

GSSAmerica

Annual Report 2007 - 2008

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BOARD OF DIRECTORS

Bhargav Marepally	Chairman, CEO & Managing Director
Ramesh Yerramsetti	Managing Director
Patri Venkata Rama Krishna Prasad	Non-Executive Independent Director
Keerty Jaya Tilak	Non-Executive Independent Director
Kaipa Vasudeva Rao	Non-Executive Independent Director
Guhan Subramaniam	Non-Executive Non-Independent Director

Committees of Board of Directors:

Audit Committee

Bhargav Marepally
PVRK Prasad
Keerthy Jaya Tilak
K Vasudeva Rao

Remuneration Committee

PVRK Prasad
K Vasudeva Rao
Keerthy Jaya Tilak

Share Transfer and Shareholders'/ Investors' Grievance Committee

Bhargav Marepally
Ramesh Yerramsetti
K Vasudeva Rao

Chief Financial Officer

Ravi Shankar Chivukula

Company Secretary & Compliance Officer

Kamal Kishore Avutapalli

Auditors

M/s. B.V.R. & Associates, 104, 1-9-1088/68/71, Yashasree Apartments, Adikmet Road, Vidya Nagar
Hyderabad – 500 044, Andhra Pradesh, India

Registered Office

Wing 2, Block B, 3rd Floor, Cyber Gateway, Hitech City, Madhapur, Hyderabad, 500 081, India
Ph: +91 40 40028700; Fax: +91 40 40028703; www.gssamerica.com

Registrar and Share Transfer Agents

Bigshare Services Private Limited

E/2, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (E), Mumbai – 400 072, India
Tel: +91 22 2847 3747; Fax: +91 22 2847 5207; <https://www.bigshareonline.com>

CONTENTS

	Page No.
Directors' Report	1
Report on conservation of energy, R&D, technology absorption & foreign exchange earnings and outgo	4
Report on Corporate Governance	6
Auditors' Certificate on Corporate Governance	16
Management Discussion and Analysis report	17
Auditors' report on the Consolidated Financial Statements	23
Consolidated Financial Statement of GSS America Infotech Ltd. and its Subsidiaries	24
Auditors' Report on Standalone Financial Statements of GSS America Infotech Ltd.	36
Standalone Financial Statements of GSS America Infotech Ltd.	38
Statement under Section 212 of the Companies Act, 1956	49
Balance Sheet Abstract as per SCHEDULE VI of the Companies Act, 1956	50
Consolidated Financial Statements of GSS America Inc. and its subsidiaries	51
Standalone Financial Statements of Infospectrum Consulting Inc.	58
Standalone Financial Statment of System Dynamix Corporation	63

DIRECTORS REPORT

The Directors have pleasure in presenting their report on the business and operations of the Company for the year ended March 31, 2008

I. FINANCIAL RESULTS

GSS America Infotech Limited with focus in IT Infrastructure and Software Services sectors reported Revenues of Rs. 29870 Lakhs for the year ending 31.03.2008 and the Profit before Tax for the same period is at Rs.6966 Lakhs.

The Company's financial results (unconsolidated & consolidated) for the year ended March 31, 2008 is provided in the Annual Report.

Overall Revenues of the Company at Rs.29870 Lakhs, showed a growth of 81.82% over previous year revenues of Rs.16428 Lakhs due to excellent demand for the Company's integrated service approach for IT Infrastructure and Software Services delivery Model.

The Profit before Tax of the Company for the year ended 31.03.2008 is Rs.6966 Lakhs. Compared to the previous year Profit before Tax of Rs.3760 Lakhs, the Company has recorded an impressive growth of 85.10%. This growth has been made possible due to the enlargement of operations and consequent economies as well as improved management of costs. However, the lower growth in the PAT is largely due to provision of Minimum Alternate Tax and amortization of goodwill arising of our acquisitions made.

'Earnings per Share' on the expanded equity due to the Initial Public Offering in the Month of Feb 08 is about Rs.47.



The Company has had a very good year and is poised to continue its growth trend during the current year. The acquisition of System Dynamix Corporation in the United States (US) was completed during Jan- Mar 2008 quarter and is expected to contribute to revenues for full year basis in the year 2008-09. We have planned a slew of initiatives, particularly in IT Infrastructure division to rapidly take advantage of emerging opportunities in these areas.

