



# **CyberTech**

## **Systems and Software Limited**



**8th**  
**Annual Report**  
**2002 - 2003**

## 8th Annual Report 2002 - 2003

**BOARD OF DIRECTORS**

Mr. V. Prasad Rao  
*Chairman*

Mr. Viswanath Tadimety  
*Vice-Chairman*

Mr. A. V. Rajwade  
*Director*

Mr. A. R. Datar  
*Director*

Mr. Suhas Wadivkar  
*Executive Director*

**COMPANY SECRETARY**

Mr. S. P. Parab

**AUDITORS**

M/s. Lodha & Co.,  
Chartered Accountants

Report  junction.com

**LEGAL ADVISORS & ADVOCATES**

M/s. Dave & Girish & Co.

**BANKERS**

State Bank of India

**REGISTRAR & SHARE TRANSFER AGENT  
(COMMON AGENCY)**

**Intime Spectrum Registry Ltd.**  
C-13, Pannalal Silk Mills Compound,  
L. B. S. Marg, Bhandup (W),  
Mumbai - 400 078.

**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

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## N O T I C E

Notice is hereby given that the Eighth Annual General Meeting of the members of **CyberTech Systems and Software Limited** will be held on Monday the 29<sup>th</sup> day of December, 2003, 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 :

### ORDINARY BUSINESS :

1. To receive, consider and adopt the Company's audited Balance Sheet as at 30<sup>th</sup> June, 2003 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. V. Prasad Rao, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Viswanath Tadimety, 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.

### SPECIAL BUSINESS :

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

**"RESOLVED THAT** subject to the provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956 and the Rules framed thereunder, the Listing Agreement(s), the Securities and Exchange Board of India (Delisting of Securities) Guidelines – 2003, and all other applicable laws, rules, regulations and guidelines and subject to such approval, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by the authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors (hereinafter referred to as 'the Board' which term shall be deemed to include any Committee thereof for the time being exercising the powers, conferred on the Board), the consent of the Company be and is hereby accorded to the Board to delist the Equity Shares of the Company from the Pune Stock Exchange Limited, The Stock Exchange – Ahmedabad, and The Hyderabad Stock Exchange Limited and for that matter to apply to the Pune Stock Exchange Limited, The Stock Exchange – Ahmedabad, and The Hyderabad Stock Exchange Limited and/ or any other concerned authority(ies) for Voluntary Delisting of the Equity Shares."

**"RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to settle all questions, difficulties or doubts as may arise, including power to accept or reject final exit price with regards to the Voluntary delisting of shares as it may in its absolute discretion deem fit"

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

**"RESOLVED THAT** the consent of the Company be and is hereby accorded in terms of section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors for mortgaging and or / creating a charge on all or part of the immovable properties of the Company wheresoever situate both present and future of every nature and kind whatsoever and / or a floating charge on the movable assets of the Company in favour of lenders / creditors for funds provided to the Company from time to time, as a security, to such lenders / creditors."

**"RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to finalise and execute documents for creating the aforesaid mortgage and / or floating charge and to do all such acts and things, deeds as may be required for implementing this resolution and common seal of the company be affixed, as per Articles of Association of the Company."

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

**"RESOLVED THAT** in partial modification of the earlier resolution of members at Seventh Annual General Meeting held on 27<sup>th</sup> December, 2002, and pursuant to the provisions of section 79A, 81(1A) and other applicable provisions, if any of the Companies Act, 1956 (including any amendments thereto or re-enactment thereof), and in accordance with the provisions of Memorandum and Articles of Association of the Company and the regulations/guidelines prescribed by the Securities and Exchange Board of India or any other relevant authority, from time to time, to the extent applicable and subject to such approvals, consents, permissions and sanctions and subject to such conditions as may be prescribed by any of them while granting such approvals, consents, permissions, and sanctions, the Board of Directors of the Company (hereinafter referred to as "Board", which term shall include a Compensation Committee constituted by the Board to exercise its powers, including the powers conferred by this resolution) be and is hereby authorised on behalf of the Company to create, issue, offer and allot at any time, to or for the benefit of such person or persons who are in the permanent employment of the Company and its Subsidiary/(ies) and the Directors of the Company and its Subsidiary/(ies) (other than an employee who is a promoter or belongs to the promoter group or director who either by himself or through his relative or through any body corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the Company), equity shares under any Employees' Stock Option Scheme at such price, in such manner,

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during such period, in one or more tranches and on such other terms and conditions as the Board may decide prior to the issue and offer thereof, for, or which upon exercise or conversion could give rise to the issue of equity shares."

