

**BOARD OF DIRECTORS:**

Sri P.C.PANTULU	-	Managing Director
Sri K.S.SHIVA KUMAR	-	Director & COO
Sri P. Chandra Sekhar	-	Director-Finance
Sri K K RAO	-	Director
Sri S SURENDRANATH	-	Director
Sri SHANKAR KHASNIS	-	Director
Sri PAWAN KUMAR KASERA	-	Director

**Auditors:**

B.Rama Rao & Co  
Chartered Accountants  
Hyderabad

**Bankers:**

ICICI Bank Ltd

**Registered Office &  
Software Development Centre:**

#11, Sripuri Colony,  
Kakaguda, Karkhna,  
Secunderabad-50015  
e-mail: [info@cybermateinfotek.com](mailto:info@cybermateinfotek.com)  
Url : [www.cybermateinfotek.com](http://www.cybermateinfotek.com)



## NOTICE

Notice is hereby given that the 12<sup>th</sup> Annual General Meeting of the shareholders of the company will be held on Monday, the 7<sup>th</sup> August 2006 at 10.00 A.M. at Mini Hall, Sundarayya Vignana Kendra, # 1-8-1/B/25/A, Baghlingampally, Hyderabad – 500 044 A.P India to transact the following business:

### AS ORDINARY BUSINESS:

1. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.  
“RESOLVED THAT the Audited Balance Sheet as at 31<sup>st</sup> March 2006 and the Profit and Loss Account of the Company for the year ended on that date and the report of the Directors and Auditors thereon be and are hereby considered and adopted.”
2. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.  
“RESOLVED THAT Mr. K .K. Rao, who retires by rotation and being eligible for re-appointment, offers himself for re-appointment be and is hereby re-appointed, as a Director of the Company.”
3. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.  
“RESOLVED THAT the retiring auditors M/s. B. RAMA RAO & Co., Chartered Accountants, Hyderabad, be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting of the Company, on such remuneration as may be fixed in this behalf by the Board of Directors of the Company.”

### AS SPECIAL BUSINESS:

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution.  
“RESOLVED THAT Mr.S. Surendranath, who was appointed by the Board as Additional Director pursuant to Section 260 of the Companies Act”1956, and who holds office upto the date of this Annual General Meeting of the company, be and is eligible for re-appointment and in respect of whom the Company has received a notice in writing from a member under the provisions of Section 257 of the Companies Act, 1956 proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.”
5. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution.  
“RESOLVED THAT Mr. Shankar Khanis, who was appointed by the Board as Additional Director pursuant to Section 260 of the Companies Act”1956, and who holds office upto the date of this Annual General Meeting of the company, be and is eligible for re-appointment and in respect of whom the Company has received a notice in writing from a member under the provisions of Section 257 of the Companies Act, 1956 proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.”
6. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution.  
“RESOLVED THAT Mr. Pawan Kumar Kasera, who was appointed by the Board as Additional Director pursuant to Section 260 of the Companies Act”1956, and who holds office upto the date of this Annual General Meeting of the company, be and is eligible for re-appointment and in respect of whom the Company has received a notice in writing from a member under the provisions of Section 257 of the Companies Act, 1956 proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.”
7. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution.  
“RESOLVED THAT Mr.P.Chandra Sekhar, who was appointed by the Board as Additional Director pursuant to Section 260 of the Companies Act”1956, and who holds office upto the date of this Annual General Meeting of the company, be and is eligible for re-appointment and in respect of whom the Company has received a notice in writing from a member under the provisions of Section 257 of the Companies Act, 1956 proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.”

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

**“RESOLVED THAT** in accordance with the provisions of Sections 198, 269, 309, 310,311 and 314 read with Schedule XIII and other applicable provisions of the Companies Act 1956 (including any statutory modification or re-enactment thereof, for the time being in force), subject to the approval of the members of the company, the consent of the Company be and is hereby accorded to the Board of Directors for the appointment and the payment of remuneration of **Mr. P Chandra Sekhar**, as Director-Finance for the Five years with effect from 7<sup>th</sup> August 2006 to 6<sup>th</sup> August 2011 (both days inclusive) as set out hereunder:

