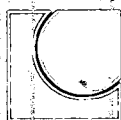


14th ANNUAL REPORT 2009-10



CYBERSCAPE
MULTIMEDIA LIMITED

BOARD OF DIRECTORS

Anand S.K.
Managing Director

M.S. Sridhar
Joint Managing Director

Dr. Mohan S. Kankanhalli
Director

T.S. Ramachandran
Director

C.N. Kshetragna
Director

Auditors

Shabbir & Rita Associates
Chartered Accountants
63, Narayan Niwas,
Aarey Road, Goregaon (West)
Mumbai 400 062.
Tel: 28739939, 28720555
Email: shabbir.rita@gmail.com

COMMITTEES OF THE BOARD

Audit Committee

T.S. Ramachandran, Chairman
C.N. Kshetragna

Shareholders/Investors Grievances Committee

C.N. Kshetragna, Chairman
T.S. Ramachandran
Anand S.K.

Share Transfer Committee

Anand S.K.
M.S. Sridhar

Registered & Corporate Office

941, 21st Main, 22nd 'A' Cross
Opp: BDA Complex
Banashankari II Stage
Bangalore-560 070.
Telefax: 91-80-26714446 / 26710925

Mumbai Branch :

A-302, "A" Wing, Raj Darshan Building
Dada Patil Wadi, Opp. Platform No. 1
Thane (W)-400602
Tel.: 91-22-25450959
Fax : 91-22-25454742

Registrars & Share Transfer Agents

Alpha Systems Pvt. Ltd.,
30, Ramana Residency
4th Cross, Sampige Road
Malleswaram
Bangalore-560 003.
Tel: 91-80-23460815 - 818
Fax: 91-80-23460819
E-mail: alfint@vsnl.com

Bankers

Indian Overseas Bank
ICICI Bank Ltd.
Vijaya Bank
The CKP Co-operative Bank Ltd.

NOTICE TO SHAREHOLDERS



NOTICE is hereby given that the 14th Annual General Meeting of the shareholders of **Cyberscape Multimedia Limited** will be held at 10:00 a.m. on Tuesday, the 17th August, 2010 at Suchitra Auditorium, Suchitra Film Society, 36, 9th Main Road, Banashankari 2nd Stage, Bangalore-560 070 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended March 31, 2010 and the Balance Sheet as at that date together with the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. C.N. Kshetragna, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. M/s Shabbir & Rita Associates, Chartered Accountants, Mumbai, retiring auditors, are eligible for re-appointment. The declaration under Section 224(1B) of the Companies Act, 1956 has been received. In this connection, to consider, and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT M/s Shabbir & Rita Associates, Chartered Accountants, Mumbai, be and are hereby appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting, on such remuneration as may be determined by the Board of Directors in consultation with the Auditors."

SPECIAL BUSINESS

4. To consider and if thought fit, to pass, with or without modifications, the following resolution, as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 or any amendment or modification thereof read with conditions specified in Schedule XIII to the Act, consent of the members be and is hereby accorded to the re-appointment of **Mr. Anand S.K.** as Managing Director of the Company with effect from 1st April, 2010 for a further period of 5 years on the following terms and conditions:

1. Salary : Rs. 30,000/- per month
2. Perquisites shall be restricted to an amount equal to the annual salary.

The perquisites are classified into three categories A, B & C.

Category A

1. **Housing** : Furnished residential accommodation, the perquisite value for which shall be calculated in accordance with the Income Tax Rules, 1962. The perquisite value of provision of, or reimbursement of expenditure incurred on gas, electricity, water and furnishings being, valued in accordance with the Income Tax Rules, 1962.

OR

House rent allowance equivalent to 60% of the salary.

2. Medical Benefits:

* Reimbursement of Medical expenses incurred for the Managing Director and his family (including hospitalisation, nursing home and surgical charges) shall be made by the company. This shall be subject to a ceiling of one month's salary in a financial year.

* Health Insurance for the Managing Director and his family subject to a ceiling of Rs. 10,000/- in a financial year on the premium payable in respect of such insurance.

3. Leave Travel Concession: Leave Travel Concession (for the Managing Director and his family once in a financial year incurred in accordance with the Rules specified by the Company) subject to a ceiling of one month's salary in a financial year.

4. Club Fees: Reimbursement of fees of a maximum of two clubs, subject to a ceiling of Rs. 50,000/- in a financial year.

5. Personal Accident Insurance: Personal Accident Insurance subject to a ceiling of Rs. 10,000/- in a financial year on the premium payable in respect of such insurance.