**"RESOLVED FURTHER THAT** for the purpose of giving effect to any offer, issue of allotment of equity shares or securities or instruments representing the same, as described above, under any Employees' Stock Option Scheme, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds necessary or desirable for such purpose, and with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in regard to such issue(s) or allotment(s) (including to amend or modify any of the terms of such issue or allotment), without being required to seek any further consent or approval of the members, as it may, in its absolute discretion, deem fit."

**"RESOLVED FURTHER THAT** the Board be and is hereby authorised to delegate all or any of the power herein conferred to any Committee of Directors, or any one or more Whole Time Directors or officers of the Company to give effect to the aforesaid."

**"RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board be and is hereby authorised to make any modifications, changes, variations, alternations, or revisions in the Scheme from time to time or suspend, withdraw or revive the Scheme from time to time and to do and perform all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any questions, difficulty or doubts that may arise in relation to implementation of the ESOP Scheme, in regard to the offer/issue, allotment and utilization of the proceeds without being required to seek any further consent or approval of the members AND FURTHER to do all such acts, 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 for giving effect to and for implementation of the ESOP Scheme."

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

**"RESOLVED THAT** pursuant to the provisions of Section 163 of the Companies Act, 1956, the Company hereby approves the keeping of the Register of Members, the Index of Members and copies of Annual Return prepared under Section 159 of the Companies Act, 1956, together with the copies of the Resolution and documents required to be annexed thereto under Section 161 of the Act, or any one or more of them, at the office of the Share Transfer Agents, Intime Spectrum Registry Limited at C-13, Pannalal Silk Mills Compound, L.B.S.Marg, Bhandup (West) Mumbai 400 078, instead of being kept at the Registered Office of the Company."

By Order of the Board of Directors

S. P. Parab  
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 : 26<sup>th</sup> November, 2003

**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 Items No.5 to 8 is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 26<sup>th</sup> December, 2003 to 29<sup>th</sup> December, 2003 (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, C-13, Pannalal Silk Mills Compound , L.B.S. Marg , Bhandup (W), Mumbai 400 078., 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 amendments 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 Investors Education and Protection Fund. Thus, the members who have yet not encashed their dividend warrant, may approach the Company for revalidation/ issue of duplicate dividend warrants.
  7. Members/Beneficial Owners are requested to quote Folio No./DP and Client ID Nos. as the case may be, in all correspondence with the Company.
  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 ensuring 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. up to 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, Pune Stock Exchange Ltd. and The Stock Exchange – Ahmedabad and The Hyderabad Stock Exchange Limited. The Company has paid the annual listing fees of The Stock Exchange, Mumbai and The National Stock Exchange for the financial year 2003 – 2004. The Company has paid all the installments on due dates according to the arrangement of paying annual listing fees to Pune Stock Exchange Limited and The Stock Exchange, Ahmedabad and The Hyderabad Stock Exchange Limited.
  11. In terms of the approval granted by the Central Government, the accounts & other relevant documents of CyberTech Europe (CTE), the Company's subsidiary, are not required to be attached with the Balance Sheet of the parent Company. These documents will be submitted on request to any Member wishing to have a copy, on receipt of such request by the Company Secretary at the Registered Office of the Company.

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

##### **ITEM NO. 5**

The Securities and Exchange Board of India (SEBI) has issued the Securities and Exchange Board of India (Delisting of Securities) Guidelines – 2003, (hereinafter referred to as the "Delisting Guidelines" incorporating, among others, provisions for delisting of securities of a body corporate voluntarily by a promoter or an acquirer or any person other than the Stock Exchanges.

The Equity Shares of the Company are currently listed on the following Five Stock exchanges in India- The National Stock Exchange of India Limited, The Stock Exchange, Mumbai, The Pune Stock Exchange Limited, The Stock Exchange – Ahmedabad, and The Hyderabad Stock Exchange Limited.

There is nil trading of the Company's equity shares in Pune Stock Exchange Limited, The Stock Exchange – Ahmedabad and The Hyderabad Stock Exchange Limited in the last couple of years. With the extensive networking of The National Stock Exchange of India Limited (NSE), The Stock Exchange, Mumbai (BSE) as also the availability of BSE/NSE terminals in the other cities as well, investors have access to online dealing in Equity Shares of the Company across the country. The bulk of the trading in the Company's Equity Shares in any case takes place on the NSE and BSE.

