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CyberTech

Systems and Software Limited



7TH ANNUAL REPORT 2001 - 2002

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BOARD OF DIRECTORS

Mr. V. Prasad Rao
Chairman

Mr. Viswanath Tadimety
Vice-Chairman

Mr. A. V. Rajwade
Director

Mr. A. R. Datar
Director

Mr. P. V. Maiya
Director

Mr. V. K. Pradhan
Director

Mr. Gaston Vandenplas
Director

Mr. Suhas Wadivkar
Executive Director

COMPANY SECRETARY

Mr. H.S.Chouhan

AUDITORS

M/s. Lodha & Co.,
Chartered Accountants

LEGAL ADVISORS & ADVOCATES

M/s. Dave & Girish & Co.

BANKERS

State Bank of India

REGISTRAR & SHARE TRANSFER AGENT

Intime Spectrum Registry Ltd.
260-A, Shanti Industrial Estate,
Sarojini Naidu Road,
Mulund (West),
Mumbai - 400 080

REGISTERED OFFICE

'CyberTech House'
Plot No.B - 63/64/65,
Road No.21/34, J. B. Sawant Marg,
MIDC, Wagle Estate,
Thane (West) - 400 604

CONTENTS

Board of Directors	1
Notice	2
Directors' Report	6
Corporate Governance Report	12
Auditors' Report	17
Balance Sheet	20
Profit and Loss Account	21
Schedules and Notes	22
Cashflow Statement	34
Management Discussion and Analysis	36
Information for Shareholders	37
Proxy Form	39

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NOTICE

Notice is hereby given that the Seventh Annual General Meeting of the members of **CyberTech Systems and Software Limited** will be held on Friday, the 27th day of December, 2002, at the Registered Office of the Company at CyberTech House, Plot No.B - 63/64/65, Road No. 21/34, J. B. Sawant Marg, MIDC, Wagle Estate, Thane (West) – 400 604 at 4.00 p.m. to transact the following business :

1. To receive, consider and adopt the Company's audited Balance Sheet as at 30th June, 2002 and the Profit and Loss Account for the year ended as on that date along with Schedules and the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. A. R. Datar who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Vikram Pradhan who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. Lodha & Co., Chartered Accountants, Mumbai, as Auditors of the Company and to fix their remuneration.
5. To pass with or without modification(s), the following resolution as an Ordinary Resolution :

   "RESOLVED THAT Mr. Gaston Vandenplas, who was appointed as an additional Director of the Company by the Board of Directors with effect from 21st October, 2002 and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, from a member proposing his candidature to the office of 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 in accordance with the provisions of Articles of Association of the Company and pursuant to the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956, including any statutory modifications or re-enactment thereof as may for the time being be in force (the 'Act') and all other powers enabling and subject to the provisions of Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, including any modifications or re-enactment thereof (hereinafter referred to as the 'SEBI' Guidelines') and such other applicable Guidelines which may be issued from time to time, the Board of Directors of the Company (hereinafter referred to as 'the Board', which term shall include a Compensation Committee constituted by the Board) be and are hereby authorised to create, offer, issue and allot such number of equity shares of the face value of Rs. 10/- each, to the employees of subsidiary(ies) of the Company (including Executive and Non-Executive Directors but excluding the Promoter Directors of such company(ies)), within the overall limit not exceeding 46,34,950 equity shares in aggregate and also subject to the terms and conditions, as approved by the shareholders at the Fifth Annual General Meeting of the Company, held on 25th September, 2000, as the Board may deem fit at an exercise price per share, equivalent to the prevailing (closing) market price per share, on the date of grant, on the terms and conditions as set out in the Explanatory Statement to this item and on such other terms and conditions as the Board may decide in its absolute discretion prior to issue and offer thereof, provided that the Board of Directors be and are hereby authorised to proportionately increase the number of equity shares specified above in the event of a stock-split or issue of bonus shares.

   "RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer/issue, allotment and utilisation of the proceeds and further to do all such acts,

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deeds, matters and things and to finalise and execute all documents and writings as may be necessary, proper, desirable or expedient as it may deem fit."

By Order of the Board of Directors

H. S. Chouhan
Company Secretary

Registered Office :
CyberTech House
Plot No.B - 63/64/65,
Road No.21/34, J. B. Sawant Marg,
MIDC, Wagle Estate,
Thane (West) – 400 604
Date : 21st October, 2002

NOTES :

1. *A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.*

2. Proxies, in order to be effective, must be lodged with the Company not less than 48 hours before the time of the meeting.