**1.Salary: Rs.50,000 per month** (In the scale of 50,000-10,000-90,000 P.M.).

**2.Perquisites:**

- i. **Medical Reimbursement:** Expenses incurred for the Director and family subject to a ceiling of one month's salary in a year of 3 months salary in a block of 3 years.
  - ii. **Leave Travel Concession:** For the Director and his family consists of spouse, dependent children and parents once in a year incurred in accordance with the rules specified by the company.
  - iii. **Club Fees:** Fees of Clubs subject, to a maximum of two clubs. This will not include admission and life Membership.
  - iv. **Personal Accident Insurance:** Premium not exceeding Rs.2000/- per annum.
  - v. **Provident Fund, Super Annuation Fund/Annuity Fund:** As per Company's rules.
  - vi. **Gratuity:** As per company's rules
  - vii. **Leaves:**
    - Casual Leaves : As per Company Rules.
    - Sick leaves : As per Company Rules.
    - Privilege Leaves : As per Company Rules.
  - Viii.. **Leave Encashment:** As per Company' Rules.
  - ix. **Residential Telephone:**

Residential telephone be provided at the expense of the company. The Telephone bill including STD. and Trunk calls for the official business will be paid by the Company.
  - x.. **Car:** Entitled to use office car with driver for official purpose. Alternatively if he owns a car with driver he shall be entitled for reimbursement of expenses of Rs.4500/- p.m.
- The following shall not be included in the computation of the ceiling on perquisites:
- a. Contribution to provident fund, super annuation Fund/Annuity Fund to the extent either singly or put together are not taxable under income tax Act, 1961.
  - b. Gratuity payable at the rate not exceeding half month's salary for each completed year of service.

**3. Minimum Remuneration:** In the event of loss or inadequacy of profits in any year during the period of his appointment, Mr. P Chandra Sekhar will be paid the remuneration as above as minimum remuneration. Mr. P Chandra Sekhar will not be entitled to any sitting fee for attending meetings of the Board or any committee thereof.”

**9. Cancellation of resolution passed in Extra-Ordinary General meeting held on 7<sup>th</sup> January 2006**

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

RESOLVED THAT the resolution no.1 for increase of authorized share capital passed in the Extra-Ordinary General Meeting held on 7<sup>th</sup> January 2006 is here by cancelled from the date of passing of this resolution by the members of the company w.e.f 07.01.2006 and the approval of the members is hereby granted for the same.

**10. Cancellation of resolution passed in Extra-Ordinary General meeting held on 7<sup>th</sup> January 2006**

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

RESOLVED THAT the resolution no.2 for alteration of increase of authorized share capital in Memorandum of Association passed in the Extra-Ordinary General Meeting held on 7<sup>th</sup> January 2006 is here by cancelled from the date of passing of this resolution by the members of the company w.e.f 07.01.2006 and the approval of the members is hereby granted for the same.

**11. Cancellation of resolution passed in Extra-Ordinary General meeting held on 7<sup>th</sup> January 2006**

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

RESOLVED THAT the resolution no.3 for alteration of increase of authorized share capital in Articles of Association passed in the Extra-Ordinary General Meeting held on 7<sup>th</sup> January 2006 is here by cancelled from the date of passing of this resolution by the members of the company w.e.f 07.01.2006 and the approval of the members is hereby granted for the same.

**12. Increase of Authorized Share Capital:**

To consider and if thought fit, to pass the following resolution with or without modification (s) as an Ordinary Resolution.

"RESOLVED THAT the Authorised Capital of the Company be increased from Rs. 15.00 Crores (Rupees Fifteen Crores Only) divided into 1,50,00,000 equity shares of Rs. 10 each to Rs 45,00,00,000 (Rupees Forty Five Crores Only) divided into 4,50,00,000 equity shares of Rs 10 each by creation of 3,00,00,000 EQUITY SHARES OF Rs10/- each ranking pari passu with the existing Equity shares of the company.

**13. Alteration of Authorized Share Capital clause in Memorandum of Association**

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

RESOLVED THAT pursuant to section 16 and other applicable provisions, if any, of the companies act, 1956 the Memorandum of Association of the company is amended as follows.

By inserting in place of clause V, the following:

The authorized share capital of the company is Rs. 45,00,00,000/-(Rupees Forty Five Crores Only) divided in to 4,50,00,000 equity shares of Rs.10/- each with power for company to consolidate, convert, subdivide, reduce or increase the capital and to issue any new shares with any preferential or special rights and conditions attached there to subject to the provisions of the companies Act, 1956

**14. Alteration of Authorized Share Capital clause in Articles of Association**

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

RESOLVED THAT pursuant to section 31 and other applicable provisions, if any, of the companies act, 1956 and the Article 3 of the Articles of Association of the company is amended as follows.