It is therefore proposed to delist the Equity Shares of the Company from Pune Stock Exchange Limited, The Stock Exchange – Ahmedabad and The Hyderabad Stock Exchange Limited by following prescribed formalities.

The Directors commend the resolution for acceptance by the members. None of Directors is concerned or interested in the resolution.

##### **ITEM NO. 6**

Section 293(1)(a) of the Companies Act, 1956 provides that the Board of Directors shall not, without the consent of the Company in general meeting, sell, lease or otherwise dispose of the whole, or substantially the whole of the undertaking of the Company, or where the Company owns more than one undertaking, of the whole, or substantially the whole of any such undertaking.

The proposed resolution is an enabling resolution authorizing Board of Directors to raise funds, if and when needed for the purpose of the Company's business, by mortgaging and / or creating a charge on the properties of the Company. Since the funds raised by the Company could be secured by mortgaging or creating a charge on the immovable and / or movable properties of the Company, as stated in the resolution, it may be considered to be a mortgage of the Company's undertaking within the meaning of section 293(1)(a) of the Companies Act, 1956 and it is, therefore, necessary to obtain the proposed consent before creating such mortgage and / or charge.

The Directors commend the resolution for acceptance by the members. None of Directors is concerned or interested in the resolution.

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**ITEM NO. 7**

The Company launched its Employees' Stock Option Plan (ESOP) in the year 2000 and had obtained an approval from shareholders at the Fifth Annual General Meeting held on 25<sup>th</sup> September, 2000. The members of the Company had also extended the benefits of the ESOP Scheme to the employees of Wholly Owned Subsidiaries at their meeting held on 27<sup>th</sup> December, 2002.

In view of incorporation of 100% Wholly Owned Subsidiary in the US, namely CyberTech Systems & Software Inc. (CSSI), the Board of Directors of the Company (hereinafter referred as 'the Board') at its meeting held on 26<sup>th</sup> November, 2003, has recommended the resolution to be passed at item 7 of the Notice to enhance the limit of the ESOP as laid down in the Fifth Annual General Meeting on the number of options to be issued in each financial year from 2.5% of the outstanding equity shares of the Company to 5.0% of the outstanding equity shares of the Company and to extend 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 & Exchange Board of India (SEBI) Guidelines.

The other terms and conditions of ESOP Scheme are same as those of the resolutions passed by the shareholders in the fifth and seventh Annual General Meeting to the extent not inconsistent with the proposed resolution of enhancement of limits of issue and extension of options to the employees / directors of subsidiaries.

A copy of the existing 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 up to 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.

**ITEM NO. 8**

The Members are aware that the Company's share Transfer Agents, M/s Intime Spectrum Registry Limited had their office at 260, Shanti Industrial Estate, Sarojini Naidu Road, Mulund (West), Mumbai - 400 080. Share Transfer Agents, have moved its office to new premises at C-13, Pannalal Silk Mills compound, L.B.S. Marg, Bhandup (West) Mumbai - 400 078, where better infrastructural facilities are available. It is proposed that the records be kept at the new venue.

Under Section 163 of the Companies Act, 1956 certain documents, which are normally required to be kept at the Registered Office of the Company, can be kept at any other place, provided that such other place has been approved by a Special Resolution passed by the Company in the General meeting. Advance copy of this proposed Special Resolution has been sent to Registrar of Companies, Maharashtra, Navi Mumbai. Members are required to approve the resolution.

The Board commends the resolution for approval. No director is interested or concerned in this 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 & 3 of the Notice.**

Names of Directors	Mr. V. Prasad Rao	Mr. Viswanth Tadimety
Date of Birth	15.07.1957	05.10.1962.
Date of Appointment	23.05.1995	23.05.1995
Qualification	Masters in Industrial Engineering, NITIE, Mumbai	M. Tech, Indian Institute of Technology, Chennai.
Experience in specific Functional Areas	Rich experience of over 20 years in various aspects of Information Technology Business.	Rich experience of over 15 years in Information Technology Business, specializing in Network Systems & Integrations.
Other Directorship	indiaacross.com Ltd.	indiaacross.com Ltd.
Membership on Committees of other Companies	Nil	Nil

By Order of the Board of Directors

S. P. Parab  
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 : 26<sup>th</sup> November, 2003



## DIRECTORS' REPORT

To

The Members,  
CyberTech Systems and Software Limited

Your Directors have pleasure in presenting the Eighth Annual Report on the business and operations of your Company together with the Audited Accounts of the Company for the year ended 30<sup>th</sup> June, 2003.

