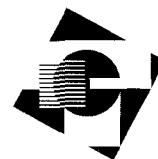


11<sup>th</sup>

# Annual Report 2005-2006



**CyberTech**  
Systems and Software Ltd.

[www.reportjunction.com](http://www.reportjunction.com)

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**BOARD OF DIRECTORS**

**Viswanath Tadimety**  
*Chairman*

**Anant Rajwade**  
*Director*

**Ashok Datar**  
*Director*

**Arun Shah**  
*Director*

**Vijay Talele**  
*Executive Director (up to 10th Nov. 2005)*

**COMPANY SECRETARY**

Suresh Thakur Desai

**AUDITORS**

Lodha & Co.,  
Chartered Accountants, Mumbai

**SOLICITORS & ADVOCATES**

Amarchand Mangaldas  
Peninsula Chambers, Peninsula Corporate Park,  
Ganpatrao Kadam Marg, Lower Parel,  
Mumbai - 400 013.

**BANKERS**

State Bank of India  
UTI Bank Ltd.

**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**

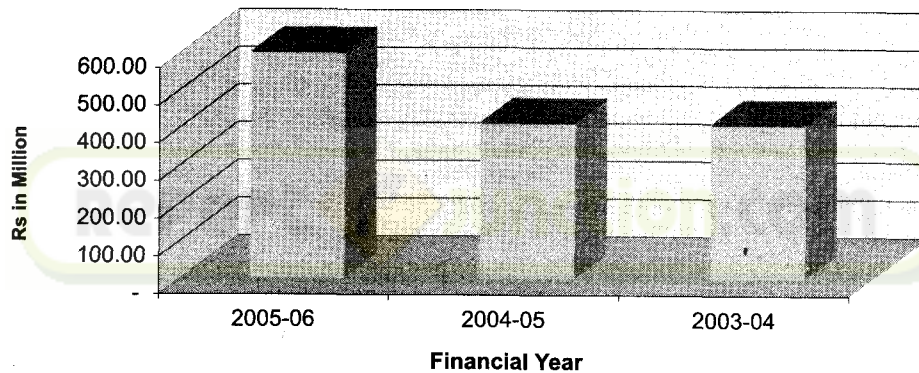
'CyberTech House',  
Plot No.B - 63-65, Road No.21/34,  
J. B. Sawant Marg, MIDC,  
Wagle Estate , Thane (West) - 400 604

## FINANCIAL HIGHLIGHTS

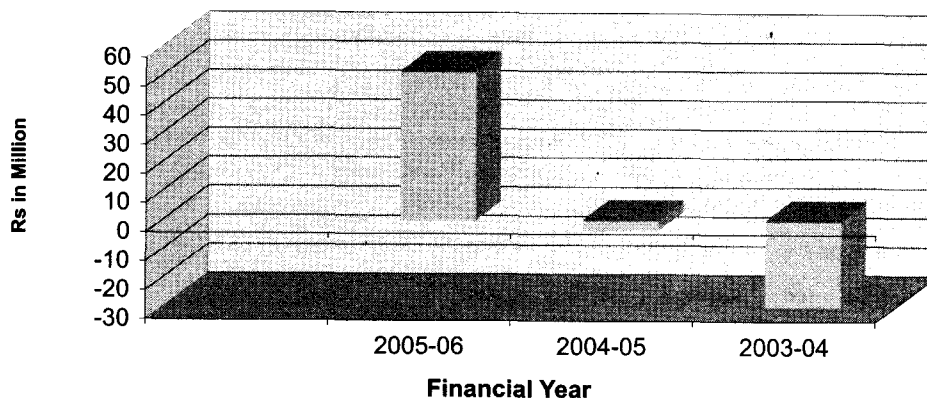
(Rs. In Million)

	Consolidated			Standalone		
	2005-06	2004-05	2003-04	2005-06	2004-05	2003-04
	( 12 Months)	( 9 Months)	( 12 Months)	( 12 Months)	( 9 Months)	( 12 Months)
Total Revenue	596.88	411.13	407.82	100.48	70.94	72.60
Net Profit	51.13	(3.21)	(29.48)	44.10	(5.95)	(45.40)
Net Worth	405.47	354.26	355.41	386.96	342.78	348.73
Earning per Share	2.20	(0.14)	(1.27)	1.90	(0.26)	(1.96)

