


ANNUAL REPORT
2000 - 2001



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CALIFORNIA SOFTWARE CO. LTD.

Board of Directors

Robert V Chandran
Chairman

S Santhosh
Managing Director

N K Nair
Whole-time Director

Dr P J George
Director

Dr M R Sreedharan Nair
Director

B R Somayaji
Director

J Taniuchi
Director

Koji Takayanagi
Director

Company Secretary

S N Balaji

Bankers

Canara Bank
Bank of Maharashtra
State Bank of Travancore

Auditors

Gouthaman & Tomy,
Chartered Accountants,
Trichur.

Registered Office

E139A, First Floor, M G Road, Besant Nagar,
Chennai – 600 090, India
Tele Nos : 44-491 5964, 491 2646, 491 6462
Fax : 44-491 2644

Visit CALSOFT at www.calsoft.co.in

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Notice

NOTICE is hereby given that the ninth Annual General Meeting of California Software Company Limited will be held at the Music Academy Mini Hall, 306, T T K Road, Royapettah, Chennai - 600 014 on Monday, the 27 August, 2001 at 11.00 A.M to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at March 31, 2001 and the Profit and Loss Account for the year ended on that date and the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Robert V Chandran, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. S. Santhosh, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr. P. J. George, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass with or without modification the following resolution as a Special Resolution:
 "RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered in the following manner:

A new Article 56A be added after Article 56

56 (A) FURTHER ISSUE OF SHARES:

1. Where at the time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares either out of the unissued capital or out of the increased share capital then:
 - a) Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion, as near as circumstances admit, to the capital paid up on those shares at the date.
 - b) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.
 - c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in subclause (b) hereof shall contain a statement of this right. PROVIDED THAT the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him.
 - d) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person (s) as they may think, in their sole discretion, fit.
2. Notwithstanding anything contained in sub-clause (1) hereof, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof) in any manner whatsoever.
 - a) If a special resolution to that effect is passed by the Company in General Meeting, or
 - b) Where no such special resolution is passed, if the votes cast (Whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the Chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the Company.

CALIFORNIA SOFTWARE CO., LTD.

20 AUGUST 2001

Notice (contd.)

3. Nothing in sub-clause (c) of (1) hereof shall be deemed ;
 - a) To extend the time within which the offer should be accepted; or
 - b) To authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
4. Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:
 - i) To convert such debentures or loans into shares in the Company; or
 - ii) To subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise).

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

- a) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and
- b) In the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans".

Notes:

- a) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.**
- b) An explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956, is annexed hereto.
- c) The Register of Members and the Share Transfer Books of the Company will remain closed from 21.08.2001 to 27.08.2001 (both days inclusive) in connection with the Annual General Meeting.
- d) Members are given an option to hold their securities in a depository or in the physical form. Members opting for the depository form are requested to notify the Company's REGISTRAR AND SHARE TRANSFER AGENTS immediately at their address given below:

INTEGRATED ENTERPRISES (INDIA) LTD

"Kences Towers", II Floor, I, Ramakrishna Street
North Usman Road, T.Nagar, Chennai – 600 017

- e) Members who opt to hold their securities in physical form, may continue to forward their securities for transfer to the Registered Office of the Company.
- f) Members are requested to inform the Company any change in their address immediately so as to enable the Company to send any future communication at their correct address.
- g) Pursuant to Section 205A of the Companies Act, 1956 all unclaimed dividend upto and inclusive of the financial year 1993 – 1994 (31.03.1994) have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed their dividend warrants for the said period are requested to submit their claims for dividend to the Registrar of Companies, Tamil Nadu, II Floor, Shastri Bhavan, 26, Haddows Road, Chennai – 600 006.
- h) Shareholders who have not encashed their dividend warrants from the year 1995 – 96 onwards are requested to submit their claims to the Registered Office of the Company.
- i) Nomination facility is now available for the shareholders. Members who want to file Nominations may write to the Company.