By inserting in place of Article 3, the following:

The authorized share capital of the company is Rs. 45,00,00,000/- (Rupees Forty Five Crores Only) divided in to 4,50,00,000 equity shares of Rs.10/- each (Rupees Ten Only).

#### **15. Further issue of equity shares:**

To consider and if thought fit, to pass the following resolution with or without modification(s) as a special resolution.

To consider and if thought fit, to pass the following resolution with or without modification(s) as a special resolution.

"RESOLVED THAT, in super session of the resolution passed in the Extra-ordinary General Meeting held on 7<sup>th</sup> January 2006, pursuant to the provisions of section 81 and other applicable provisions, if any, of the Companies Act, 1956 and in accordance with applicable provisions of Foreign Exchange Management Act, 1999 and of the company and the listing Agreement entered into by the Company with the stock Exchanges, where the Company's shares are listed and subject to the consent /approval/permission of the Central Government, Securities and Exchange Board of India (SEBI). Reserve Bank of India (RBI) and all other appropriate authorities and departments if any and to the extent necessary and subject to such conditions and modifications, as may be required by any of them in granting such approvals, which are acceptable to the Board of Directors of the Company (hereinafter referred to as the "Board of Directors" which expression shall include a Committee of Directors") the consent of the members be and is hereby accorded to the Board/Committee of Directors to offer/issue/allot Equity Shares/Preference Shares/Convertible Notes/Securities /Zero Interest Fully Convertible Debentures(FCDs) or any Securities convertible into equity shares whether optionally or otherwise (herein after referred to as "Securities") for an aggregate amount not exceeding Rs.30 crores (Rupees Thirty Crores Only) on rights basis for cash at par or such premium as may be decided by the Board/ Committee of Directors (hereinafter referred to as "Issue"), in the ratio to be decided by the Board on such date (herein after referred to as record date) to be fixed by the Board/Committee of Directors at a later date (fractional entitlements, if any, to be rounded off to the next higher integer), or to such person or persons, who may or may not be the shareholders of the Company, being renounces in whose favour the rights may be renounced by the respective shareholders provided that the Board may in its absolute discretion reject any such application without assigning any reason whatsoever or Qualified Institutional Buyers under chapter XIII-A of SEBI (Disclosure and Investor Protection) Guide Lines.

RESOLVED FURTHER THAT in case of issuance of securities to qualified Institutional Buyers in accordance with chapter XIII-A of SEBI (Disclosure and Investor Protection) Guidelines, the pricing of the securities shall be made in accordance with clause 13A.3.1 as explained therein, at a price not less than the higher of the following: i) The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the six months preceding the relevant date; OR ii) The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the two weeks preceding the relevant date and the relevant date means the day which is thirty days prior to the date on which the meeting of the general body of shareholders is held, under section 81(1A) of the companies Act, 1956, which shall be July 7<sup>th</sup> 2006.

RESOLVED FURTHER THAT such of these securities as are not subscribed may be disposed off by the Board/Committee if Directors thereof to such persons as the Board/Committee of Directors in its absolute discretion think most beneficial to the Company including offering or placing them with Banks /Financial Institutions/Investment Institutions/Mutual Funds/Foreign Institutional Investors/ Bodies Corporate/ High Net worth Investors(HNI)/Promoters/ such other person/s as the Board/Committee of Directors thereof may in its absolute directions decide.

RESOLVED FURTHER THAT these securities shall rank in all respects (including voting rights) pari passu with the existing equity shares except that these securities will only be entitled to pro-rata Dividend, if any, which may be declared or paid thereon from the date of allotment for the financial year in which the same are allotted.

RESOLVED FURTHER THAT the allotment to Non-resident shareholders shall be subject to the sanction of the Reserve bank of India and such conditions that may be imposed in this regard.

RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolution, the Board/Committee of Directors of the Company, be and is hereby authorized to finalize the Terms of Issue, the Draft of Letter of Offer, to fix and announce the Record Date, to appoint Lead Managers/ Registrars/ Bankers to the Issue and other agencies as may be required and to determine the terms and conditions of their appointment as may be deemed appropriate and give such directions, as they may from time to time, think fit and proper and to do all such acts, deeds and things including settling any questions, doubt or difficulty that may arise in regard to the offer, issue and allotment of the said securities and execute such documents as the Directors/Committee of Directors in their absolute discretion consider necessary/desirable and pay any fees and commission to such agencies and incur any expenses in relation thereto.

