACHINDRA MISRA  
Partner

Jaipur, July 30, 2004

Power Project of 1.2 MW in Gorera village of Jaisalmer District. The Company has outsourced the entire project on turn key basis to Enercon (India) Limited which is pioneering in setting up this kind of project in INDIA. Enercon (India) Limited has provided generation guarantee of 30 lakh units per annum for a period of three years from the date of commissioning of the plant. Your company has already executed a Power Purchase Agreement with six discoms of RVVNL (a State Govt undertaking) India for a period of 20 years to sell power @ Rs 3.32 per KWH with an escalation of 2% every year. The project was commissioned on 10th March, 2004, with total capital investments of Rs. 5.79 crores. Approximate revenues of Rs. one crore per annum is likely to be generated from this segment in the coming financial year.

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Southern District of New York on 10th October, 2003, US Subsidiary has to change its name to ITneer, INC, and CSL is being restricted to use in the United States of domain names that contain the mark "Compucom". Accordingly the Company's website access has been restricted to the people of United States. Management firmly believes that restriction on use of the name of "Compucom" in USA will not effect the Software export business of the Company.

**Human Resource Management** - Employees are vital to your Company. The Company has created a favourable work environment that encourages innovation, nurturing of commercial and managerial talents at its operations; with emphasis on training and employment development. The Company has put in place a scalable recruitment and human resource management process, which enables it to attract and retain high calibre employees. The Company has schemes of bonus and incentives for employees generating revenues for the Company. The Company also provides sharing in ownership of the Company through Employee Stock Option Scheme of the employees, wherein stock options are granted based on the cadre of the employee in the Organization.

**Compucom Institute of Advance Computing** - The Institute and its facilities are being increasingly used as corporate training centre, school computer education project needs for seminars / workshops and for high-end courses centre. The Company has made an investment of Rs.3.12 crores in SP- 5 Land and Building at Sitapura. The Board took a decision to dispose off these assets, which was completed during the year itself so as to invest in more profitable investment avenues.

**Quality Assurance** - Your Company has adopted ISO 9001 : 1994 quality norms which enables it to identify risks at project plan stage itself, mature processes in software development business, and aligning them with customer/project requirements leading to better risk management, higher customer satisfaction and timely delivery of products and services. The Company has initiated up-gradation of the ISO 9001: 1994 certification to ISO 9001-2004 certification inline with the global trend in software industry. Your Company firmly believes that pursuit of excellence is most critical components for competitive success in the global market. To ensure effectiveness of the quality system, an internal System Audit Committee is being constituted to review quarterly the quality of systems, backup procedure, network administration, apart from bi-annual independent audit being conducted by an external agency.

**Corporate Governance** - Pursuant to Clause 49 of the listing Agreements with the Stock Exchanges, a Management Discussion and Analysis, Corporate Governance Report and Auditors' Certificate regarding compliance on Corporate Governance are provided hereinafter in a separate section in this Annual Report. Your Company has been awarded a "CERTIFICATE OF MERIT" by Honorable, SEBI Chairman, Mr. G.N. Bajpai for adopting good corporate governance norms and disclosure practices in the Annual Report for the year 2003-2004.

**Voluntary Delisting of Company's Equity Shares.** - Consequent upon the approval of members, for delisting of Equity Shares of the Company from the Stock Exchanges at Delhi, Ahmedabad and Jaipur Stock Exchange in the previous AGM, the Company had made application to Jaipur, Ahmedabad and Delhi Stock Exchanges for voluntarily delisting of Equity Shares of the Company. While approval for delisting from Delhi and Ahmedabad Stock Exchanges has been received and the approval in respect of the Jaipur Stock Exchange is under process. The Company expects to receive the approval from Jaipur Stock Exchange very soon. Company's shares continue to be listed on Mumbai Stock Exchange and Calcutta Stock Exchange Association Ltd.

**Acknowledgements** - Your Directors wish to place on record their sincere appreciation of the assistance and support extended by Customers, Bankers, Vendors, Government, Stakeholders, Associates and Strategic Alliance Partners, ABA,s and others associated with the activities of the Company.

For and on behalf of the Board

Sd/-  
S. D. Shukla  
Chairman of the Meeting  
Jaipur, July 30, 2004

Sd/-  
Surendra Kumar Surana  
Managing Director

## Auditor's Certificate regarding Compliance of Corporate Governance

To the Members of  
Compucom Software Limited

We have examined the records with respect to the compliance of Corporate Governance as stipulated in Clause 49 of the Listing Agreement entered into by the company with the Stock Exchanges for the financial year ended on March 31, 2004.

