

15th ANNUAL REPORT 2010-11



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

Milind Mehta
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
Milind Mehta *

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

1456, 23rd Main, 30th Cross
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

Integrated Enterprises (India) 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.

* Part of the year

NOTICE is hereby given that the 15th Annual General Meeting of the shareholders of **Cyberscape Multimedia Limited** will be held at 10:00 a.m. on Wednesday, the 21st September 2011 at Suchitra Auditorium, Suchitra Film Society, 36, 9th Main Road, Banashankari 2nd Stage, Bangalore-560070 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, 2011 and the Balance Sheet as at that date together with the reports of the Board of Directors and Auditors thereon.

2. 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

3. Appointment of Mr. Milind Mehta as a Director

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

"RESOLVED that Mr. Milind Mehta, who was appointed an Additional Director of the Company with effect from 27th January, 2011 under Article 84 of the Articles of Association of the Company, and who holds office until this Annual General Meeting, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

4. Appointment of Mr. Sukirti Sogal as a Director

To consider and if thought fit, to pass with or without

modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED that Mr. Sukirti Sogal, who was appointed an Additional Director of the Company with effect from 16th August, 2011 under Article 84 of the Articles of Association of the Company, and who holds office until this Annual General Meeting, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

5. Appointment of Mr. Prashanth Kamath as a Director.

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

"RESOLVED that Mr. Prashanth Kamath, who was appointed an Additional Director of the Company with effect from 16th August, 2011 under Article 84 of the Articles of Association of the Company, and who holds office until this Annual General Meeting, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

6. Appointment of Mr. Vijayakumar N.A. as a Director.

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

"RESOLVED that Mr. Vijayakumar N.A., who was appointed an Additional Director of the Company with effect from 16th August, 2011 under Article 84 of the Articles of Association of the Company, and who holds office until this Annual General Meeting, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

By Order of the Board

Bangalore
August 16, 2011

ANAND S.K.
Managing Director

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 17th September, 2011 to 21st September, 2011 (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 Integrated Enterprises (India) Ltd., for consolidation into a single folio.

By Order of the Board

Bangalore
August 16, 2011

ANAND S.K.
Managing Director

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 3

Mr. Milind Mehta was appointed by the Board of Directors as an Additional Director of the Company with effect from 27th January, 2011 in accordance with Section 260 of the Companies Act, 1956 and Article 84 of the Articles of Association to hold office till the date of the Annual General Meeting scheduled to be held on 21st September, 2011.

Mr. Milind Mehta (51) holds professional qualification as a Chartered Accountant since 1992 and has wide ranging experience in Corporate Finance, Accounts, Corporate Laws, Taxation, Audit, Treasury, Budgeting and MIS. Mr. Mehta has more than 20 years of experience in the corporate sector working at prominent levels. Presently as a Chief Financial Officer of a listed public limited company Mr. Mehta is responsible for managing all the finances and monetary operations of the Company, preparation of budgets, establishing internal control procedures to safeguard the assets of the Company, financial planning, reporting, interpretation and evaluation of operating results.

Mr. Milind Mehta is not related to any Director of the Company. It is felt that appointment of Mr. Mehta would help the Company in strengthening the Board.

As required by Section 257 of the Companies Act, 1956, a notice has been received from a member signifying his intention to propose appointment of Mr. Milind Mehta as a Director along with a deposit of Rs. 500/-. Mr. Milind Mehta would be a Non-Executive Independent Director of the Company.

Except Mr. Milind Mehta none of the other Directors is interested or concerned in this resolution.

The Board of Directors recommends the resolution for approval of the members.

Item No. 4

Mr. Sukirti Sogal was appointed by the Board of Directors as an Additional Director of the Company with effect from 16th August, 2011 in accordance with Section 260 of the Companies Act, 1956 and Article 84 of the Articles of

Association to hold office till the date of the Annual General Meeting scheduled to be held on 21st September, 2011.

Mr. Sukirti Sogal (53) holds a Diploma in Electrical Engineering and has nearly 30 years' experience. He has been involved in design and execution of various projects in industries viz. power plants, grinding mill, vegetable oil refineries, natural gas and oil refineries etc. He has also been involved in software projects, medical transcription, call centre and garment manufacturing units. He has also executed several overseas projects in countries like Iraq and Muscat. In recent years Mr. Sogal has moved over to Banking and NREGA projects in rural Karnataka and currently has his own business at Bangalore.