For the purpose of medical benefits and leave travel concession under Category A, 'family' means the spouse and dependent children of the Managing Director.

Category B

1. Company's contributions towards Provident Fund, Superannuation Fund or Annuity Funds as per the Rules framed under the Company's relevant Scheme.

These shall be subject to ceiling of the amount upto which the said contributions are either singly or put together not taxable, under the Income Tax Act, 1961.

2. Gratuity not exceeding one half month's salary for each completed year of service. Such gratuity shall be payable at the end of the tenure or at the time of determination of this Agreement, whichever is earlier.

3. Earned/privilege leave, on full pay and allowance, not exceeding 30 days in a financial year. Encashment of leaves will be permissible in accordance with the Rules specified by the Company. Casual/Sick leave as per the Rules of the Company.

Category C

I (1) Provision of motor car with driver.

(2) Provision of free telephone facilities or reimbursement of telephone expenses at residence

II Unless otherwise stipulated, for the purpose of this resolution, the perquisite shall be evaluated as per Income Tax Rules wherever applicable. In the absence of any such Rule, perquisites shall be evaluated at actual cost.

In the event of loss or inadequacy of profits, in any financial year of the Company during the tenure of service of Mr. Anand S.K., the Company will pay the above remuneration by way of salary, perquisites and allowances not exceeding the limits as specified under Section II, Part II of Schedule XIII to the Companies Act, 1956, (including any statutory modifications or re-enactment thereof for the time being in force).

The Board of Directors shall have authority to change, alter or vary the terms and conditions (including remuneration) of Mr. Anand S.K.'s appointment as Managing Director without further reference to shareholders subject to the condition that the terms and conditions so changed, altered or varied shall always be within the limits prescribed therefor under Schedule XIII or other applicable provisions of the Companies Act, 1956 for the time being and from time to time in force.

In the event of any re-enactment or re-codification of the Companies Act, 1956 or the Income Tax Act, 1961 or amendments thereto, this Resolution shall continue to remain in force and the reference to various provisions of the Companies Act, 1956 or the Income Tax Act, 1961 shall be deemed to be substituted by the corresponding provisions of the new Act or the amendments thereto or the rules and notifications issued thereunder."

5. To consider and if thought fit, to pass, with or without modifications, the following resolution, as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 or any amendment or modification thereof read with conditions specified in Schedule XIII to the Act, consent of the members be and is hereby accorded to the re-appointment of **Mr. M.S. Sridhar** as Joint Managing Director of the Company with effect from 1st April, 2010 for a further period of 5 years on the following terms and conditions:

1. Salary : Rs. 30,000/- per month
2. Perquisites shall be restricted to an amount equal to the annual salary.

The perquisites are classified into three categories A, B & C.

Category A

1. **Housing :** Furnished residential accommodation, the perquisite value for which, shall be calculated in accordance with the Income Tax Rules, 1962. The perquisite value of provision of, or reimbursement of expenditure incurred on gas, electricity, water and furnishings being valued in accordance with the Income Tax Rules, 1962.

OR House rent allowance equivalent to 60% of the salary.

2. Medical Benefits:

* Reimbursement of Medical expenses incurred for the Joint Managing Director and his family (including hospitalisation, nursing home and surgical charges) shall be made by the company. This shall be subject to a ceiling of one month's salary in a financial year.

* Health Insurance for the Joint Managing Director and his family subject to a ceiling of Rs. 10,000/- in a financial year on the premium payable in respect of such insurance.

3. **Leave Travel Concession:** Leave Travel Concession (for the Joint Managing Director and his family once in a financial year incurred in accordance with the Rules specified by the Company) subject to a ceiling of one month's salary in a financial year.

4. **Club Fees:** Reimbursement of fees of a maximum of two clubs, subject to a ceiling of Rs. 50,000/- in a financial year.

5. **Personal Accident Insurance:** Personal Accident

Insurance subject to a ceiling of Rs. 10,000/- in a financial year on the premium payable in respect of such insurance.

For the purpose of medical benefits and leave travel concession under Category A, 'family' means the spouse and dependent children of the Joint Managing Director.

Category B

1. Company's contributions towards Provident Fund, Superannuation Fund or Annuity Funds as per the Rules framed under the Company's relevant Scheme.

These shall be subject to ceiling of the amount upto which the said contributions are either singly or put together not taxable, under the Income Tax Act, 1961.