FINANCIAL RESULTS FOR THE YEAR ENDED 31st MARCH 2008

Particulars	GSS America Infotech Limited and its subsidiaries		
	Year ended (Rs. Lakhs)		% Growth
	31.03.2008	31.03.2007	
Net Income from sales/services	29870.55	16428.73	81.82%
Gross Profit	9239.37	5180.94	78.33%
Operating Profit before interest	6808.82	3738.64	82.12%
Operating Profit after interest and Exceptional Item	6808.72	3725.48	82.76%
Profit (+)/Loss (-) from Ordinary Activities before tax	6966.06	3760.55	85.24%
Net Profit (+)/Loss (-) from Ordinary Activities after tax	6219.62	3709.71	67.66%
Net Profit (+)/ Loss (-)	6219.62	3709.71	67.66%
Paid-up equity share capital (Face Value. Rs. 10/- each)	1330.00	980.25	35.68%
Reserves and Surplus	25128.46	7585.73	231.26%
Earnings Per Share	46.76	37.84	23.58%

II. DIVIDEND

The Directors recommend payment of dividend for the year at the rate of 25% per Equity Share of Rs. 10/- each for the FY 2007-2008. If the recommended Dividend is approved by the Members at the forthcoming Annual General Meeting, the Dividend including the Dividend Tax will absorb Rs. 37,913,313/-

III. TRANSFER TO RESERVES

Your Directors propose to transfer a sum of Rs. 19,690,739/- to General reserves out of the amount available for appropriations and a sum of Rs. 930,075,729/- is carried forward in the Profit and Loss account.

IV. CORPORATE DEVELOPMENTS

During the financial year 2007-2008, the Company has issued 34,97,495 equity shares with face value of Rs. 10/- each for cash at a price of Rs. 400/- per equity share (including a premium of RS. 390/- per equity share) aggregating to Rs. 13,989.98 lakhs by way of an Initial Public Offer (IPO).

Pursuant to the above IPO which has opened on February 11, 2008 and closed on February 15, 2008, the Company has got listed on The Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE) on March 7, 2008

V. AWARDS AND ACCOLADES

The Board of Directors have pleasure in informing the members that your Chairman and CEO, Bhargav Marepally has been selected for the pivotal award of "Udyog Ratna" and the Company was conferred an "Excellency Award" by the Institute of Economic Studies, New Delhi

VI. BUSINESS REVIEW

During the year 2007-2008 System Dynamix Corporation, a Company based in US, has become our subsidiary by virtue of acquisition made by GSS America Inc. (our subsidiary) w.e.f. January 01, 2008. System Dynamix Corporation was incorporated on August 25, 1995 in the State of Connecticut, United States of America, with the object of providing IT services. The corporate office of the Company is situated at 2842, Main Street, Glastonbury, Connecticut 06033

VII. DIRECTORS

Keerty Jaya Tilak and P.V.R.K. Prasad, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

VIII. ACQUISITIONS AND INVESTMENTS

The Company's subsidiary GSS America Inc., has acquired US Based Company System Dynamix Corporation effective 01-JAN-2008.

IX. AUDITORS

M/s. B.V.R & Associates, Chartered Accountants, Auditors of the Company, retire at the forthcoming Annual General Meeting and being eligible offer themselves for reappointment.

X. CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

The particulars as prescribed under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are set out in the Annexure A to this Report.

XI. AUDIT COMMITTEE

The Company has an audit Committee comprising of 4 directors namely, PVRK Prasad, Non-Executive Independent Director, Keerthy Jaya Tilak, Non-Executive Independent Director, K Vasudeva Rao, Non-Executive Independent Director and Bhargav Marepally, Executive Director.

XII. SUBSIDIARIES

As on date the Company has the following subsidiaries:

a. GSS America Inc.

1699 Wall Street, Suite 201
Mt. Prospect, IL 60056
Tel: +1 847 640 3700
Fax: +1 847 640 3701
<http://www.gssamerica.com>

b. Infospectrum Consulting Inc.

1699 Wall Street, Suite 201

Mt. Prospect, IL 60056
Tel: (847) 640 3700
Fax: (847) 640 3701
<http://www.isc-na.com>

c. System Dynamix Corporation

2842 Main Street
Glastonbury, Connecticut 06033
Voice: (860) 633-7174
Fax: (860) 633-7162
<http://www.sdc-us.com>

XIII. PARTICULARS OF EMPLOYEES:

As required by the provisions of Section 217 (2A) of the Companies Act, 1956, as amended, read with Companies (Particulars of Employees) Rules, 1975, the names and other particulars of the employees are set out in the Annexure B to this Report.

XIV. CORPORATE GOVERNANCE:

A report on corporate governance which *inter-alia* includes the composition and constitution of the Audit Committee is featuring as a part of the Annual report (Annexure C to the Annual Report). Your Company will continue to adhere in letter and spirit to good corporate governance policies. A certificate from the auditors of the Company on the compliance of the Clause is set out in Annexure D to this report.

XV. MANAGEMENT DISCUSSION AND ANALYSIS

A report on Management Discussion and Analysis is set out as Annexure E to this Report.