### FINANCIAL RESULTS :

(Rs. in lacs)

	2002-2003	2001-2002*
Gross Revenue	986.43	932.59
Profit/(Loss) before Interest & Depreciation	(1,680.03)	(1,489.63)
Interest	—	—
Depreciation	340.70	402.09
Profit/(Loss) before tax	(2,020.73)	(1,891.72)
Provision for tax	—	—
Profit/(Loss) after tax	(2,020.73)	(1,891.72)
Free Reserves brought forward from previous year	(243.93)	1,765.00
Taxation of earlier years	79.76	117.21
Amount available for appropriations	(2,344.42)	(243.93)
<b>Appropriations</b>		
Balance to be carried forward	(2,344.42)	(243.93)
Total Appropriations	(2,344.42)	(243.93)

\* Figures for the previous year have been regrouped / rearranged whenever necessary, hence may not be comparable.

### 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 stood at Rs. 986.43 lacs as against Rs. 932.59 lacs recording a marginal net gain of 5.77%. The marginal net gain is attributed to the combination of nominal increase in software development and services activities, addition of trading activities during the year and reduction in the dividend & interest income due to reduction of investible surplus funds.

The global economic slowdown particularly in the Information Technology sector continued to impact the software development and services activities of your Company. To cope with the reduced rate of revenue, your Company continues to ensure that costs are contained to the least possible in order to minimise the loss. Despite the marginal increase in revenues and continued control over costs, your Company incurred a loss of Rs. 2,020.73 lacs during the year under review. This loss of Rs. 2,020.73 lacs consists of several exceptional items, which are of one-time in nature. After excluding such exceptional items as stated in the table below and the provision for depreciation amounting to Rs. 340.70 lacs, your Company's cash operating loss during the year, works out to Rs. 120.67 lacs.

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Sr. No.	Nature of Exceptional item	Amt (Rs. in Lacs)
1.	Provision for diminution in the value of investments in Equity of CyberTech Europe, Wholly Owned Subsidiary	843.14
2.	Provision for diminution in the value of loans advanced to CyberTech Europe, Wholly Owned Subsidiary	129.62
3.	Provision for Doubtful Debts	146.21
4.	Provision for Loss on Assets held for disposal	440.39
	<b>TOTAL</b>	<b>1,559.36</b>

Provision of Rs. 843.14 lacs is made for diminution in the value of long-term investment made in the equity of your Company's Wholly Owned Subsidiary in Europe and provision of Rs. 129.62 lacs is made for diminution in the value of funds advanced to your Company's Wholly Owned Subsidiary in Europe. As a result of the continued reduction in the volume of business in the European Subsidiaries the risks for your Company were mounting everyday due to the social regulations and restrictions on immediate cost adjustments to bring the same in line with the revenue. In order to mitigate such risks, effective 1<sup>st</sup> August, 2003 your Company sold off the business of the European Subsidiaries to Alti, a French company. As a result of this your Company's subsidiary raised funds, which have been used to meet the local liabilities. As a part of the deal your Company has also negotiated to be Alti's exclusive offshore partner in India and a Memorandum of Understanding has been signed to that effect.

During the year your Company has also made a provision for doubtful debts of Rs. 146.21 lacs mainly on account of non-receipt of amounts due from local debtors and long standing dues from an overseas debtor. Though the overseas customer is still committed to pay and is constantly interacting with your Company, given the age of the debt, as a matter of conservative measure, the Board of Directors, after lot of deliberations, opted to partly provide for the amounts due from the said overseas debtor and fully provide for the amounts due from the local debtors that are considered as doubtful. The provision for doubtful debts also includes an amount due from a new overseas customer for whom work was performed during the year under review. Not having received the payment for part of the work performed by your Company, as was committed by the overseas customer, your Company stopped work mid-way and focused on collecting the funds to the extent of the work performed. Though the overseas customer promised payment and requested continuance of work, in order to complete the development of the product that your Company was building for the customer, as a matter of abundant precaution, your Company has decided to first collect and only then resume work and deliver the product to the customer. Since nothing has been recovered out of the amounts due, as a matter of conservative measure, the Board of Directors, after lot of deliberations, opted to provide for the amounts due from the said overseas customer.

During the year your Company has also made a provision of Rs. 440.39 lacs for loss on sale of assets held for disposal as a portion of the property at ACME Plaza, Mumbai has been sold at a price lower than the book value of such portion, resulting into a loss. As a conservative measure, your Company has provided for the probable loss on the entire facility taking the price of the portion sold as the benchmark price for sale.

