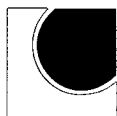
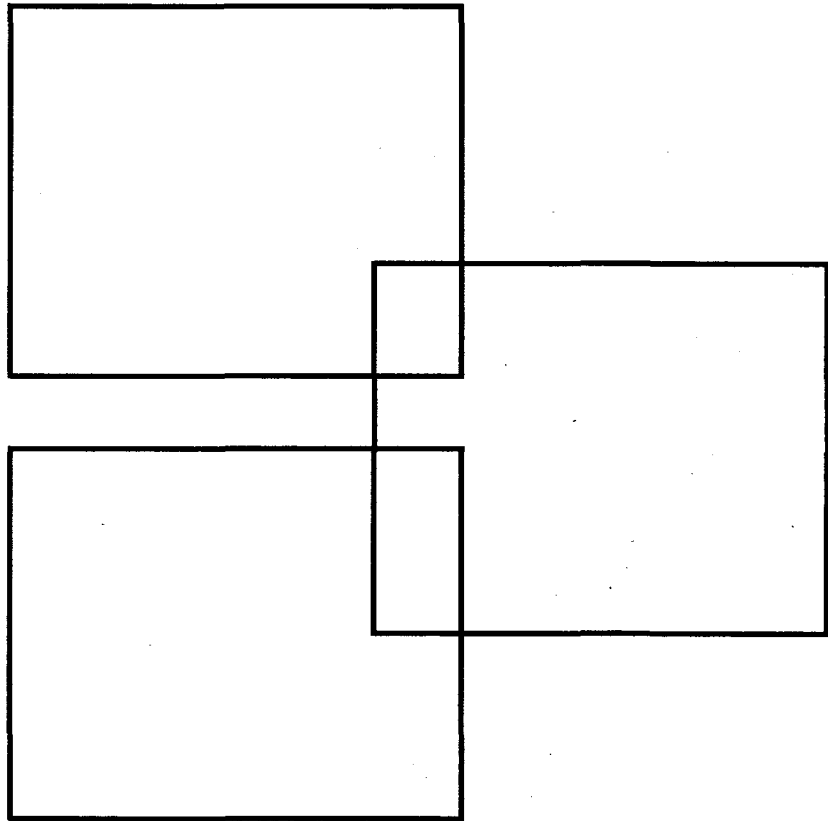


# **16<sup>th</sup> ANNUAL REPORT 2011-12**



**CYBERSCAPE**  
**MULTIMEDIA LIMITED**

Anand S.K.  
Managing Director

M.S. Sridhar  
Joint Managing Director

Milind Mehta  
Director

Sukirti Sogal\*  
Director

Prashanth Kamath\*  
Director

Vijayakumar N.A.\*  
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**

Sukirti Sogal, Chairman  
Milind Mehta  
Prashanth Kamath

##### **Shareholders/Investors Grievances Committee**

Vijayakumar N.A., Chairman  
Prashanth Kamath  
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  
Website : [www.cyberscapeindia.com](http://www.cyberscapeindia.com)

#### **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](mailto: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 16<sup>th</sup> Annual General Meeting of the shareholders of **Cyberscape Multimedia Limited** will be held at 10:00 a.m. on Wednesday, the 26<sup>th</sup> September 2012 at Suchitra Auditorium, Suchitra Film Society, 36, 9<sup>th</sup> Main Road, Banashankari 2<sup>nd</sup> Stage, Bangalore-560070 to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Statement of Profit and Loss for the year ended March 31, 2012 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. Milind Mehta, who retires by rotation and being eligible, offers himself for reappointment.

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."

By Order of the Board

Bangalore  
August 10, 2012

**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. The Register of Members and Share Transfer Books of the Company will remain closed from 22<sup>nd</sup> September, 2012 to 26<sup>th</sup> September, 2012 (both days inclusive).

3. 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.

4. 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.

5. 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).

6. 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.

7. 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.

8. 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. Milind Mehta (52) 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 different 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.

He is a member of the Audit Committee.

By Order of the Board

Registered Office:  
1456, 23<sup>rd</sup> Cross, 30<sup>th</sup> Main,  
Banashankari 2<sup>nd</sup> Stage  
Bangalore-560 070

**ANAND S.K.**  
Managing Director

Bangalore,  
August 10, 2012

To the Members,

Your Directors have pleasure in presenting the 16<sup>th</sup> Annual Report together with the audited accounts of the Company for the year ended March 31, 2012.