By order of the Board  
For Cybermate Infotek Limited  
-sd-  
P. C. Pantulu  
Managing Director

Place: Secunderabad  
Date: 13<sup>th</sup> July, 2006

**NOTES:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy and vote instead of himself and the proxy need not be a member. The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not later than 48 hours before the meeting.
2. The share transfer books and Register of Members of the Company will remain closed from 3<sup>rd</sup> August 2006 to 7<sup>th</sup> August 2006 (both days inclusive).
3. Members are requested to bring their copies of the Annual Report to the meeting. Please bring the Attendance slip with you duly filled in and handover the same at the entrance of the Meeting hall. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
4. Members are requested to notify immediately any change in their address to the Company in case their shares held in dematerialized form; this information should be passed so that the information required can be made readily available at the meeting.
5. Members holding shares in physical form are requested to de-materialize the shares in electronic form to facilitate faster transfer and avoid rejections for bad deliveries. The Share Certificates may be sent to Aarthi Consultants (p) Ltd, 1-2-285, Domalguda, Hyderabad-500029

**ITEM NO. 2:**

**Information on Director's seeking appointment / re-appointment as required under clause 49 of the listing agreement with stock exchanges.**

**Sri. K.K.Rao**, aged 56 years, is an NRI director on the Board. He is a Chartered Accountant who had worked and gained experience in large industries like Bharath Earth Movers Ltd., AP Fisheries Corporation, Lasheo Group of companies before leaving for the Middle East. He is currently managing a construction company in Doha, Qatar for the past 16 years.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

**ITEM NO. 4:**

Mr.S. Surendranath was appointed by the Board as Additional Director w.e.f 28<sup>th</sup> December 2005 pursuant to Section 260 of the Companies Act 1956. Sri S. Surendranath, aged 55 years, is an independent director on the Board. He is a commerce & law graduate. He has 15 years experience in International Banking, Foreign Exchange Dealings. He is also a visiting faculty for international Finance, Treasury Operations and Risk Management in various management institutions/ Colleges and published various articles on International Business, Foreign exchange and economic issues- In ECONOMIC TIMES, BUSINESS STANDARD, and STOCK EXCHANGE JOURNAL.

The company will immensely benefit from the association of Sri S Surendranath. Hence he was inducted into the Board

The board commends this resolution for approval of the members.

Except Mr.S Surendranath, none of the directors are interested in this resolution.

**ITEM NO. 5:**

**Sri Shankar Khasnis** was appointed by the Board as Additional Director w.e.f 28<sup>th</sup> December 2005 pursuant to Section 260 of the Companies Act 1956. Sri Shankar Khasnis, aged 40 years is an independent director on the board. He is a Bachelor of Engineering with a varied experience in industry. He has over 15 years of experience in areas of IT and ITES. Presently, he is a senior associate with Feedback Business Consulting Services Private Limited.

The Company will immensely benefit from the association of Sri Shankar Khasnis. Hence he was inducted into the Board

The board commends this resolution for approval of the members.

Except Mr Shankar Khasnis, none of the directors are interested in this resolution.

**ITEM NO. 6:**

**Sri Pawan Kumar Kasera** was appointed by the Board as Additional Director w.e.f 28<sup>th</sup> December 2005 pursuant to Section 260 of the Companies Act"1956.Sri Pawan Kumar Kasera, aged 44 years, is an independent director on the Board. He is a commerce graduate from Calcutta University. He has previously worked with Cabiltel India Ltd. He was the Chairman (Eastern Region) of Electronics and Computer Software Export Council (An Autonomous Organization under the Department of Information Technology, Ministry of communications and information technology, Govt. Of India). Presently he is a Member- Telecom Committee (National) Electronics and Computer Software Export Council from 2004 and Chairman, Acme Group of Companies from 1980 to till date.

The company will immensely benefit from the association of Sri Pawan Kumar Kasera. Hence he was inducted into the Board

The board commends this resolution for approval of the members.

Except Sri Pawan Kumar Kasera, none of the directors are interested in this resolution.

**ITEM NO. 7&8:**

**Mr.P. Chandra Sekhar** was appointed by the Board as Additional Director w.e.f 13<sup>th</sup> July, 2006 pursuant to Section 260 of the Companies Act"1956.Sri P Chandra Sekhar, aged 31 years is an executive director on the board. He is a Cost Accountant from Institute of Cost and works Accountants of India. Prior to joining the board, he was employed with a large retailing company as senior Financial Analyst. During his employment he was exposed to International Trade Practice.