Your company has been taking several steps to augment revenue generation and the finances to support various initiatives. The initiative taken by your Company two years ago in making an investment in Corliant Inc. is continuing to support your Company's inter-networking practice and generating valuable revenue and experience on large customer projects for your Company's consultants.

#### JOINT VENTURE COMPANY :

Over the past couple of years, a significant portion of your Company's revenue has arisen from its InterNetworking practice. The contribution to your Company's revenue from the JVC results from offshore and onsite deployment of your Company's resources on the JVC's global projects covering territories such as USA, Japan, Latin America and Asia Pacific. During the year under review, your Company earned revenue of Rs. 187.94 lacs (US\$ 397,360), through the JVC, which accounted for over 22% of the total sales.

During the year 2001 - 2002, 28% of your Company's revenue was earned from the Joint Venture Company, Corliant Inc. The contribution to the revenue from the JVC during the current year appears to be lower than last year due to the change, by your Company, in the accounting policy of reimbursable expenses. Excluding the reimbursable expenses your Company's total revenue for the year 2001 - 2002, would be Rs. 725.19 lacs, similarly your Company's revenue from the JVC would be Rs. 151.73 lacs, which would work out to a little under 21% of your Company's Revenue. Thus your Company's revenue from the JVC has actually improved from a little less than 21% to 22% on a slightly higher revenue base.





The average monthly revenue (excluding reimbursable expenses) received from the JVC at present is over US\$ 50,000; much larger from the earlier monthly revenue of US\$ 35,000 including reimbursable expenses. The outlook for the JVC and as a result for your Company from the InterNetworking practice continues to look good on account of the large pipeline and confirmed backlog of business to be executed by the JVC in the coming months.

#### **WHOLLY OWNED SUBSIDIARY IN USA :**

The IT services market has been very tough in the last few years and more so for the medium-small IT companies like your Company. Without a direct presence in the market place, offshore business continues to be a small portion of the total business that a company can attract. Past efforts to attract offshore business through CyberTech Systems Inc. (CSI) have resulted in only partial gains in this direction. In order to strengthen its position as a strong offshore solutions provider, your Company has set up a Wholly Owned Subsidiary in the United States of America (USA) named CyberTech Systems & Software Inc.

In order to reduce the time to be spent in reinventing the wheel, go through the efforts of setting up the business from scratch and to provide a kick-start to the operations the management proposed to acquire the entire operations of CSI. For ensuring the right focus on the business and CyberTech's recognition as a local US Company with offshore cost controls and benefits all the shareholders of CSI have jointly agreed to this proposal in the larger interest of all the shareholders.

Your Company has completed all the requisite legal formalities and effective 1<sup>st</sup> October, 2003, CyberTech Systems & Software Inc., has acquired the entire business of CyberTech Systems Inc. Most of the business functions of CyberTech Systems & Software Inc such as Practice Management, Resource Management, Presales Support, Business Delivery, Payroll, Accounting, Employee Relations, etc. to the extent possible and desirable have been moved over to your Company's Offshore Delivery Center in India. Your Company's Wholly Owned Subsidiary, CyberTech Systems & Software Inc, will focus only on Sales, Marketing and such of the other functions that are not practicable to be managed out of your Company's Offshore Delivery Center.

Your Company's current Offshore Centric Model will be truly Offshore Centric in all aspects and will ensure better on both onsite as well as offshore business. This model will also ensure that the Sales & Marketing teams are continuously focused on selling business, which has significant offshore potential.

Your Company has invested till date an amount of US\$ 1,585,000 in its Wholly Owned Subsidiary, CyberTech System & Software Inc., of which CyberTech System & Software Inc has paid US\$ 1,000,000 to CyberTech Systems Inc., towards the purchase of business and assets from CyberTech Systems Inc. and has retained the balance of US\$ 585,000 towards working capital requirements. CyberTech System & Software Inc is also working with a few banks in the US to raise additional working capital through credit lines from such banks.

#### **WHOLLY OWNED SUBSIDIARY IN EUROPE :**

Your Company's Wholly Owned Subsidiary in Luxembourg, Europe in turn has Wholly Owned Subsidiaries in Belgium, France and U.K. Of these, the Companies in Belgium and France were operating actively. For the reasons stated under the section on Review of Operations and Performance, your Company sold the business operations, more particularly the ERP and CRM part of the business, of its downstream subsidiaries namely CyberTech Information Services b.v.b.a., Belgium and Cyber Information Systems s.p.r.l. France, as on 1<sup>st</sup> August, 2003. Your Company retains its subsidiary companies as shell companies and may at the appropriate time conduct other parts of its businesses such as the InterNetworking practice, GIS practice, Custom Applications / Solutions Development practice from these subsidiaries. Your Company has also entered into an MOU with Alti, the successor to CyberTech Europe's SAP and CRM businesses in Belgium and France, to be Alti's exclusive offshore partner in India.