**FINANCIAL RESULTS**

(Rupees in lacs)

<b>PARTICULARS</b>	<b>2011-12</b>	<b>2010-11</b>
Total Income	87.28	120.31
Operating Profit (PBITD)	(6.54)	21.76
Interest	0.24	0.10
Depreciation	9.39	13.04
Profit/(Loss) before Taxation	(16.17)	8.62
Provision for Deferred Tax	-	(11.64)
Income Tax for earlier years	-	0.14
Profit / (Loss) after Tax	(16.17)	20.12
Balance of Profit / (Loss) from previous year	(297.26)	(317.38)
Amount available for appropriation	(321.13)	(297.26)

During the year, the Company has recorded a decrease in the total income from Rs. 120.31 lacs to Rs. 87.28 lacs over the previous year and incurred an operating loss of Rs. 6.54 lacs. Including depreciation the Company has incurred a loss of Rs. 16.17 lacs as against profit of Rs. 8.62 lacs in the previous year. Due to paucity of funds the Company could not strengthen its marketing team to push its software products in the market. Depreciation was Rs. 9.39 lacs as against Rs. 13.04 lacs in the previous year. The Loss after tax was Rs. 16.17 lacs whereas there was a profit after tax of Rs. 20.12 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., 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 Company has nothing to report on Foreign Exchange Earnings and Outgo.

#### **DIRECTORS**

Mr. Milind Mehta retires by rotation and being eligible, offers himself for re-appointment at the ensuing Annual General Meeting (AGM). Brief profile of the Director is given in the notes to the Notice of the ensuing AGM.

During the year, Mr. T.S. Ramachandran, Mr. C.N. Kshetragna and Dr. Mohan S. Kankanhalli, Directors resigned w.e.f. 16<sup>th</sup> August, 2011. Mr. Sukirti Sogal, Mr. Prashanth Kamath and Mr. Vijayakumar N.A. were inducted as Additional Directors on 16<sup>th</sup> August, 2011. Subsequently, these Additional Directors were appointed as Directors by the shareholders at the Annual General Meeting held on 21<sup>st</sup> September, 2011.

#### **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, 2012 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 2011-12 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, 2012 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 2012-13 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 place on record their gratitude for all the guidance and co-operation received from all its clients, vendors, bankers, business associates, advisors, regulatory and Government authorities. 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  
Bangalore  
August 10, 2012

**Anand S.K.**  
Managing Director

### Management's View

The management would like to refer to the submissions made in the previous annual report, where it had clearly indicated that due to the successive setbacks and adverse circumstances from the year 2000, steadily the value and the marketability and encashability of the products developed by the company after spending large sums of money on development were gravely threatened and eroded unless some drastic measures were taken to revive the products by infusing badly needed funds to rejuvenate them.

Due to the extremely challenging conditions and slowdown of the economy where the GDP growth rate is dropping steadily downwards and the total lack of confidence in the investor and financial community there is no one coming forward to provide these much needed funds for the revival of the products and hence the fortunes of the company is clearly headed southwards and it appears that there is a serious chance of devaluation of all the IP assets of the company if the present trend continues.

The management is trying its best to outsource the marketing activity by tying up exclusive arrangements with marketing agencies to improve sales without having to bear the overheads of marketing because there is no liquidity available to hire its own marketing personnel. It appears that our only revenue generating product "Akruti" will have to be sold at deep discounts to just keep the company afloat.

### Eroding Strengths

The main strength of CML which lies in the product IP is getting fast eroded because of the rapidly changing IT scenario which is moving away from desktops to mobile devices and cloud based offerings:

**a. Multilingual Software:** The Akruti product line is nearing its end of life so unless the key product IP encompassing Multilingual drivers, fonts, spelling

checkers, software development kits, web development kits, converters, transliterators as well as translators etc are fast migrated to these new frontiers it may become obsolete soon.

**b. E-Governance and Office Administration:** e-Karyalaya a product for e-Administration too is facing obsolescence, because of the above stated trends and though it derives strength from the fact that the product is built from the bottom up as a multilingual product using our Akruti technology, unless the product can be redesigned to be deployed on the cloud and made accessible by mobile devices, the ability of e-Karyalaya to reach out to the masses in their own local language which is its main strength may never see the light of the day.

### Glaring Weaknesses:

The revenues generated are barely sufficient to cover the running expenses and it is quite clear that without any infusion of funds from outside, the product IP (Intellectual Property) that was built up will get dissipated rapidly if no further development and up-gradation of technology takes place. A very high rate of technological obsolescence is an ever present threat for even the most dynamic companies like Nokia, Motorola and Kodak and these former technological champions have been reduced to non-entities due to obsolescence and for small entities like us the danger is even more intense. In addition we lack funds to aggressively market our products and also lack expertise and skills to deal with the Government and Semi-Government. sector. We are yet to forge any effective alliances or dealer / distributor or strategic partner tie-ups. As a narrow niche player in multilingual arena, we cannot even attempt a transformation to a solution provider in the mainstream IT market.

### Waning Opportunities:

It is very clear that in the multilingual software arena, big players with deep pockets like Apple, Google and Microsoft are walking away with market share, because

they do not charge for these products upfront since they have a different model for recovering their costs by advertisements or enterprise licensing. This is clearly not possible for small players like us and so though, the local language application market is poised to explode from the current level with a compounded growth of over 79 % to millions of dollars, unless we manage a strategic tie-up with one of the bigger entities the IP vested in Akruti and related spin-offs cannot be leveraged for this segment.