A proxy form is attached.

Annexure to Notice

EXPLANATORY STATEMENT

(As required under Section 173(2) of the Companies Act, 1956)

Item No.6

While considering the Company's application for listing on the Stock Exchange, Mumbai, the exchange authorities had stipulated that the Article of Association of the Company should contain certain provisions. The provisions now proposed to be added to the Articles will satisfy the stipulations of the exchange in full respect.

The Board recommends the resolution to the shareholders for their approval.

None of the Directors is deemed to be concerned or interested in this resolution.

A copy of the Memorandum and Articles of Association of the Company, together with the proposed alterations is available for inspection at the Registered Office of the Company between 11.00 A.M and 1.00 P.M on all working days upto 26 August, 2001.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING REELECTION AT THE ANNUAL GENERAL MEETING.

Mr. Robert V Chandran, aged 51 years, is the Chairman of the Company and has served the Company in that capacity since 1992. He holds a Master's degree in Business Management from Asian Institute of Management, Manila. He is the President of Chemoil Corporation, the foreign collaborator of the Company.

Mr. S.Santhosh, aged 39 years, is the Managing Director of the Company and has served the Company in that capacity since 1994. He is a Mechanical Engineer and an MBA in Management Information Systems from IIM, Calcutta. He is also the President and CEO of the Company's wholly owned subsidiary in the US, CSWL, Inc.

Dr. P.J.George, aged 69 years, has served the Company as a Director since 1992. He holds a Doctorate in Mechanical Engineering. He has over 35 years of teaching/research experience.



On behalf of the Board of Directors
CALIFORNIA SOFTWARE COMPANY LTD

Chennai
July 9, 2001

S.Santhosh
Managing Director

CALIFORNIA SOFTWARE CO. LTD

The Year at a glance

	March 31, 2001	(Rs. in lakhs) March 31, 2000
For the year		
Total revenues	2,953.58	1,442.44
Operating profit	557.48	317.28
Operating profit as a % of total revenues	18.87	22.00
Profit after tax	229.86	151.21
Earning per Share (Rs) (annualized)	4.83	3.61
Dividend per Share (Rs)	—	2.00
Dividend amount	—	74.53

At the end of the year

Total assets	2,445.86	2,090.59
Fixed assets (net)	685.57	304.50
Total debt	274.43	144.68
Net worth	1,881.85	1,740.00
Equity	476.11	476.11
Market capitalization	5,261.00	6,522.69

Directors' Report

To the Members

Your directors are pleased to present their report on the business and operations of your Company for the year ended March 31, 2001.

Financial Results

	(Rs. in lakhs)	
	Year ended March 31, 2001	Year ended March 31, 2000
Gross revenues	2,953.58	1,442.44
Operating Profit	557.48	317.28
Interest	30.28	18.13
Depreciation	100.38	68.85
Miscellaneous expenses written off	196.96	79.09
Profit before tax	229.86	151.21
Provision for tax	—	—
Profit after tax	229.86	151.21
Profit brought forward from the previous year	66.73	21.59
Surplus available for appropriation	296.59	172.80

Appropriations

Dividend recommended	—	74.53
Dividend tax	—	16.54
Transferred to General reserve	225.53	15.00
Income tax for 1997-98	4.33	—
Surplus in Profit and loss account	66.73	66.73

Results of operations

Your Company's performance during the year has been quite impressive. The total revenue grew to Rs 2,953.58 lakhs from last year's Rs 1,442.44 lakhs, a growth rate of almost 105%. The operating profit grew to Rs 557.48 lakhs from last year's Rs 317.28 lakhs, a growth rate of over 75%. The operating profit margins have increased due to enhanced revenue productivity, lower growth in administrative expenses and a broadening of the business mix. Profit after tax has increased to Rs 229.86 lakhs from last year's Rs 151.21 lakhs, a growth rate of 52%.

Dividend

In view of the slump in the U.S. Software market and its impact on the Cashflow of the Company, your Directors consider it prudent not to recommend any dividend for the financial year ended March 31, 2001 so that the available funds are conserved for operational needs.