2. *Gratuity not exceeding one half month's salary for each completed year of service.* Such gratuity shall be payable at the end of the tenure or at the time of determination of this Agreement, whichever is earlier.

3. *Earned/privilege leave, on full pay and allowance, not exceeding 30 days in a financial year.* Encashment of leaves will be permissible in accordance with the Rules specified by the Company. Casual/Sick leave as per the Rules of the Company.

Category C

I (1) Provision of motor car with driver.

(2) Provision of free telephone facilities or reimbursement of telephone expenses at residence

II Unless otherwise stipulated, for the purpose of this resolution, the perquisite shall be evaluated as per Income Tax Rules wherever applicable. In the absence of any such Rule, perquisites shall be evaluated at actual cost.

In the event of loss or inadequacy of profits, in any financial year of the Company during the tenure of service of Mr. M.S. Sridhar, the Company will pay the above remuneration by way of salary, perquisites and allowances not exceeding the limits as specified under Section II, Part II of Schedule XIII to the Companies Act, 1956, (including any statutory modifications or re-enactment thereof for the time being in force).

The Board of Directors shall have authority to change, alter or vary the terms and conditions (including remuneration) of Mr. M.S. Sridhar's appointment as Joint Managing Director without further reference to shareholders subject to the condition that the terms and conditions so changed, altered or varied shall always be within the limits prescribed therefor under Schedule XIII or other applicable provisions of the Companies Act, 1956 for the time being and from time to time in force.

In the event of any re-enactment or re-codification of the Companies Act, 1956 or the Income Tax Act, 1961 or amendments thereto, this Resolution shall continue to remain in force and the reference to various provisions of the Companies Act, 1956 or the Income Tax Act, 1961 shall be deemed to be substituted by the corresponding provisions of the new Act or the amendments thereto or the rules and notifications issued thereunder."

By Order of the Board

ANAND S.K.
 Managing Director

Bangalore, May 28, 2010

NOTES:

1. A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and vote instead of himself/herself. The proxy need not be a member of the Company. Proxy to be valid must be deposited with the Company not later than 48 hours before the commencement of the meeting.

2. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 relating to Special Business to be transacted at the meeting is annexed hereto.

3. The Register of Members and Share Transfer Books of the Company will remain closed from 13th August, 2010 to 17th August, 2010 (both days inclusive).

4. Members holding shares in physical form are requested to intimate immediately any change in their address to the Registrar and Share Transfer Agents and the members holding shares in dematerialised form may inform the same to their respective depository participants:

5. Members desirous of getting any information in respect of accounts are requested to send their queries in writing to the Company at the Registered Office so as to reach the Company 7 days before the meeting.

6. As members are aware, equity shares of the Company are traded in electronic form for all shareholders. Members who hold equity shares in physical form may dematerialise the same. ISIN allotted to the Company for this purpose is INE519B01019 (Fully Paid-up) and INE9519B01017 (Partly Paid-up).

7. Members/Proxies are requested to bring their copy of the Annual Report and the Attendance Slip sent herewith duly filled in to the Annual General Meeting.

8. Members who hold shares in physical form in multiple folios in identical names or joint accounts in the same order of names are requested to send the share certificates to the Company's Registrars and Share Transfer Agents M/s Alpha Systems Private Limited, for consolidation into a single folio.

9. A brief resume of the Director proposed to be re-appointed vide Item No. 2 under Ordinary Business in the Notice as required under Clause 49 of the Listing Agreement:

Mr. C.N. Kshetragna (46 years) is M. Com., M.B.A. and his specialization is Marketing, CRM and Branding. He has 13 years experience in Financial Services and Banking Industry. He has worked as Associate Vice President in Kotak Mahindra Group and as Regional Head (Karnataka & Andhra Pradesh) in HDFC Bank Ltd. He is presently into academics. He has been working as Professor in Christ University of Management, Bangalore since the year 2004. He is a member of the Audit Committee and Shareholders'/Investors' Grievances Committee.

By Order of the Board

ANAND S.K.
Managing Director

Bangalore, May 28, 2010

ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT UNDER SECTIONS 173(2) OF THE COMPANIES ACT, 1956****Item No. 4**

The term of office of Mr Anand S.K. as the Managing Director of the Company expired on 31st March 2010. The Board of Directors in their meeting held on 28th May, 2010 have approved his re-appointment for a term of 5 years with effect from 1st April 2010 on the terms and conditions stated in the resolution subject to the approval of the shareholders in the ensuing Annual General Meeting.