Mr. Sukirti Sogal is not related to any Director of the Company. It is felt that appointment of Mr. Sogal would help the Company in strengthening the Board.

As required by Section 257 of the Companies Act, 1956, a notice has been received from a member signifying his intention to propose appointment of Mr. Sukirti Sogal as a Director along with a deposit of Rs. 500/-. Mr. Sukirti Sogal would be a Non-Executive Independent Director of the Company.

Except Mr. Sukirti Sogal none of the other Directors is interested or concerned in this resolution.

The Board of Directors recommends the resolution for approval of the members.

Item No. 5

Mr. Prashanth Kamath was appointed by the Board of Directors as an Additional Director of the Company with effect from 16th August, 2011 in accordance with Section 260 of the Companies Act, 1956 and Article 84 of the Articles of Association to hold office till the date of the Annual General Meeting scheduled to be held on 21st September, 2011.

Mr. Prashanth Kamath (38) holds a Diploma in Electronics and Communication and has also done a Certification Course from Cambridge University specializing in Sales and Marketing. He has over 15 years of experience in various sectors handling CCTV Camera and Remote Surveillance System, Access Control and Time Attendance System, Electronic Security systems etc. He has worked in Oman for nearly 8 years and presently running his own business set up in Bangalore. He is not related to any Director of the Company. It is felt that appointment of Mr. Prashanth Kamath would help the Company in strengthening the Board.

As required by Section 257 of the Companies Act, 1956, a notice has been received from a member signifying his

intention to propose appointment of Mr. Prashanth Kamath as a Director along with a deposit of Rs. 500/-. Mr. Prashanth Kamath would be a Non-Executive Independent Director of the Company.

Except Mr. Prashanth Kamath none of the other Directors is interested or concerned in this resolution.

The Board of Directors recommends the resolution for approval of the members.

Item No. 6

Mr. Vijayakumar N.A. was appointed by the Board of Directors as an Additional Director of the Company with effect from 16th August, 2011 in accordance with Section 260 of the Companies Act, 1956 and Article 84 of the Articles of Association to hold office till the date of the Annual General Meeting scheduled to be held on 21st September, 2011.

Mr. Vijayakumar (43) holds a Diploma in Electricals and Electronics and has done an Advanced Certificate Course in Software Engineering (IBM) and has done an Entrepreneurial Development Program at IIT Chennai. He has more than 20 years of experience in the corporate sector especially in business development, Account Management, Sales and Partnership Management, creating franchise network, Sales and Product training etc. In the initial period of his career he also worked as a maintenance engineer for 3 years handling preventive maintenance of electrical and electronic components and general maintenance of machines. He has also handled market surveys, created proto-types and deployed the products in pilot sites. Mr. Vijayakumar is not related to any Director of the Company. It is felt that appointment of Mr. Vijayakumar would help the Company in strengthening the Board.

As required by Section 257 of the Companies Act, 1956, a notice has been received from a member signifying his intention to propose appointment of Mr. Vijayakumar N.A. as a Director along with a deposit of Rs. 500/-. Mr. Vijayakumar N.A. would be a Non-Executive Independent Director of the Company.

Except Mr. Vijayakumar N.A. none of the other Directors is interested or concerned in this resolution.

The Board of Directors recommends the resolution for approval of the members.

By Order of the Board

Bangalore
August 16, 2011

ANAND S.K.
Managing Director

To the Members,

Your Directors have pleasure in presenting the 15th Annual Report together with the audited accounts of the Company for the year ended March 31, 2011.

FINANCIAL RESULTS

(Rupees in lacs)

PARTICULARS	2010-11	2009-10
Total Income	120.31	172.74
Operating Profit (PBIDT)	21.69	(27.85)
Interest	0.03	0.87
Depreciation	13.04	17.06
Profit/(Loss) before Taxation	8.62	(45.79)
Provision for Deferred Tax	(11.64)	(3.75)
Income Tax for earlier years	0.14	0.24
Profit / (Loss) after Tax	20.12	(42.28)
Balance of Profit / (Loss) from previous year	(317.38)	(275.10)
Amount available for appropriation	(297.26)	(317.38)

During the year, the Company has recorded a decrease in the total income from Rs. 172.74 lacs to Rs. 120.31 lacs over the previous year and posted operating profit of Rs. 21.69 lacs. Including depreciation the Company has earned a profit of Rs. 8.62 lacs as against a loss of Rs. 45.79 lacs in the previous year. The increase in Total Income is primarily on account of profit on sale of office premises at Mahape, which does not reflect the operating profitability of the Company. Depreciation was Rs. 13.04 lacs as against Rs. 17.06 lacs in the previous year. The profit after tax was Rs. 20.12 lacs whereas there was a loss after tax of Rs. 42.28 lacs in the previous year.