The objective of our examination is to give our opinion on whether the Company has complied with the conditions of Corporate Governance as stipulated in the provisions of clause 49 of the Listing agreements with Stock Exchanges in India.

Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of an opinion on financial statements of the company.

In our opinion and to the best of our information and according to the explanations given and representations made by Directors, we certify that the Company has made adequate efforts to comply with conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor as to the efficiency with which the management has conducted the affairs of the company.

**FOR S.MISRA & ASSOCIATES**  
Chartered Accountants

Sd/-  
SACHINDRA MISRA  
Partner

Jaipur, July 30, 2004



## Corporate Governance Report for the year 2003-04

(Pursuant to Clause 49 of the Listing Agreement entered into with Stock Exchanges)

- 1. Management's philosophy on Corporate Governance.** - Company and its management believes that corporate performance in the long run is co-related to observance of code of conduct of Corporate Governance. The Board of Directors practices a corporate governance code to strengthen decision making processes and organization wide compliance with core values of ethical integrity and reliability while enhancing effective, harmonious and transparent functioning among the Board and management to meet challenges and to make the best of opportunities in the years ahead. The Company endeavors to adopt the best practices in corporate governance and thereby aims to increase the value for all its stakeholders, employees, clients and society at large.

- 2. Board of Directors** - The Board presently comprises of Eight Directors consisting of three Independent Non-Executive Directors, three Promoter Directors, and two NRI Non-executive Directors. The percentage of Non-executive/Independent Directors is being over 60%.

None of the Directors on the Co's Board is a Director or member on more than 10 committees and Chairman of more than 5 Committees ( as specified in Clause 49) across all the companies in which he is a Director. Required disclosures have been obtained from Directors, in this report.

- 3. Board Meetings** - Dates of Board Meetings are fixed in advance and notice convening the meeting is circulated to Directors atleast seven days before the meeting.

The number of Directors on the Board, their attendance at Board Meetings during the year and at the last Annual General Meeting is given below:

Attendance of Directors at Board Meetings and at the Annual General Meeting (AGM)

Name	Category	No. of board Meetings Attended during 2003-04	Attendance at AGM held on 29th Sept, 2003
Mr. Surendra K. Surana	Promoter Managing Director	4	Yes
Mr. Shubh K. Surana	Promoter Non- Executive Director	4	Yes
Mr. Ajay Kumar	Promoter, NRI Non- Executive Director	Nil	No
Mr. John A. Guinta	Non-Executive, Director, NRI	Nil	No
Mr. Stephen C. Viehman *	Non- Executive, Director, NRI	3	No
Mr. Sanjiv Agarwal	Independent Non- Executive Director	4	Yes
Mr. S.D. Shukla	Independent Non- Executive Director	4	No
Mr. K.P. Sharma	Independent Non- Executive Director	3	No

\* Mr Stephen C. viehman was present in two meeting through video- conferencing.

None of the Directors except Mr. Sanjiv Agarwal hold any directorships or committee positions in any other public companies. During the year 2003-2004, Mr. Sanjiv Agarwal has also served as Director on the Boards of Jaipur Stock Exchange Ltd. and JSEL Securities Ltd as a SEBI Nominee.

Four Board Meetings were held during the financial year 2003-04 and the gap between two meetings never exceeded four months.

The dates on which the Board Meeting were held are as follows:

April, 30, 2003, July 30, 2003, October 31, 2003, January 17, 2004.

## 4. Committees of the Board

- (1). Audit Committee** - The Audit Committee has been constituted as per the guidelines set out in the listing Agreements with the Stock Exchange.

The broad terms of reference of the Audit Committee is to advise the Board in matters pertaining to selection / adoption of accounting policies and procedures, to comply with accounting standards, to review its financial statements and adequacy of its Internal Control Systems, to discuss with external Auditors about the scope of Audit and other related matters. The Audit Committee is also required to advises the Board in matters of appointment of Statutory Auditors and their qualifications, if any.

Composition and Attendance:- During the year 2003-04, four meetings of the Audit Committee were held: April 30, 2003, July 30, 2003, October 30, 2003, January 16, 2004.