3. The Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 in respect of Item No.5 and 6 is annexed hereto.

4. The Register of Members and Share Transfer Books of the Company will remain closed from 18th December, 2002 to 27th December, 2002 (both days inclusive).

5. Members are requested to :

(a) notify immediately, change of address, if any, to the Company's Registrar and Share Transfer Agent, Intime Spectrum Registry Limited, 260-A, Shanti Industrial Estate, Sarojini Naidu Road, Mulund(West), Mumbai – 400 080, if they are holding shares in physical form and to update such details with their respective Depository Participants (DPs), if they are holding shares in electronic form.

(b) write to the Company for any information about accounts at least 10 days in advance of the Annual General Meeting and

(c) bring the copy of the Annual Report along with them and to produce the Attendance Slip at the entrance of the Meeting Hall.

6. In terms of the amendment to Section 205A and Section 205C of the Companies (Amendment) Act, 1999, the amount of dividend remaining unclaimed for a period of seven years from the due date of payment is required to be transferred to the Investor Education and Protection Fund. Thus, the members who have not yet encashed their dividend warrants, may approach the Company for revalidation / issue of duplicate dividend warrants.

7. Members / Beneficial Owners are requested to quote their Folio No. / DP and Client ID Nos., as the case may be, in all correspondence with the Company.

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8. Members are requested to give their valuable suggestions for improvement of investor services and are also advised to quote their E-mail IDs, telephone / facsimile no. for prompt reply to their communications.

9. All documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company during office hours on all working days, except Saturdays and Holidays, between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.

10. The Company's Equity Shares are listed on The Stock Exchange, Mumbai, The National Stock Exchange of India Limited, The Hyderabad Stock Exchange Limited, The Stock Exchange – Ahmedabad and Pune Stock Exchange Limited. The Company has paid the annual listing fees for the financial year 2002 – 2003 to the above referred Stock Exchanges.

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

ITEM NO. 5:

Mr. Gaston Vandenplas is of Belgian nationality and a Graduate in Computer Science from REGA, Belgium. He is at present Managing Director of CyberTech Europe. He has a good and varied experience of over 22 years in the Information Technology field.

In view of the proposed expansion of Company's business in European market, the Board of Directors at its meeting held on 21st October, 2002, appointed Mr. Gaston as an additional director of the Company. The Company has received a Notice under Section 257 of the Companies Act, 1956 from a member signifying his intention to propose Mr. Gaston Vandenplas for the office of Director, liable to retire by rotation.

The Directors recommend that resolution be passed as reflected at Item No.5. None of the Directors except Mr. Gaston is concerned or interested in the said resolution.

ITEM NO. 6:

The Company launched its Employees Stock Option Plan (ESOP) in the year 2000 and an approval from shareholders was obtained at the Fifth Annual General Meeting held on 25th September, 2000.

The Board of Directors of the Company (hereinafter referred to as ' the Board') at its meeting held on 21st October, 2002 has recommended the resolution to be passed as reflected at item No.6 of the Notice to introduce the ESOP Scheme for employees of the subsidiary(ies) of the Company including the Director(s) of the subsidiary(ies) except the directors belonging to the promoter group, who are not eligible to participate in the ESOP Scheme, as per The Securities and Exchange Board of India (SEBI) Guidelines.

Under the ESOP Scheme, the employees of the Company's subsidiary(ies) will be given an option to acquire a certain number of shares at an exercise price per share, equivalent to the prevailing (closing) market price per share, on the date of grant. The vesting of the option, exercise period and other salient features of the ESOP Scheme are as under.

The maximum number of new equity shares of the Company, which shall be offered under this Plan in each financial year shall not exceed 2.5% of the outstanding fully paid-up ordinary shares of the Company. The number of options issued shall be within the overall limit not exceeding 46,34,950 equity shares in the aggregate, provided that in the event of a stock-split or issue of bonus shares by the Company, the maximum number of equity shares shall be proportionately increased.

All employees of the subsidiary(ies) of the Company who are on the rolls of the Company and who continue to be employees upto the date of grant including the Director(s) of the subsidiary(ies) Company, except the Directors belonging to the promoter group who are not eligible to participate in the ESOP Scheme as per the SEBI guidelines, shall be eligible to receive grants under the ESOP Scheme. The eligibility of any given employee or class of employees for the grant of any option shall be as determined by the Compensation Committee based on such parameters as it may deem fit.

Vesting shall commence on the expiry of twelve months from the date of grant and will be staggered equally over a period of four years following the grant.