Your Company continues to retain the right to operate in all its business segments in the UK. In the last few months your Company's downstream subsidiary in the UK has been able to gain some business from one of your Company's clients in the US. Your Company expects to leverage more of such relationships in the future.

#### **SUBSIDIARY COMPANY'S ACCOUNTS :**

The statement pursuant to section 212 of the Companies Act, 1956, containing details of the Company's subsidiary, CyberTech Europe (CTE), is contained elsewhere in the Annual Report.

The consolidated Financial statement of the Company and its subsidiary, prepared in accordance with Accounting Standard 21 prescribed by the Institute of Chartered Accountants of India, form part of the Annual Report and Accounts.

The Company had made an application to the Central Government seeking exemption from attaching the accounts and other relevant documents of its subsidiary, CyberTech Europe (CTE), to the Balance Sheet of your Company, the parent company. In terms of the approval granted by the Central Government vide its letter dated 25<sup>th</sup> November, 2003 the accounts and other relevant documents of CyberTech Europe (CTE), are not required to be attached to Balance Sheet of your Company.

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**FUTURE OUTLOOK :**

There are signs of economic revival and spending in the IT services space is gradually gaining momentum in USA. Though the visa regulations have become tighter and the cap on number of H1 visas has been reduced by more than half, your Company feels optimistic about the year ahead. Your Company has, most of the times, been able to procure the necessary visas for delivering onsite business.

The reorganization of CyberTech's business as an offshore solutions company and the tighter controls on costs in the US has already started showing results. Your Company is increasing focus on SAP once again and is positioning itself in the post implementation market along with new implementations. This will help your Company in procuring long-term business contracts and deeper relationships with its clients. Your Company has already won a few offshore deals in the SAP post implementation support space during the last few months and expects to close a few more deals during the coming months. Your Company is working towards once again achieving the status of a strong SAP partner and be known for its strength in this space. Your Company will continue to maintain focus on the ESRI partnership, which has helped your Company is gaining presence in the Geographic Information Systems (GIS) practice. Your Company feels proud to be ESRI's only offshore partner & expects to continue to provide offshore support from India to ESRI in building applications. The Custom Application Solutions practice also seems to be moving in the right direction with a renewed focus on offshore support and maintenance. Tied with Corliant Inc., the future outlook for the Interworking practice appears to be good as stated before.

**TAXATION :**

The Commissioner of Income-tax (Appeals) [CIT (A)] has partly allowed the appeals filed by your Company against the orders of the Assessing Officers (AO) in respect of A.Y. 1997 - 1998 to A.Y. 1999 - 2000, in favour of your Company, thereby reducing the provision for prior year taxes by Rs. 340.71 lacs. Your Company is contesting the partial relief given by the CIT (A), before the Income-tax Appellate Tribunal (ITAT). Your Company has not yet given effect to the orders of the CIT (A) in its books pending disposal of the appeals by the ITAT.

Additional provision for income tax of Rs. 79.76 lacs has been made during the year in respect of prior year taxes on account of interest computed on the unpaid tax amounts in dispute.

The company has received an assessment order for financial year 1999 - 2000, denying tax exemption u/s 10B and also alternative deduction u/s 80HHE, which the Company is contesting since the facts have not been considered properly and also since there are apparent computation errors. No provisions are considered necessary at this stage.

**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 :**

The Management and Discussion Analysis Report discuss the operations of the Company in detail and forms part of this Annual Report.

**CORPORATE GOVERNANCE :**

As per the Listing Agreement with the Stock Exchanges, the Company has complied with the requirements of the Corporate Governance. A report on Corporate Governance is attached to this report.

**DIRECTORS :**

During the year Mr. P V. Maiya & Mr. Vikram Pradhan have resigned and ceased to be the Directors of the Company. Mr. Gaston Vandenplas, has resigned as Director of the company and the Board of Directors at its Meeting held on 11<sup>th</sup> September, 2003 has accepted the resignation with immediate effect.

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. V. Prasad Rao & Mr. Viswanath Tadimety, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Necessary resolutions for re-appointment of the aforesaid directors have been included in the Notice convening the ensuing 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 :