Name of Members	Category	No of meetings Attended
Mr. Sanjiv Agarwal	Independent	4
Chairman	Non- Executive	
Mr. Shubh Karan Surana	Promoter, Not Independent	4
	Non- Executive	
Dr. K.P. Sharma	Independent	4
	Non Executive	

The Company Secretary acts as Secretary to Audit Committee. Statutory Auditor was present in the three Audit Committee meetings held during the year.

- (II) Compensation Committee** - The broad terms of reference of the Compensation Committee is to recommend compensation of Managing Director, other Directors and top management executives.

The Composition of the Committee is as under:

Name of Members	Category
Mr. Shubh Karan Surana	Promoter, Not Independent Non- Executive Director
Mr. S.D. Shukla	Independent, Non - Executive Director
Dr. K.P.Sharma	Independent Non- Executive Director

No meeting was conducted during the year under review as there has been no change in the remuneration of the Managing Director and the Company does not pay any remuneration to non-executive Directors except sitting fee.

**Remuneration to Directors** - Total remuneration paid to the Managing Director for the FY ended on 31.03.2004 amounted Rs 840,000/-. No other perquisites were provided to the Managing Director.

All Non- Executive Directors are paid a sitting fee of Rs. 3,000/ for their attendance at every meeting of the Board or Committee. No other remuneration was paid to them for the FY ended on 31.03.2004

- (III). **Investor's Relation Committee** - The Company addresses all complaints and grievances expeditiously and replies are sent/issues resolved usually within 15 days unless there is a dispute or other legal constraint.

During the year under review, the Company received shareholders complaints which inter-alia include non-receipt of dividend, annual report, transfer of shares, dematerialization of shares, etc. All the investors, complaint were promptly attended and resolved by our Registrar. Shareholders have been informed through various communications to address all complaints relating to non- receipt of dividend, revalidation of Dividend to the Registered office of the Company. This will ensure prompt resolution of complaints as all the process for revalidation and issue of New Dividend Cheque is carried out at the end of the Company.

The investors' Grievance Committee reviews every complaint received and appropriate action is taken promptly.

Composition and Attendance: During the year 2003-04, two meetings of the Investor's Relation Committee were held: 29th July 2003 and 17th January 2004.

Name of Members	Category	No of meetings Attended
Mr. Shubh Karan Surana	Promoter, Non- Independent Non- Executive Director	2
Mr. S.D.Shukla	Independent, Non- Executive Director	2
Mr.Sanjiv Agarwal	Independent, Non-Executive Director	1

Mr. Atul Lakhota, Company Secretary is the Compliance Officer of the Company.

5. **General Body Meetings** - Details of the location of the last three Annual General Meetings ( AGM) and the details of the resolutions passed or to be passed by postal Ballot.

AGM for the Financial Year ended	Date and time of AGM	Locations of Holding AGM
2002-2003	29th September , 2003 at 11.30 A.M.	IT 14 & 15 , Export Promotion Industrial Park, Sitapura, Jaipur-302022
2001-2002	28 th September, 2002 at 11.00 A.M.	IT 14 & 15 , Export Promotion Industrial Park, Sitapura, Jaipur-302022
2000-2001	29 th September, 2001 at 11.00 A.M.	IT 14 & 15 , Export Promotion Industrial Park, Sitapura, Jaipur-302022

All resolutions set out in respective AGM notices were passed by shareholders. At the Annual General Meeting of the Company held on 29th September, 2003 , Item No 7 of notice of meeting was approved by means of a resolution passed by Postal Ballot. This was relating to amendment in the Object Clause of Memorandum of Association. At the forthcoming AGM, there is no item on the agenda that needs approval by Postal Ballot.

6. **Disclosures** - The details of materially significant related party transactions made by the Company with/its Promoters, Directors or Management, their Subsidiaries or relatives etc have been disclosed in the section on Notes to Accounts as required by AS-18, issued by ICAI.

No penalties or strictures have been imposed on the company by the Stock Exchange or SEBI or any other Statutory Authorities on matters related to capital markets.

7. **Means of communication** - The Quarterly, Half-Yearly and Annual Results were published in widely circulated National / local dailies namely Business Standard ( National) , Samachar Jagat and Mahanagar Times ( local dailies).

The Company results and official news releases and Shareholding Pattern are also displayed on the Company's website.

Website Address is [www.compucomtech.co.in](http://www.compucomtech.co.in) <<http://www.compucomtech.co.in>>

Details in Management Discussion / Analysis, Notes to Accounts and Directors' Report provided in separate sections earlier are not repeated in this section and form part of this Report on Corporate Governance for relevant information.