CALIFORNIA SOFTWARE CO. LTD.

Directors' Report (contd.)

Business

Your Company's export revenue during the year grew by over 111% to Rs. 28,22,78,734 from Rs. 13,36,64,670 during the last year. About 88 % of the Company's export revenue during the year came from On-site operations and the remaining 12% from off-shore activities. During the year, the Company launched in the Indian market its Business to Business trading product called "eBiz Market Server". The Company registered a domestic sales of Rs. 24,71,665 during the year. With a view to substantially improve the domestic activities, the Company has established a Sales and Marketing Department at Chennai under a Vice President.

CSWL, Inc., USA

Your Company's Wholly Owned Subsidiary in the US, CSWL, Inc., continued its rapid growth during this year as well. The sales turn over of the subsidiary grew by about 39 % to US \$ 11,950,171 from previous year's US \$ 8,621,099. The net profit of the subsidiary during the year was US \$ 16,624.

As required under section 212 of the Companies Act, 1956, the audited statements of accounts and Auditors' reports thereon alongwith the report of the Directors of the subsidiary for the year ended March 31, 2001, are annexed to this report.

New Software Development Centre

During the year, the Company established a state-of-the-art Software Development Centre in Tidel Park, Chennai. This centre is equipped with 50 workstations, taking the total number of work stations available at Chennai to 230.

Capital market developments

The market capitalization of your Company stood at Rs 52.61 crores as on March 31, 2001, based on the quotations on the National Stock Exchange. Effective December 4, 2000, your Company's shares have been listed on the Bombay Stock Exchange. Your Company's shares have been admitted as an eligible security in the depository system of National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd (CDSL) bearing ISIN INE 526B01014.

Stock Option Scheme

Under the Employee Stock Option Scheme (ESOS), instituted in accordance with the approvals granted by the Shareholders and in line with the SEBI (ESOS and ESPS) Guidelines, 1999, 4,72,200 Options were granted during the year to 83 employees of the Company and its Subsidiary. The exercise price of the Options, the dates on which they will be exercisable etc are as under :

Date of grant of options	No. of Options granted	Exercise Price (Rs.)	Date by which exercisable
17.04.2000	1,13,000	30.00	18.04.2002
05.07.2000	45,000	30.00	06.07.2002
02.09.2000	14,200	30.00	03.09.2002
24.10.2000	1,00,000	100.00	25.10.2002
24.10.2000	1,00,000	100.00	25.10.2003
24.10.2000	1,00,000	100.00	25.10.2004
Total	4,72,200	—	—

Directors' Report (contd.)

As required under the SEBI Guidelines mentioned above, further details of the Options granted are given below :

a)	Number of Options granted	4,72,200
b)	Pricing formula	As fixed by the Shareholders
c)	Options vested	NIL
d)	Options exercised	NIL
e)	Total number of shares arising as a result of exercise of options	N/A
f)	Options lapsed	NIL
g)	Variations of terms of options	NONE
h)	Money realised by exercise of option	N/A
i)	Total number of options inforce	6,00,000
j)	Options granted to senior managerial personnel;	
	Mahesh P	35,000
	Pradeep P	35,000
	Paul George	20,000
k)	Employees holding 5% or more of the total number of options granted during the year:	
	Mahesh P	
	Pradeep P	
l)	Employees who were granted options equal or exceeding 1% of the issued capital	None
m)	Diluted EPS pursuant to issue of shares on exercise of options	N/A

Fixed Deposits

Your Company has not accepted any fixed deposit from the public during the year under report.

Directors

As per Article 121 of the Articles of Association, Mr Robert V Chandran, Mr S Santhosh and Dr. P J George retire by rotation in the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Auditors

The auditors, Gouthaman & Tomy, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office, if re-appointed.

Particulars of employees

As required by the provisions of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report.

CALIFORNIA SOFTWARE CO. LTD.