The company will immensely benefit from the association of Sri P Chandra Sekhar. Hence he was inducted into the Board

The board commends this resolution for approval of the members.

Except Mr. P. Chandra Sekhar and Sri P C Pantulu a relative of the director, none of the directors are interested in this resolution.

**ITEM NO. 9,10&11:**

The members are aware that at the Extra-Ordinary General Meeting held on 7<sup>th</sup> January 2006 the resolution for increase of authorized share capital was adopted along with the resolutions for alteration of authorized share capital clause in Memorandum and Articles of Association. However the resolutions were not implemented due to various reasons. Hence the present the resolutions are proposed for cancellation of the same.

Your directors recommend the passing of above resolutions in the interest of the company.

**ITEM NO.12, 13&14:**

The Authorized share Capital of the company is at present Rs.15.00 Crores divided into 1,50,00,000 equity shares of Rs.10 each. In view of the proposed issue of equity shares on rights basis and or QIP placement it is necessary to increase the Authorised share Capital. The Board of Directors of the Company accordingly recommend the passing of these resolutions

None of the Directors of the company are interested in the proposed resolutions except to the extent of their shareholding in the company.

Your directors recommend the passing of above resolutions in the interest of the company.

**ITEM NO.15:**

The company is planning to setup development centers in the states of Andhra Pradesh and North Eastern States in terms of the expansion plans for taking up software services and BPO activities and further to setup overseas offices in Europe and Asia Pacific to explore the potential for the business of the company in this region. The company would require huge funds to meet the project requirements. Keeping in view all the above it is proposed to increase the authorized share capital and to offer/ issue/ allot equity shares to the existing shareholders on rights basis and or QIP placement as detailed in the resolution.



None of the Directors of the company are interested in the proposed resolution except to the extent of their shareholding in the company.

Your directors recommend the passing of above resolution in the interest of the company.

By order of the Board  
For Cybermate Infotek Limited

-sd-

P. C. Pantulu  
Managing Director

Place: Secunderabad  
Date: 13<sup>th</sup> July, 2006

### Directors' Report:

To the Members,

Your Directors have pleasure in presenting their 12<sup>th</sup> Annual Report of the business and operations of your company for the year ended March 31<sup>st</sup> 2006.

### Financial Results:

(Rs. in lakhs)

	2005-06	2004-05 (9 Months)
Operational Income	1577.34	221.84
Other Income	94.77	28.65
Total Revenues	1672.11	250.49
Earning before Depreciation, Interest & Tax	532.22	164.69
Depreciation	216.52	157.88
Interest	15.50	2.35
Profit before Tax	300.21	4.46
Provision for Tax	23.49	1.34
Profit after Tax	276.72	3.12

### Overview of Operations:

Your company has overcome the hurdles faced in the past by any other small and medium IT-ITES companies and has consolidated the operations with an utmost focus on building the technical strengths both at senior management as well as middle management levels. Your company is also exploring the possibilities and opportunities of penetrating into newer geographic and vertical markets.

### Subsidiary Company Accounts:

Due to certain administrative difficulties the accounts of the overseas subsidiary could not be finalized and hence the consolidation of accounts could not be completed. We have informed the auditors about the difficulty and the auditors have qualified their report. We shall ensure to get the accounts of the subsidiary updated and include the same in our next report.

### Fixed Deposits

Your company has not accepted any deposits and, as such no amount of principal or interest was outstanding on the date of Balance Sheet.

### Directors:

Sri K. K. Rao retire at the conclusion of this annual general meeting and being eligible offer him self for reappointment. The Board of Directors recommend his appointment.



Sri Ijju Shivanand and Sri P S Murthy were removed from the Board in the Board Meeting held on 2<sup>nd</sup> October, 2005 in view of their inability to attend Board Meetings as per the provisions contained in section 283 (1) (g) of the Companies act, 1956. The Board of Directors wish to place on record the appreciation for the services rendered by them during their tenure on the Board.

During the year Sri S Surendranath, Sri Shankar Khasnis, Sri Pawan Kumar Kasera and Sri P Chandra sekhar were inducted into the board at the Board of Directors Meeting held on 28<sup>th</sup> December 2005 and 13<sup>th</sup> July 2006 respectively and they will hold office till the conclusion of the ensuing Annual General Meeting and further being eligible offer them selves for reappointment in terms of section 257 of the Companies Act, 1956. The Board of Directors recommend their appointments.