Mr. Anand S.K. has been at the helm of affairs of the Company since inception, built a strong foundation and managed the company through difficult times. His vision and foresightedness should help the Company grow in future. It is therefore now recommended that Mr Anand S.K. be re-appointed as the Managing Director for a period of 5 years from 1st April 2010 on the terms and conditions stated in the resolution, which are in conformity with the conditions specified in Schedule XIII of the Companies Act 1956.

Your Directors recommend the resolution for approval of the members. Mr Anand S.K. is interested in the resolution as it relates to his appointment. Dr Mohan S. Kankanhalli, Director, being related to Mr. Anand S.K., is also interested in the resolution. None of the other Directors of the Company is, in any way, concerned or interested in the resolution.

Item No. 5

The term of office of Mr M.S. Sridhar as the Joint Managing Director of the Company expired on 31st March 2010. The Board of Directors in their meeting held on 28th May, 2010 have approved his re-appointment for a term of 5 years with effect from 1st April 2010 on the terms and conditions stated in the resolution subject to the approval of the shareholders in the ensuing Annual General Meeting.

Mr. M.S. Sridhar has been a Director of the Company since inception, built a strong technical base and managed the company through difficult times alongwith Mr. Anand S.K.. His experience in the field of technology, administration and marketing should help the Company build a strong product base. It is, therefore, now recommended that Mr M.S. Sridhar be re-appointed as the Joint Managing Director for a period of 5 years from 1st April 2010 on the terms and conditions stated in the resolution, which are in conformity with the conditions specified in Schedule XIII of the Companies Act 1956.

Your Directors recommend the resolution for approval of the members. Mr M.S. Sridhar is interested in the resolution as it relates to his appointment. None of the other Directors of the Company is, in any way, concerned or interested in the resolution.

By Order of the Board

ANAND S.K.
Managing Director

Bangalore, May 28, 2010

To the Members,

Your Directors have pleasure in presenting the 14th Annual Report together with the audited accounts of the Company for the year ended March 31, 2010.

FINANCIAL RESULTS

(Rupees in lacs)

PARTICULARS	2009-10	2008-09
Total Income	172.74	1344.38
Operating Profit (PBIDT)	(27.85)	(14.21)
Interest	0.87	1.14
Depreciation	17.06	20.28
Profit/(Loss) before Taxation	(45.79)	(35.63)
Provision for Deferred Tax	(3.75)	14.68
Fringe Benefit Tax	-	0.69
Income Tax for earlier years	0.24	(0.12)
Profit / (Loss) after Tax	(42.28)	(50.89)
Balance of Profit / (Loss) from previous year	(275.10)	(224.21)
Amount available for appropriation	(317.38)	(275.10)

During the year, the Company has recorded a significant decrease in the total income from Rs. 1344.38 lacs to Rs. 172.74 lacs compared to the previous year and the operations have resulted in a loss of Rs. 27.85 lacs. Including depreciation the Company has incurred a loss of Rs. 45.79 lacs as against a loss of Rs. 35.63 lacs in the previous year. The decrease in turnover is primarily on account of curtailing trading in computer software, which has little effect on the profitability of the Company. Depreciation was Rs. 17.06 lacs as against Rs. 20.28 lacs in the previous year. The loss after tax was Rs. 42.28 lacs as against Rs. 50.89 lacs in the previous year.

DIVIDEND

Your Directors do not recommend any dividend for the year in view of the loss incurred by the Company.

INVESTORS RELATIONS

Alpha Systems Pvt Ltd., a SEBI registered Transfer Agent, is the Company's Share Transfer Agent. All correspondence regarding securities and investor grievances are being attended to at the Registered Office or at the Share Transfer Agent's office located at Malleswaram, Bangalore. The Company, with an objective of friendly investor relations has set up a Shareholders'/Investors' Grievances Committee. The Committee ensures that all the queries and suggestions

are properly attended to.

CORPORATE GOVERNANCE

Your Company adheres to all the mandatory recommendations of Corporate Governance Code laid down under Clause 49 of the Listing Agreement with Bombay Stock Exchange. A report on Corporate Governance is provided in this Report. The Auditors' Certificate on Corporate Governance forms part of this Annual Report.

PUBLIC DEPOSITS

Your Company has not accepted any deposits from the public during the year under review.

PARTICULARS OF EMPLOYEES

None of the employees of the Company employed through out the year or part of the year was in receipt of remuneration in excess of limits specified in Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended.