CyberTech Consolidated Revenue



CyberTech Consolidated Net Profit







Vish Tadmety

## LETTER TO FELLOW SHAREHOLDERS

My Dear Fellow Shareholders,

July 6, 2006

I am pleased to report the successful turnaround of CyberTech Systems and Software Limited (CSSL) as reported in this Annual Report for the fiscal year ending March 31, 2006. For the year, we reported Consolidated Profit after tax of Rs. 51.13 million [\*US\$ 1.15 million] on Revenue of Rs. 596.88 million [US\$ 13.42 million]. This favourably compares to a loss of (Rs. 7.22) million [(US\$0.16) million] on revenue of Rs.536.89 million [US\$ 12.07 million] for the previous twelve months.

When I took over as Chairman of your Company in December 2003, we were saddled with several problems that affected the value of the Company including a recession in the IT industry, previous years' unresolved tax problems, investments in unproductive real estate, and high employee costs. The Company had incurred aggregated net (losses) of (Rs. 391) million during 2001-2003 apart from an un-provided or unpaid potential tax liability of Rs. 173 million for earlier years. As a result, our cash reserve was almost entirely wiped out. My first priority was therefore to arrest the losses and prevent any further impairment of the assets of the Company. We therefore initiated a series of measures including the closure of European operations, which had entered a recession, reduced the number of associates whose services were not being fully utilized, cleaned up investments and instituted strict austerity measures in both the USA and India. We also reoriented our priorities without losing the confidence of our current clients. Thanks to the quality of services provided by the Company, customer loyalty never suffered.

After this series of measures, the net loss was brought down to (Rs. 29) million during 2003-04, further to (Rs.3) million during the nine months ended March 2005 and profit of Rs. 51 million was realized during the current year. I am also pleased to report that most of the long outstanding income tax issues relating to the Company (with the exception of penalties, if any) have been resolved. The Company is also now positioned to generate additional income from properties and facilities at Andheri and Thane. The shareholders will also be pleased to note that as a result of our initiatives, Government of Maharashtra has declared the entire Wagle Estate as an IT Zone; needless to say we are the first one to set up IT facility in the Thane area. At the bare minimum, this policy change adds to our potential asset in the form of doubling the FSI, a prized possession in and around land starved Mumbai.

The Company has also added service offerings to its customers in both SAP and GIS. As a result, revenue has started to increase and we have begun to employ more resources in the Company. We have added a number of new associates and our current world wide employee headcount is at 270, up from 204 in March 2005 (and 185 in 2004).

It is important to note that we manage CSSL's business on a consolidated basis. Our business operations combine both CSSL and its US subsidiary, CyberTech Systems and Software, Inc. (US). As a shareholder, you ultimately own an interest in both entities and we encourage our shareholders to review our consolidated results. While our US subsidiary has intangible assets resulting from its business relationships with customers and key alliance partners, CSSL maintains substantial tangible assets that we intend to protect and grow for the shareholders of the Company.

In 2004, based on my discussions with our Board of Directors and Observers, we set two key priorities for the Company:

**1. Restore the Company's Balance Sheet to its pristine status:**

- a. Streamline and restructure the Company to be India-Oriented,
- b. Utilize the Company's Real Estate Capacity to its fullest extent,
- c. Resolve our Complex Income Tax challenges,
- d. Keep it debt-free, unless financing productive assets, and
- e. Restore the Company dividend over time.

\*1 US\$=INR 44.486

**2. Align the Company's Sales and Delivery Structure to an India Model:**

- a. Promote Offshore Oriented Solutions,
- b. Grow the Business in all markets, and
- c. Hire the best people.

**Restoring the Company's Balance Sheet:**

I want my fellow shareholders to know that I see protecting the Balance Sheet as my most important and current priority. A solid Balance Sheet gives us safety, resources for growth and protects us against downturns. One of my responsibilities is to protect my fellow shareholders from undue risks. We have accomplished much in the past year as we now focus on driving Company growth.