In accordance with the requirements of Clause 49 of the Listing Agreement executed with the stock exchanges as also in pursuance of section 292A of the Companies Act'1956, following steps have been taken by the Board of Directors:

a) The Board of Directors has been reconstituted and comprises seven members (inclusive of three executive directors and four Non-Executive directors). The reconstituted Board comprises the following:

1) Mr. P. C. Pantulu	Managing Director
2) Mr. K. S. Shiva Kumar	Director & COO
3) Mr. P.Chandra Sekhar	Director-Finance
4) Mr. K. K. Rao	Non-Executive Director
5) Mr. S. Surendranath	Non-Executive Director
6) Mr. Shankar Khasnis	Non-Executive Director
7) Mr. Pawan Kumar Kasera	Non-Executive Director

#### **Audit Committee**

The Audit committee provides direction to the audit and risk management function in the company and monitors the quality of internal audit and management audit Committee include overseeing the financial reporting process to ensure proper disclosure of financial statement, recommending appointment/removal of external auditors and fixing remuneration.

The present audit committee comprises the following directors:

1) Mr. P C Pantulu	Chairman
2) Mr. Pawan Kumar Kasera	Member
3) Mr. S Surendranath	Member

**Directors' Responsibility Statement** (As the provisions of Section 217(2AA) of the Companies Act' 1956), the Directors confirm that:

a) in preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation related to material departures.

b) the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the company as at the end of 31<sup>st</sup> March 2006 and the profits for the year ended on that date.

c) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

d) the directors have prepared the annual accounts on a going concern basis.

#### **Corporate Governance**

A report on corporate governance and management discussion and analysis as required under clause 49 of the listing agreement are enclosed.

#### **MANAGEMENT DISCUSSION AND ANALYSIS**

**Industry Structure and developments.**

Worldwide spending on IT-ITES is witnessing a steady growth, on the back of healthier spending across key markets. Outsourcing continues to be the primary growth factor with global delivery forming an integral part of the strategies adopted by customers and service providers.

The IT industry has seen the Indian IT multinationals, with the traditionally India-centric, indigenous players beginning to build noticeable presence in other locations – through cross border acquisitions, onshore contract wins and organic growth in other low-cost locations. This has once again has proven the success of the global delivery expanding into higher-value, more complex activities model and highlighting India's increasingly important role in the new world IT order.

**Opportunities and threats**

Your company intends to benefit from this steady growth in the outsourcing opportunities and has taken the necessary initiatives in this direction. Recruitment cum training drive has been initiated and the required up gradation in the existing infrastructure and is also being taken up. Your company plans a modest beginning subsequently moving up the value chain thereby increasing the margins.

**Segment or product-wise performance**

Segment-wise or product-wise performance has already been furnished elsewhere in this Report.

**Outlook:**

This has been already furnished elsewhere in this report.

**Risks and concerns:**

There is pressure on profitability due to the lack of export orders to execute offshore projects.

**Internal control systems and their adequacy:**

Your Company placed considerable emphasis on internal control system so as to minimize the costs and improve the efficiencies and existing systems are adequate given the size of the company.

**Financial /operational performance:**

This has been already discussed elsewhere in this Report.

**Human Resources/ Industrial Relations:**

Due to lack of sufficient export orders, several employees left the company for better prospects and career growth. However all out effort was made to retain the talent and improve the productivity.

**Auditors:**

The auditors, M/s. B.Rama Rao & Co., Chartered Accountants, Hyderabad retire at this Annual General Meeting and are eligible for re-appointment. The Board recommends their re-appointment.

**Auditors Observations:**

The observations of the auditors in their report to the members are self-explanatory and are not called for any explanation from the Board. The observations of auditors as referred to in the annexure to the Auditors Report are suitably explained in the notes to the accounts.

**Conservation of Energy, Technology absorption and Foreign Exchange Earnings and Outgo**

The particulars as prescribed under sub-section (1)(e) of section 217(2A) of the Companies Act'1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, are given in Annexure B.

**Employee Particulars**

As required under the provisions of Section 217(2A) of the Companies read with the Companies (Particulars of employees) Rules' 1975 as amended form part of this report. However, in pursuance of section 219(1)(b)(iv) of the companies Act' 1956 this report is being sent to all shareholders of the company excluding the aforesaid information and the said particulars are made available at the registered office of the company.