ADDITIONAL INFORMATION

Particulars pursuant to Section 217(1)(e) of the Companies Act, 1956 and Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988.

a. Conservation of energy and technology absorption

The Company's operations are not energy intensive. However, adequate measures have been taken to reduce energy consumption by using energy efficient computers with latest technologies. An effort to conserve energy goes on a continual basis.

b. Foreign Exchange Earning and outgo

The information related to foreign exchange earnings and outgo during the year under review is given in notes on accounts.

DIRECTORS

As per the provisions of the Companies Act, 1956, Mr. C.N. Kshetragna, Director retires by rotation and being eligible, offers himself for re-appointment.

A brief profile of Mr. Kshetragna is given in the Notice of the Annual General Meeting.

Necessary resolution is submitted for your approval.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors accept the responsibility for the integrity and objectivity of the Profit and Loss Account for the year ended March 31, 2010 and the Balance Sheet as at that date. Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that:

i. In the preparation of annual accounts for the year 2009-10 the Generally Accepted Accounting Principles (GAAP) of India and the applicable accounting standards have been followed along with proper explanation relating to material departures.

ii. The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for the year under review.

iii. The Directors have taken proper and sufficient care for 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 and other irregularities.

iv. The Directors have prepared the annual accounts for the financial year ended March 31, 2010 on a 'going concern' basis.

AUDITORS

M/s Shabbir & Rita Associates, Chartered Accountants, Mumbai, Statutory Auditors of the Company retire at the ensuing Annual General Meeting and have expressed their willingness to continue as Statutory Auditors for the financial year 2010-11 and accordingly, a resolution proposing their appointment is being submitted to the Annual General Meeting.

STATUTORY DISCLOSURE

None of the Directors of the Company is disqualified under the provisions of Section 274(1)(g) of the Companies Act, 1956. Your Directors have made necessary disclosures as required under various provisions of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis forming part of this Annual Report is attached.

ACKNOWLEDGEMENTS

The Directors wish to thank the Company's customers, bankers, suppliers, shareholders, business associates, regulatory authorities, Government departments and Government agencies for their support and co-operation. The Board would also like to express great appreciation for the commitment and contribution of its employees at all levels.

On behalf of the Board of Directors

M.S. Sridhar
Joint Managing Director
Bangalore
May 28, 2010

Anand S.K.
Managing Director

The IT industry in India seems to have survived the worst recession since the depression of the 1930's and some of the segments seem to be posting signs of recovery. However, the recession in USA has spread its tentacles far and wide across the world and the latest victim to this global problem is the virtual collapse of the Greek economy and its reverberations in the European Union. The problems are yet to be resolved but it seems except the BRIC countries of Brazil, Russia, India and China no economy has remained untouched. We too have had one of our worst years as far as financials are concerned and have barely stayed afloat thanks to some unsecured loans from the promoter directors. While we are trying our best to keep the overheads at the bare minimum and are limping along, no major breakthrough in terms of business growth seems to be visible anywhere on the horizon. But being the kind of diehard optimists that we are, in spite of the adverse business climate, we are still hopeful of achieving a miracle breakthrough.

Industry outlook

There is a great amount of churn and uncertainty in the IT sector globally and erstwhile giants like Microsoft and IBM are being challenged by new upstarts like Google and Facebook. The days of desktop centric computing seem to be numbered and slowly it is giving way to an internet based distributed model called "**Cloud Computing**". Every small and large player is likely to be affected by this change of paradigm and we too have to start looking at different ways of doing business. For product companies like us, very stark changes are likely to happen as the industry moves away from the per desktop or per server licensing models to **SAAS** (Software As A Service) based delivery models. But such a switch over entails complete revamping of the desktop based products to the "Cloud" based ones and requires huge amount of funds to re-engineer and redeploy the products in the changed environment. Unfortunately the internet delivery infrastructure in India is still primitive as compared to that in the advanced economies and while it is certain that the future lies with "Cloud" based delivery models, we can ill afford to risk major investments in this area and are likely to get left out as compared to the industry leaders like Google, Apple, Adobe, Yahoo and Microsoft who because of their deep pockets can invest large sums today to reap a rich harvest tomorrow. The

domestic product market especially in the niche that your company is in, namely the multilingual software products too is undergoing changes and we wouldn't be surprised if the "Cloud Computing" model swamps the current way of working very soon. The fact that Microsoft, the undisputed king of desktop based licensed products is converting all its products into "**Microsoft Live**", the online cloud based versions gives a glimpse of the future as it unveils before us.