***Streamline and Restructure the Company:***

As I have stated in the past, we achieved substantial success in this area. The following steps have been executed by the Company over the last 24 months helping to protect the assets of the Company:

1. We acquired the US business operations of CyberTech Systems, Inc. (our former parent company) in order to gain access to our own front end sales team and customers. CSSL is a complete end to end solutions company and is now in control of its own destiny. Our US subsidiary has been profitable since its acquisition. We now have a simple capital structure; all stake holders are shareholders in CSSL. Our main focus today is to deliver the bulk of our services from India.
2. We have cut the extraordinary losses and restored the Company to profitability. We look to continued improvement in margins as we deliver more of our services from our Advanced Technology Centers in India.
3. We have previously ceased the money losing European operations and continue liquidation of the subsidiaries.
4. We have liquidated the passive investment portfolio.

***Utilize the Real Estate Assets:***

The Company owns substantial assets in its Thane and Andheri facilities. All of the facilities are now productive, either through our own effective use or generating income for the company. Our properties in Andheri (East) and excess capacity in Thane are now generating income and considerable cash flow. I track these activities as a separate item on the income statement.

***Resolution of the Income Tax Matters:***

Our largest issue has been the Company's continuing income tax litigation. The Revenue Department previously assessed income tax against prior years by denying the Company claims for exemption under Revenue Code Section 10(B). This denial related to all tax years from 1997-98 through 2001-2002. Revenue Department has collected substantial taxes from the Company for these years, while the Company respectfully disagreed over this matter.

I am glad to report that the Company's position has been vindicated as it relates to the years 2000-01 and 2001-02 based on findings in appeal at the Income Tax Tribunal level. We continue to appeal prior years including penalties applied by the Department in connection therewith. I believe that we have now reached a stage where this complex issue will be resolved without greatly impacting our Balance Sheet.

***Other Matters:***

I continue to be fiscally conservative and the Company continues to be largely debt free. I wish to thank the Board of Directors of Corliant, Inc. (USA - our joint venture company) for guaranteeing a small revolving credit line for our subsidiary, CyberTech Systems and Software, Inc that is fully secured and used for working capital purposes. It is our intent to restore the payment of a dividend as soon as operations will support.

**Align the Company's Sales and Delivery Structure to an India Model:**

Our key focus has been to execute all of Company's operations from India with the exception of sales. A thin US approach keeps us committed to providing superior implementation, software development and support services for our customers in SAP, GIS and other technology areas from India. To this effect, all delivery and administrative functions are executed out of CSSL. The US organization is extremely thin and US operations remain profitable.



The combined Company, including CSSL and its consolidated US Subsidiary, remains focused on winning offshore engagements.

### **Business Review**

The Company segments its business into two groups: (a) Commercial Enterprise Sector and (b) Public Sector. Our Commercial Enterprise business lends itself to an offshore model with focus primarily in small and medium sized companies. This constitutes approximately 60% of the US subsidiary's business. Our Public Sector business lends itself primarily to a US centric model. We continue to do substantial work in several US State and Local Government Accounts which account for about 40% of the US Subsidiary's business.

We continue to focus on SAP technologies, including implementation, upgrade and support services. Most of these services will be delivered from our Indian ATC. Combined with our years of SAP experience, our offshore model allows us to work with our SAP clients to deliver cost effective and timely services, including work on their newer technologies. We have recently been selected from a small group of partners to work on a product pioneered jointly by SAP and Microsoft. CyberTech is an early implementation partner in this area.

We continue to grow our GIS and custom technologies business. Our strategic alliance with ESRI, including their partners and customers has registered significant growth over the prior year. This comes from building and operating ESRI applications. Additionally, we support ESRI technologies from our Indian ATC as well as jointly developing solutions for the commercial marketplace. Our custom solutions are based on Microsoft, IBM, Sun and Oracle platforms, focused on annuity based development and support contracts that are delivered primarily from the Indian ATC.

CyberTech has recently been awarded Development Partner Status working with both SAP and ESRI to build an integration package applicable for their worldwide customers.

The Management team of the Company is able and focused. I am grateful to the Sales, Delivery and Financial Leaders of the Company for doing the day-to-day heavy lifting. Outstanding Company talent is the only way to succeed and grow the business. This is one area in which we will continue to aggressively invest.

In the last 2 years, the value in our Company has been quietly building up. We have now reached a state where most of the complex challenges that faced the Company are behind us; the Company owns substantial Real Estate that generates positive cash flows. We expect maintain the growth and push for further heights in profitability in the coming years.