To make things worse, the entire sector is undergoing major changes and 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. Significantly, enterprises whether small and medium or large are all 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.

Only if we can realign our development efforts to succeed in this new environment by tying up with one of the big players, we may have an opportunity to provide some of the utilities that we normally bundle along with our products as a pay-per-use service available online or being hosted on cloud platforms or 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. But no such tie-up seems to be in sight as of now and the situation looks bleak.

### **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. 120.31 lakhs in 2010-11 to Rs. 87.28 lakhs in 2011-12 and the company has incurred a net loss of Rs. 16.17 lakhs (after considering a depreciation of Rs. 9.39 lakhs) as compared to a net profit of Rs. 20.12 lakhs in the previous year. The company is unable to stem the downslide in revenues due to the bad economic conditions, which has impacted the bottom line. The scenario is quite precarious and we can see a very hard crash landing for the company ahead, unless some of the corporate bodies who are having significant stakeholding in the company step in to bolster the efforts of the promoters by providing the much needed infusion of capital or liquid funds to revive the company.

### **Human resources**

Due to paucity of funds we have been forced to scale down to less than ten full time employees and we have had to outsource all non-core activity whenever required. Starting this year we have decided to exclusively rely on distributors instead of carrying the overheads of an internal marketing setup. With the perception gaining ground that we are a shrinking company, it is also very difficult to retain the existing staff itself and attracting any new talent is virtually ruled out. Finally the only remaining staff is the bare skeletal personnel to keep the company alive and still statutorily compliant till the status changes. We express our heartfelt gratitude to this loyal team for staying with us in difficult times. We are also grateful to our independent directors who are constantly advising and guiding our company with valuable inputs to help boost our morale and towards higher growth levels.

Corporate Governance is about commitment to values and ethical business conduct. It is about how an organization is managed viz. its corporate and other structures, its culture, policies and the manner in which it deals with various stakeholders. Timely and accurate disclosure of information regarding the financial situation of the Company, its performance and ownership forms part of the Corporate Governance.

The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices. It is firmly believed that good corporate governance practices would ensure efficient conduct of the affairs of the Company and help the Company achieve its goal of maximizing value for all its stakeholders. The Company is in compliance with the requirements of the guidelines on corporate governance stipulated under Clause 49 of the Listing Agreement with Bombay Stock Exchange Limited.

#### **CORPORATE GOVERNANCE PHILOSOPHY**

The corporate governance philosophy of the Company is driven by the following fundamental principles:

- i. Adhere to corporate governance standards beyond the letter of law.
- ii. Maintain transparency and high degree of disclosure levels.
- iii. Maintaining a clear distinction between the personal interest and corporate interest.
- iv. Transparent corporate structure driven by business needs and
- v. Ensuring compliance with applicable laws.

#### **BOARD OF DIRECTORS**

The corporate governance principles of the Company ensure that the Board remains informed, independent and involved in the company and that there are ongoing efforts towards better corporate governance to mitigate "non business" risks. The Board is fully aware of its fiduciary responsibilities and recognizes its responsibilities to stakeholders to uphold the highest standards in all matters concerning Cyberscape and has empowered responsible persons to implement its broad policies and guidelines and has set up adequate review process.

Cyberscape's commitment to ethical and lawful business conduct is a fundamental shared value of the Board of Directors, the senior management and all other employees of the Company. Consistent with its values

and beliefs, the Company has formulated a Code of Conduct applicable to the Board and senior management. Further, the Company has also adopted an insider trading code for prevention of insider trading.

- i) As on March 31, 2012, the Company has six Directors. Mr. Anand S.K. is the Managing Director and Mr. M.S. Sridhar is the Joint Managing Director of the Company. The rest of the Directors are non-executive Directors.
- ii) All major policy decisions are taken at the Board Meetings. The Board Meetings constitute a very important and significant aspect of Company's functioning. The meetings are governed by a detailed agenda. All issues included in the agenda are backed by comprehensive background information to enable the Board to take decisions. All decisions are arrived after due deliberations by the members of the Board. The Board plans, monitors and controls the business of the Company and ensures compliance with applicable laws and regulations.
- iii) None of the Directors on the Board is a member of more than 10 Committees or Chairman of more than 5 Committees across all the companies in which he is a Director. Necessary disclosures regarding Committee positions in other public companies as on March 31, 2012 have been made by the Directors.
- iv) The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and at the last Annual General Meeting and number of directorships and Committee Chairmanships/Memberships held by them in other companies is given below. Other directorships do not include alternate directorships, directorships of private limited companies, Section 25 companies and of companies incorporated outside India. Chairmanship/Membership of Board Committees include only Audit and Shareholders/Investors Grievance Committees.
- v) Six Board Meetings were held during the financial year and the time gap between any two consecutive meetings did not exceed four months. The dates on which the Board Meetings were held are as follows:

1) 25-04-2011	2) 30-05-2011
3) 04-08-2011	4) 16-08-2011
5) 14-11-2011	6) 23-01-2012