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The Stock Options will be granted at an exercise price per share, equivalent to the prevailing (closing) market price per share, on the date of grant on the relevant Stock exchange. The relevant Stock Exchange shall be determined in accordance with Clause 2(10) of the SEBI Guidelines.

The employees shall, after the vesting of the options, exercise the options by a written application to the Company, within a period of seven years from the date of grant of options or such lesser period as may be decided by the Compensation Committee from time to time.

The maximum number of options to be granted per employee and in aggregate, will be as per the appraisal process determined by the Compensation Committee.

The Company shall conform to the accounting policies prescribed under the SEBI Guidelines and/or such other guidelines as may be applicable from time to time.

As the Scheme will entail further shares to be offered and issued to persons other than the existing shareholders of the Company, consent of the shareholders is being sought by way of Special Resolution as set out at Item No. 6 of the Notice pursuant to the provisions of Section 81 (1A) of the Companies Act, 1956 and all other powers enabling and as per Clause 6 of the SEBI Guidelines.

A copy of the proposed ESOP Scheme and the Memorandum and Articles of Association of the Company are available for inspection at the Registered Office of the Company between 11.00 A.M. and 1.00 P.M. on any working day upto the date of the ensuing Annual General Meeting.

The Directors who would be eligible to avail the benefits of the ESOP Scheme may be deemed to be concerned or interested in the said resolution to the extent of their eligibility. Save as aforesaid, none of the Directors of the Company is concerned or interested in the said Resolution. The Board recommends the passing of the resolution.

Information pursuant to Clause 49 VI (A) of the Listing Agreement: –
Details of Directors seeking re-appointment at the forthcoming Annual General Meeting as reflected under item no. 2 and 3 of the Notice.

Names of Directors	Mr. Ashok R. Datar	Mr. Vikram K. Pradhan
Date of Birth	22.11.1940	01.03.1966
Date of Appointment	08.08.1995	07.01.2000
Qualification	Masters Degree in Economics from Stanford University,USA	B.Tech (Mech) from IIT, Mumbai and M.B.A. from University of Illionis, USA.
Experience in specific Functional Areas	Rich experience of over 35 years. A well known finance professional in the corporate sector.	Rich experience of over 16 years in the IT field.
Other Directorship	Sunshield Chemicals Ltd. Junish Intl. Pvt. Ltd. Focus Holdings Pvt. Ltd.	Nil
Membership on Committees of other Companies	Nil	Nil

By Order of the Board of Directors

H. S. Chouhan
Company Secretary

Registered Office :
CyberTech House
Plot No.B - 63/64/65,
Road No.21/34, J. B. Sawant Marg,
MIDC, Wagle Estate,
Thane (West) – 400 604
Date : 21st October, 2002

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DIRECTORS' REPORT

To
The Members,
CyberTech Systems and Software Limited

Your Directors have pleasure in presenting the Seventh Annual Report on the business and operations of your Company together with the Audited Statement of Accounts for the financial year ended 30th June, 2002.

FINANCIAL RESULTS :

(Rs. in lacs)

	July-June (12 months) 2001 - 2002	April-June (15 months) 2000 - 2001
Gross Revenue	**1,017.99**	3,301.88
Profit/(Loss) before Interest and Depreciation	**(1,489.63)**	808.23
Interest	**-**	16.83
Depreciation	**402.09**	434.06
Profit/(Loss) before tax	**(1,891.72)**	357.34
Provision for tax	**-**	85.50
Profit/(Loss) after tax	**(1,891.72)**	271.84
Free Reserves brought forward from previous year	**1,765.00**	2,481.99
Taxation of earlier years	**117.21**	1,159.00
Amount available for appropriations	**(243.93)**	1,594.83
Appropriations		
Proposed dividend	**-**	185.46
Tax on dividend	**-**	18.92
Balance to be carried forward	**(243.93)**	1,390.45
Total Appropriations	**(243.93)**	1,594.83

DIVIDEND :
In view of the losses incurred, the Board of Directors regrets its inability to recommend any dividend for the year under review.

REVIEW OF OPERATIONS AND PERFORMANCE :

The total revenue during the year showed a drastic reduction at Rs.1,018 lacs as against Rs.3,302 lacs during the previous year (15 month period). This was mainly due to continued global economic slowdown, particularly in the Information Technology sector, further compounded by collapse of some large U.S. corporates like Enron, Worldcom, Tyco etc. To cope with the situation arising from falling revenue, your Company has implemented severe cost cutting measures. As a result, to cite a few examples, your Company has curtailed the employee costs from Rs. 1,051 lacs to Rs. 532 lacs and the operating and administrative costs from Rs. 1,415 lacs to Rs. 679 lacs, as compared to the previous year (15 month period). Also the Company has still not resumed its Australian operations (suspended last year).