I thank Banshi S Mehta & Co, Chartered Accountants and Mr. Farook Irani Esq. for their valuable help with our long pending Income Tax matters.

I would like to thank my dedicated Board of Directors and our US investor representatives for their involvement, superior counsel and support. I also would like to thank our associates and management team for their efforts in the last year and all our clients for their continued support of your Company.

On behalf of the entire organization I thank you, my fellow shareholders, for your continued support.

With regards and wishing you the very best,

**Vish Tadimety**  
Chairman

## MANAGEMENT TEAM



**Steven Jeske**  
Chief Financial Officer

Steven Jeske has over 25 years of management experience, including as Chief Financial Officer of several start-ups including PetCare, Inc., a \$100M retailer and WSMPLP, a \$150M Blockbuster Video franchise that was acquired by Blockbuster. Previously, Steven was a senior manager with PricewaterhouseCoopers, an international accounting and consulting firm.

Steve is a CPA and holds an MBA degree from the University of Chicago.



**Ravi Rengan**  
Sr. Vice President  
(Global Sales)

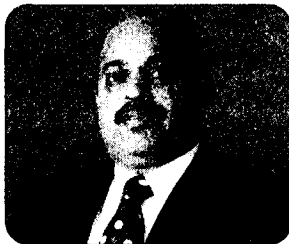
Ravi Rengan has over 15 years global IT consulting and management experience.

As Sr. Vice President-Sales, Ravi is responsible for Global Sales at CyberTech Systems.

Ravi's previous roles included handling sales in the USA, starting and developing the Geographical Information Systems (GIS) practice and setting up GIS Advanced Technology Centers.

At Tata Consultancy Services (TCS) and Rolta, he has held similar responsibilities, identifying strategic partners, building relationships and working major accounts.

Ravi is an MBA in Marketing and a B.E. in Computer Engineering, from the University of Mumbai.



**Harsha K. U.**  
Chief Delivery Officer

Has over 23 years of experience in managing offshore software projects for global customers. In his current role, Harsha is responsible for global delivery management at CyberTech.

Harsha has nurtured and managed engagement for customers in the US, UK and Japan.

He has extensive experience in setting up the Offshore Delivery Centers. He has managed engagements in varied technologies like Microsoft, SUN, IBM, Oracle for diverse verticals like financials, equity trading, CRM etc.

He was earlier employed with Mastek and Silverline Technologies in delivery leadership roles with responsibilities towards client management.

Harsha is a Science graduate from Mysore University and has a Diploma in Information Technology.





## DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the Annual Report together with the audited Statements of Accounts for the year ended March 31, 2006. This report includes both stand alone results for the Company (CyberTech Systems and Software Ltd) as well as consolidated results for the Company, its USA subsidiary and the pro rata results of the joint venture company to the extent of the Company's holding. The figures for the accounting year under review are for the twelve months from April 1, 2005 to March 31, 2006 and are therefore to that extent not comparable with previous year's figures, which were for the nine month period from July 1, 2004 to March 31, 2005.

### FINANCIAL RESULTS:

(Rs. in millions)

	Stand Alone		Consolidated	
	2005-2006 (12 months)	2004-2005 (9 months)	2005-2006 (12 months)	2004-2005 (9 months)
Gross Revenue	100.48	70.94	596.88	411.13
Profit before Interest & Depreciation	11.58	4.52	28.64	22.62
Interest	0.02	-	0.86	0.01
Depreciation	10.97	10.47	17.86	16.15
Profit/(Loss) before tax	0.59	(5.95)	11.07	2.41
Exceptional Items	13.00	-	13.00	-
Provision for tax (includes fringe benefits )	(0.72)	-	(5.69)	(5.62)
Income Tax adjustments for earlier years' -credit	31.22	-	32.74	-
Profit/(Loss) after tax	44.10	(5.95)	51.13	(3.21)
Accumulated losses b/f from previous year	(285.79)	(279.84)	(274.31)	(271.10)
Balance to be carried forward	(241.69)	(285.79)	(223.18)	(274.31)

### DIVIDEND:

The Board of Directors regrets its inability to recommend a dividend for the year under review.