Positives

The mobile services and communication market in India still shows strong growth and it is predicted that the number of mobile users in India may surpass China, the current largest market in the world. Our efforts are still going on to develop some unique products and some valuable IPR in these areas like **Multilingual SMS (Short Messaging Services), Mobile applications in local languages etc.** With the limited funds at our disposal for R&D, we plan to mature these products in the coming years and should reap some substantial benefits in the future.

Negatives

We are unable to convert these lab ideas to full-fledged products. While we keep plodding on and manage to survive it is becoming increasingly difficult to fund developmental and marketing activities. Sustained R&D activities in the emerging areas require adequate funding, which we are woefully short of and hence larger and better funded giants like Google may overtake us and have the first-mover advantage.

Opportunities:

The above mentioned shift towards "Cloud Computing" is also bringing about a shift in the way these services are being accessed by end users. Slowly the non PC devices like mobiles, handhelds and tablet PCs like iPad are replacing the older desktops or laptops as a means of accessing the cloud based services. Wireless 3G, WiFi and WiMax broadband internet coverage is bound to improve, giving further boost to these ultra portable and ultra mobile devices usage. We sense an opportunity here: the emergence of a need for local language UI (User Interface) and content for these devices as a new growth area for us.

The telecom and banking boom in India is likely to peter out unless the huge volumes still not exploited in the semi-urban and rural markets are tapped. Combined with the fact that for most Indians their first brush with the Internet and Cloud based services is more likely to happen with a non-PC mobile device like a smart phone, we see a huge need for local language enabled devices, because most of the rural and semi-rural masses are more likely to be comfortable with local languages than English as a medium of access to these services and content.

Our foray into these areas in local languages is quite promising and likely to have wide application in the growing semi-urban and rural markets and we are hopeful of getting some good revenues once these markets develop. Growth is mainly expected in the Tier II and Tier III cities and communication and content development in local languages will be the key driver. With our Akruti and related products, we should benefit from growth in this area.

The National E-Governance mission is being slowly unveiled and is yet another area where solutions will have to reach out to the non-English literate masses. We hope to revamp our e-Karyalaya, a multilingual e-Administration solution to work with the "Cloud based" e-governance solutions that will emerge and hopefully have a good revenue stream in the coming years.

We have started focusing on Desktop and Web Publishing in local languages, which are two areas which we had neglected earlier and we are happy to report that we have been short-listed as a preferred vendor to develop in 22 local Indian Languages the website content of certain Central Government departments by the NIC (National Informatics Centre) the nodal agency for IT developments for the Governments. With the increasing need to communicate in the vernacular with the bulk of the semi-urban and rural masses, this area shows a lot of promise and should provide good opportunities for our Akruti based content development system.

Challenges

Due to fund constraints, we are unable to have sustained marketing campaigns resulting in dependence on a smaller customer base. Selling and payment recovery cycles are very long ranging from six months to two years and it is difficult to survive in such a crippling

environment. Due to considerations of goodwill and future relations, we have no option but to bear the delayed payments from big clients and can't take recourse to legal enforcements of the terms of payment. We have tried converting IP into revenue streams by selling some product lines or rights to bigger players to generate liquidity but this is quite challenging in the given market scenario and we are still on the lookout..

Financial scenario

The turnover of the company has decreased from Rs. 1344.38 lakhs in 2008-2009 to Rs. 170.54 lakhs in 2009-2010. Including depreciation of 17.06 lakhs, the company has incurred a loss of Rs. 42.28 lakhs as compared to a loss of Rs. 50.89 lakhs (including depreciation of 20.28 lakhs and cash loss of 15.35 lakhs) in the previous year. The substantial decrease in turnover is primarily because of a reduction in trading turnover. In spite of the low turnover, we still have managed to cut the losses compared to the previous year and are working towards reducing it further.

Human resources

We have restructured our operations in Bangalore and Mumbai and have scaled it down to the minimum and will remain so till the market improves. We are considering commission based tele-marketing thru call centers to reduce marketing overheads for Akruti and other products. We are extremely thankful to our core team which has put extra effort in these trying times and hope to incentivize them in the future as the situation improves.

DISCLAIMER

The information given and opinion expressed in this section may contain certain forward looking statements, which the management believes to be true to the best of its knowledge at the time of its presentation. The Company cannot guarantee that these assumptions/expectations are accurate or will be realized. The management shall not be liable for any loss, which may arise as a result of any action taken on the basis of the information contained herein. The information contained herein should not be disclosed, reproduced or used in whole or in part for any purpose or furnished to any other person/s without the express prior written permission of the Company.