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Your Company incurred a loss of Rs.1,891.72 lacs during the year under review despite the compression in various expenditures items. This loss includes a provision of Rs.1,250 lacs made for the diminution in the value of the long-term investments carried by it in various mutual funds and equities. Although these investments are considered sound over the long haul, given the persistent softness of the capital market, after a lot of deliberations, the Board of Directors opted, as a matter of conservative measure, to provide for the diminution. During the year, the Company has also made a provision for doubtful debts of Rs.208.36 lacs mainly on account of petition under Chapter 11 filed by an overseas debtor in US Court. After excluding the provisions for diminution in value of investments, doubtful debts and depreciation provision of Rs.402.10 lacs, the Company's cash loss during the year, works out to Rs.31.26 lacs as against reported loss of Rs.1,891.72 lacs.

Your Company has been taking several steps to augment revenue generation. One such strategic move made last year to invest in the Joint Venture Company – Corliant Inc., has begun to yield returns which has helped your Company's performance during the year under review. Further details about the Joint Venture are discussed in the following paragraph.

JOINT VENTURE COMPANY :

Having invested in building up the Networking Solutions Practice, your Company was trying to foray into the market and was looking for a strong partner to position itself well. For this purpose, your Company entered into a Joint Venture in the previous year to tap the opportunities in the Networking Solutions Business and made a strategic investment of US $ 2.0 million in the Joint Venture Company (JVC), viz. Corliant Inc. CISCO a large U.S. Corporate in the Net Working business, among others, also made an investment of US $ 3.0 million in the JVC on comparable pricing terms as those of your Company's investment. The JVC is a preferred partner of CISCO for implementing Networking Solutions on CISCO products.

During the year under review, your Company earned revenue, (including reimbursable expenses) of Rs. 224.75 lacs (US $ 460,000) through the JVC, which accounted for over 28% of the total sales. The contribution to the revenue from the JVC stemmed mainly from the Company's offshore support provided to projects being executed by the JVC across the globe, and from the deployment of employees on sites of such projects. Your Company is proud to be associated with the technology giant CISCO through the medium of the JVC. Your Company continues to provide offshore support to the JVC and it has also at present deployed 9 consultants on-site.

The average monthly revenue (including reimbursable expenses) received from the JVC at present is US $ 35,000; this is expected to improve with regular interaction with the JVC to understand and leverage the potentials in the Internetworking business. Your Company is currently working jointly with the JVC on a few major initiatives to be engaged in some large projects in Japan and in India.

ACQUISITION :

As a means to improve the direct client base of the Company and to create wider reach to the international market for Information Technology services, your directors have been continuously on the look out for newer markets as well as consolidating the Company's position.

With the continuing slowdown of the U. S. market affecting the business, your Company considered foraying into the European market, where the acceptance for the Indian I.T. services has been improving. After a detailed analysis of the various options available to CSSL for positioning its services and solutions in the European market, your Company concluded that acquisition of CyberTech Europe, Luxembourg (CTE), having three operating subsidiaries in Belgium, France and U.K. from CyberTech Systems Inc. (CSI) could prove to be the best choice.

CTE has a strong and loyal customer base of clients like Toyota, UCB, Caterpillar, Real Software, IBM, etc. who constitute major portion of its average annual business of US $ 6.5 million (equivalent to Rs. 3,185 lacs). CTE is a Siebel Ace Partner and an SAP Partner for both SAP-ERP and SAP-CRM, which

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provides recognition as to its delivery capabilities, to the customers. CTE is also a member of a consortium of companies in U.K. known as B V Strategies for targeting the Information Technology initiative of the public sector in U.K. By adding further cost effective solutions based on varied technologies such as ESRI-GIS and Microsoft to the existing bucket of CTE's SAP and Siebel solutions, CSSL and CTE can considerably increase the European business over next couple of years, to the benefit of CSSL's investors.

Your Company, therefore, negotiated the purchase consideration for CTE at US $ 1 million with a payment of US $ 750,000 immediately and the balance of US $ 250,000 being linked to the stipulated criteria of performance of CTE and the benefits accruing to CSSL at the end of 2003. This acquisition will help your Company in enhancing its direct international presence, besides consolidating its position, improving profitability and providing potential for growth and stability in the long run.