### REVIEW OF THE COMPANY'S STAND ALONE PERFORMANCE:

The Company has continued to register overall improvement in its performance for the year being reported on:

- Total revenue during the year 2005-06 amounted to Rs. 100.48 million as compared to Rs. 70.94 million during the prior nine month period. This represents an annualized increase of 6.3%. Total revenue during 2003-2004 was Rs. 72.6 million. Total revenue is comprised of revenue from operations and other income, as follows.
- Revenue from Operations for the 12 months ending March 31, 2006 amounted to Rs. 92.15 million vs. Rs. 66.62 million for the prior 9-month period. Operating revenue includes both software support and development activities and revenue according to the terms of the JVC and has grown as a result of expanded client focus on the benefits of offshore services.
- Other Income increased to Rs. 8.32 million from Rs. 4.31 million. Other income is expected to continue to increase in the upcoming year as a result of increasing income from the Company's properties and facilities.
- Profit before interest, depreciation and tax increased to Rs. 11.58 million from Rs. 4.52 million in the previous period. This marks an increase of 92.13% on an annualized basis.
- The Company recorded exceptional items in the amount of Rs. 13.01 million, primarily the result of restoring the value of impaired assets previously written down, consequent to the accrual of income from such assets leading to enhancement of value. This is expected to be a one-time action.
- Additionally, the Company recorded the benefit of reversing the excess income tax provision as a result of favourable findings in appeal at the ITAT.

- As a result of the above, profit after tax for the year ended March 31, 2006 amounted to Rs. 44.10 million compared to a loss of Rs. (5.95) million in the previous nine month period.

The Company continues its focus on delivering offshore development and support projects in the Company's core technology areas. Additionally, careful resolution of outstanding disputes in its income tax matters and increased utilization of available assets and properties remain at the top of the management agenda.

#### REVIEW OF CONSOLIDATED PERFORMANCE:

On a Consolidated Basis, the Company reported total revenue during the year of Rs. 596.87 million as compared to Rs. 411.13 million during the previous nine-month period. On an annualized basis this marks an increase of 8.8%.

Profit after tax for the year ended March 31, 2006 amounted to Rs. 51.13 million compared to a loss of Rs. (3.21) million in the previous nine month period. This included the impact of recording exceptional items and the reversal of excess income tax provision as explained above.

The consolidated group continues to focus on delivering services to its identified market segments in its core technology areas. It continues to align its sales and delivery organizations to an offshore centric model.

#### COMPANY OPERATIONS:

CyberTech is a global information technology firm providing professional consulting services in the following practice areas:

- *SAP (Implementation and Post Implementation Support)*
- *Geographical Information Systems (GIS)*
- *Custom Technologies (including Microsoft, Oracle and IBM)*
- *Networking Planning and Design*

The Company maintains an Advanced Technology Center ("ATC") for the training, development and support of SAP, ESRI, Microsoft, IBM, Sun and Cisco Technologies. The Company performs all delivery management, offshore development, finance and administrative functions for the consolidated group. CyberTech Systems and Software Inc. (USA) (also known as "Subsidiary") is a wholly-owned subsidiary of the Company. The Subsidiary focuses on customer facing and business development activities including pre-sales, marketing, sales and onsite project/program management activities. CSSI focus is to sell offshore services.

These two companies work in tandem to serve their customers needs. Activities are indivisible and seamless. Accordingly, business operations as discussed include activities of both the Company and its Subsidiary.

#### Market Segments:

The Company segments its consolidated customer base into two groups:

- *Commercial Enterprises sector:*

This group includes all commercial enterprises in the US and India. The Company targets the SMB (small and medium sized businesses up to \$2b) market sector as well as global corporations. We believe this sector holds significant potential for outstanding Company growth, largely driving offshore business for the Company. This sector represents approximately 60% of the Company's business.

- *Public sector:*

This includes governmental and other non-profit entities, primarily in the US. The Company has several large public sector clients that comprise a significant portion (approx. 40%) of the Company's business. Although these services typically are not delivered in an offshore format, there is a significant market due to our experience and depth of expertise in areas useful to Public Sector Clients.

#### Practice Areas:

The Company's technology focus is in the following practice areas:

- SAP
- GIS (primarily using ESRI, Inc. Technologies)