DIVIDEND

Your Directors do not recommend any dividend for the year in view of the accumulated losses in the Company.

INVESTORS RELATIONS

Integrated Enterprises (India) Ltd. [Formerly known as 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

Mr. Milind Mehta was appointed as an Additional Director on 30th July, 2010 after issue of notice of previous Annual General Meeting held on 17th August, 2010 and therefore he vacated office at the said Annual General Meeting by virtue of provisions of Section 260 of the Companies Act, 1956. Mr. Mehta was again appointed as an Additional Director effective from 27th January, 2011.

Mr. Sukirti Sogal, Mr. Prashanth Kamath and Mr. Vijayakumar N.A. were appointed as Additional Directors effective from 16th August, 2011.

A brief profile of the Directors is given in the Explanatory Statement to the Notice convening the Annual General Meeting.

Necessary resolutions are submitted for your approval.

Mr. T.S. Ramachandran, Mr. C.N. Kshetragna and Dr. Mohan S. Kankanhalli, Directors, resigned with effect from 16.08.2011. The Board places on record its appreciation of the services rendered by them.

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, 2011 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 2010-11 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, 2011 on a 'going concern' basis.

AUDITORS

M/s Shabbir & Rita Associates, Chartered Accountants, Mumbai, Statutory Auditors of the Company retire at the forthcoming AGM and have expressed their willingness to continue as Statutory Auditors for the financial year 2011-12 and accordingly a resolution proposing their appointment is being submitted to the AGM. Members are requested to re-appoint them and fix their remuneration.

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 Directors also appreciate and value the contributions made by every member of the **Cyberscape** family.

On behalf of the Board of Directors

M.S. Sridhar
Joint Managing Director

Anand S.K.
Managing Director

Bangalore
August 16, 2011

Management's View

At the time of your company's IPO, the core product of the company was Multilingual Software sold under the brand of 'Akruti'. Our advisors, investors and the lead managers advised us that relying on only one narrow niche and product might be risky and asked us to diversify and suggested we branch out into other related product verticals as well as services. But after taking the advice, your company has found out, the costs are quite high and it required really deep pockets to sustain itself in this costly and competitive game, because products take a long time to perfect and start generating the revenue streams.

Immediately after the IPO, the dot-com crash effect kicked in and one after the other a series of economic setbacks like the stock market crash and the 9-11 crises led to very weak market conditions right up to 2005. Due to these recession-like conditions the company was unable to obtain any significant revenue from its products like cyDOCS and cyKNIT (Document and Knowledge Management products). Its attempts to enter the software outsourcing market also did not bear any fruit.

The Company continued to incur heavy costs in trying to develop and maintain these products hoping that the situation will improve and that at some point we will be able to cash in on the products, but this did not happen and by end of 2005 there was very little finance available to service and market these products.

As a result the products have remained stagnant and in the fast changing world of information technology, without constant upgradation of technology they have become virtually obsolete and it may cost huge amounts to even bring them up to date and make them marketable. Most of the Company's products like the e-Karyalaya, for the domestic market are targeted at the government and public sector where because of the inherent sluggishness it leads to very long ordering, delivery, implementation and payment realization cycle times.

Though the management is trying its best to enter into partnerships with overseas and domestic marketing agencies to improve sales at nominal cost rather than hire its own marketing personnel, not much progress has occurred and we are back to square one in the sense that

our only revenue generating product is "Akruti". In hindsight, it may have been better for the company to focus on its core competence and product and be a leader in this segment rather than trying to diversify and in the process burn out the scarce capital it acquired in the IPO.

Strengths

The main strength of CML lies in the product IP it has acquired in the following areas:

a. Multilingual Software: The flagship **Akruti** product line with its spin-offs is one of the key product IP and it encompasses Multilingual drivers, fonts, spelling checkers, software development kits, web development kits, converters, transliterators as well as translators.

b. E-Governance and Office Administration: **e-Karyalaya** is a product for e-administration and can form the foundation for e-Governance with consolidation and networking layers built on top of it. This too derives its main strength from the fact that the product is built from the bottom up as a multilingual product using our Akruti technology. In a multilingual country like ours, e-governance can reach out to the vast multitudes only if it speaks to them in their own local language and that is our strength.