FUTURE OUTLOOK :

The continuing slowdown in the US economy, has adverse implications particularly for the medium-small IT companies like your Company. However, to counteract this situation, CyberTech Systems Inc. (CSI) is aggressively pushing the offshore solution 'RICE mill' developed for SAP customers to augment revenue for your Company. CSI is also working closely with its other technology partners to position your Company's offshore development capabilities on different platforms.

Your Company is also targeting the Magreb and the Middle East markets with the help of its CTE's pre-sales and domain knowledge capabilities. The Company is also considering the feasibility of entering into the sphere of IT enabled services and using the ACME Plaza, Andheri (East) premises, for this purpose. These measures and your Company's strategy of investing in Corliant Inc., the JVC, and the acquisition of CTE could prove to be fruitful , but the prospects of enduring buoyancy in revenue and profit might remain elusive unless the global economy shows strong recovery. The steps taken so far and the continuous review of performance made by the Board of Directors have been helpful in building resilience in the Company, and it is hoped that with all these, your Company will be able to position itself as a global player in the coming years.

TAXATION :

The Income-tax Appellate Tribunal (ITAT) has allowed the appeal filed by your Company against the order of the Commissioner of Income-tax (CIT) in respect of A.Y. 1996 - 97 in favour of your Company, thereby reducing an amount of Rs. 26.25 lacs from the provision for prior year taxes and interest thereon. Your Company has not yet given effect to this order in its books pending the appeal effect to be provided by the Assessing Officer (AO). The Company is still contesting the AO's orders for A.Y. 1997 - 98 to A.Y. 2000 - 01 at the appropriate level.

However, additional provision for income tax of Rs. 117.21 lacs has been made during the year in respect of prior year taxes owing to the interest computed on the unpaid tax amounts in dispute.

FIXED DEPOSITS :

The Company did not accept any fixed deposits during the year within the meaning of Section 58-A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.

GENERAL :

CyberTech Systems Inc. (CSI), the Holding Company, has divested 300,000 equity shares in the capital of the Company during August-September 2002, as a part of its organizational restructuring. After the aforesaid divestment, your Company ceased to be subsidiary of CyberTech Systems Inc.

During the year, your directors allotted 625 bonus shares of Rs.10/- each by capitalizing a part of the free reserves pursuant to the establishment of beneficial ownership by National Securities Depositories Ltd. (NSDL). Allotment of 4,959 bonus shares on 3,967 original equity shares is pending on account of non-establishment of beneficial ownership by NSDL.

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DIRECTORS :

The Board of Directors at its meeting held on 21st October, 2002, appointed Mr. Gaston Vandenplas (Managing Director - CyberTech Europe) as an additional Director. Mr. Gaston will hold office as additional director upto the date of ensuing Annual General Meeting. The Company has received a Notice under Section 257 of the Companies Act, 1956, from a member signifying his intention to propose Mr. Gaston for the office of Director, liable to retire by rotation, at the ensuing Annual General Meeting.

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. A. R. Datar and Mr. Vikram Pradhan, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Necessary resolutions for appointment/re-appointment of the aforesaid directors have been included in the Notice convening the forthcoming Annual General Meeting.

None of the directors of the Company is disqualified for being appointed as director as specified in Section 274 of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 2000.

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibilities Statement, it is hereby confirmed that :

i) in the preparation of the annual accounts for the financial year ended 30th June, 2002, the applicable accounting standards were followed and proper explanation relating to material departures given.

ii) the Directors selected such accounting policies and applied them consistently and made judgements and estimates that are 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 profit or loss of the Company for that period.

iii) the Directors took proper and sufficient care for the 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 frauds and other irregularities.

iv) the Directors have prepared the annual accounts on a 'going concern' basis.

AUDITORS :

M/s. Lodha & Co., Chartered Accountants, Mumbai, the Statutory Auditors, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. The Company has received a certificate from the Auditors to the effect that their re-appointment, if made, will be within the limits as stipulated under Section 224(1B) of the Companies Act, 1956. The members are requested to consider appointment of M/s. Lodha & Co. as Statutory Auditors at the ensuing Annual General Meeting.

INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956 :

The particulars of employees required to be disclosed in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, form part of this Directors' Report. However, this annexure is not being sent along with this Report, in line with the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956. Shareholders who are interested in obtaining these particulars may please write to the Company Secretary, at the Company's Registered Office.

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