Weaknesses:

Due to lack of funds, the significant product IP (Intellectual Property) that was built up will get eroded fast if no further development and up-gradation of technology takes place. The IT sector has a very high rate of technological change and rapid obsolescence is an ever hanging sword on the most dynamic of companies. Even product giants like Microsoft, Nokia, Motorola etc. have to constantly deal with this factor and for small entities like us the danger is even more intense. On the marketing front, the company lacks sufficient funds to aggressively market its products and also has paucity of sufficient expertise and skills to deal with the Government and Semi Government sector. We have been unable to forge any alliances with entities dealing in this sector or effective dealer / distributor or strategic partner tie-ups. We are also over-reliant on multilingual expertise as a differentiator and are perceived as a niche player and not as a serious solution provider in the mainstream IT market.

Opportunities:

According to a study done for MAIT by Frost & Sullivan, the local language application market is poised to explode from the current level of US \$ 11 million (Rs. 52 crores) to US \$ 64 million (Rs. 295 crores) in 2005 a compounded growth of over 79 % between 2002-2005. The IP vested in Akruti and related spin-offs can be very effectively leveraged for this segment.

However, the entire sector is undergoing major changes in the nature and structure and there are two clearly perceptible trends which we need to address in order to continue to grow. One is that the world is moving away from desktop computing using PCs to a more mobile world where new devices like smart phones and tablets are rapidly overtaking non-mobile devices. This explains the rise of Apple with its iPhone and iPad which are outselling traditional PCs and laptops and as a result of its success Apple has a bigger cash balance than the entire Government of USA.

The other change is that small and medium as well as large enterprises are moving their computing platforms to a virtualized cloud platform, rather than the traditional server farms. The net result of a change in this paradigm is that most businesses are going mobile and online at the same time, with the access device being a smart phone or a tablet and the back end applications being hosted on the cloud platform. This accounts for the rise and dominance of companies like Google, Amazon and Microsoft which can provide end-to-end cloud solutions.

In this very different scenario, we see an urgent need to extend our traditional desktop based Akruti products to cater to this new scenario and we need to realign our development efforts to succeed in this new environment. This may also result in an opportunity to provide some of the utilities that we normally bundle along with our products being offered as a pay-per-use service available online and being hosted on cloud platforms. These are exciting possibilities and we need to explore them to be at the forefront of technology. We also have an opportunity to extend our largely desktop operating systems (OS) based Akruti products to be available as mobile apps downloadable from various App-Stores for the leading mobile operating systems like the Apple iOS and Google Android and the Microsoft Windows Mobile.

Challenges

The biggest challenge posed to the Company is the need to adapt to the above mentioned paradigm of mobile computing and the cloud based delivery systems which are rapidly gaining ground. We need to invest significantly in moving our technologies to these platforms and also investigate a completely new way of marketing our products and services without having to expand our traditional physical marketing infrastructure which is proving to be very expensive and not allowing us sufficient surplus for growth and investment into these new technologies.

Financial scenario

The total income of the company has decreased from Rs. 172.74 lakhs in 2009-2010 to Rs. 120.31 lakhs in 2010-2011 and the company has turned a profit of Rs. **20.12** lakhs (after considering depreciation of 13.04 lakhs) as compared to a net loss of Rs. **42.28** lakhs in the previous year. The company has decided to scale down any non-profit generating activity like trading in computer software, which has impacted the turnover downward.

Human resources

Though it has scaled down to 15 full time employees the company is able to manage the show with the help of on contract personnel whenever required. We are seriously in the process of supplementing our marketing efforts by moving some of our products to online e-commerce web-stores. This should increase our reach and volumes without denting us in terms of personnel cost. The management's prime objective at the current juncture is to control costs till revenue starts flowing or fresh capital infusions can occur. The company is fortunate that it has support of a core team of dedicated people. We express our sincere gratitude to this team for staying with us in difficult times. We are also grateful to the retiring directors Mr. T.S. Ramachandran, Mr. C.N. Kshetragna and Mr. Mohan S. Kankanahalli for having helped pilot our ship through some really choppy waters and also welcome the newly inducted directors, Mr. Prashanth Kamath, Mr. Vijayakumar N.A. and Mr. Sukirti Sogal to help guide our company to higher growth levels.