XVI. CEO's DECLARATION

Certificate from the 'Chief Executive Officer and Managing Director' and the Chief Financial Officer of the Company regarding the financial statements as per the Corporate Governance Norms is given as Annexure F to the report. Further, the declaration by the Chairman and Managing Director of the Company declaring that all the members of the Board and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct of the Company is set out as Annexure G to the Report.

XVII. DIRECTORS' RESPONSIBILITY STATEMENT:

As required under Section 217 (2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, and after due enquiry, confirm:

- a. That in preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- b. That the selected accounting policies were applied consistently and the Directors made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2008 and of the profit of the Company for the year ended on that date;
- c. That proper and sufficient care has been taken 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 fraud and other irregularities; and
- d. That the annual accounts have been prepared on a going concern basis.

XVIII. ACKNOWLEDGEMENTS:

The Directors gratefully acknowledge the contribution made by the employees towards the success of the Company. The Directors are also thankful for the co-operation, support and assistances received from the banks, investors, customers, Central and State Government departments and local authorities. The Directors would also like to acknowledge the continued support of the Company's shareholders.

On behalf of the Board of Directors of GSS America Infotech Limited

Sd/-

Bhargav Marepally

CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR

Hyderabad

Date: September 02, 2008

Annexure A

Particulars as prescribed under section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

I. Conservation of Energy:

The Company's operations are not energy intensive. However, significant measures are taken to reduce energy consumption by using energy-efficient computers and purchasing energy efficient equipment. The Company constantly evaluates new technologies and invests to make its infrastructure more energy efficient. As energy cost forms a very small part of the total cost, the impact on cost is not material.

II. Research and development (R & D)

Your Company does not have a dedicated research team and accordingly no fixed identifiable revenue or capital expenditure is incurred and tracked.

III. Technology, absorption, adaptation and innovation

The Company continues to use state of the art technology for improving the productivity and quality of its products and services. To create adequate infrastructure, your Company continues to invest in the latest hardware and software.

IV. Foreign Exchange Earnings and Outgo:

a. Activities relating to Exports:

The Company is in the business of software exports. All efforts of the Company are geared to increase the business of software exports in different products and markets.

b. Total Foreign Exchange Earnings used and earned:

Particulars	Current Year (2007-2008) Rs.	Previous Year (2006-2007) Rs.
Total Foreign Exchange Used	4,227,703	433,020
Total Foreign Exchange earned	393,969,092	241,087,019

On behalf of the Board of Directors

Sd/-

Bhargav Marepally

CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR

Hyderabad

September 2, 2008

Annexure B

Particulars as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2008

Sr. No	Name	Designation	Qualification	Age in Years	Date of Joining	Experience in years	Gross remuneration (per annum) in Rs.	Previous Employment
1	Bhargav Marepally	CEO & Managing Director	M.Sc & Masters in Management Studies from BITS Pilani	37	October 13, 2003	14 years	9,785,702	Self employed
2	Ramesh Yerramsetti	Managing Director	M.Sc (Tech) & Masters in Systems and Information from BITS Pilani	37	October 13, 2003	14 years	9,785,702	Self employed
3	Praveen Mishra	Principal Architect	B. Tech from IIT Kanpur	46	September 7, 2007	20 years	2,600,000	Foursoft Limited
4	Anjan Kumar	Vice President-GDC Operations	B.E (Mech Eng.)	34	February 1, 2007	13 years	4,500,000	Infosys Technologies Ltd

On behalf of the Board of Directors

Sd/-

Bhargav Marepally

CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR

Hyderabad

September 2, 2008

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Annexure C

REPORT ON CORPORATE GOVERNANCE

1. Company's policy on Corporate Governance

Your Company strongly believes that corporate governance is a framework to encourage the efficient use of resources and have accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of all individuals, corporations and society at large.

Your Company is firmly committed to continue to excel in its journey towards best Corporate Governance practices prevailing in the industry and adhere to the highest standards of corporate values and ethics. Your Company always seeks to attain its performance rules with integrity and is dedicated to increase value by maximizing returns to investors, being transparent and maintaining high degree of disclosure levels. Your Company would continually endeavor to further refine the existing systems to place stakeholders' interest as its foremost priority. Your Directors are committed to high standards of corporate governance through transparency, appropriate disclosure, fairness, and a mechanism for independent supervision, which are the principle-underlying features for good corporate Governance. The mandatory requirements, as per the Corporate Governance norms have been complied with by the Company, as given hereunder:

2. Board of Directors:

2.1. Composition of Board:

The current composition of Board of Directors of the Company is as follows:

Name of the director	Nature of Directorship	Relationship with Other Directors	No. of Directorships in other Companies*	No. of committees of other public companies in which he is Chairman/ Member
Bhargav Marepally	CEO & Managing Director; Promoter	None	3	NIL
Ramesh Yerramsetti	Managing Director; Promoter	None	3	NIL
PVRK Prasad	Non Executive Independent Director	None	1	2 (No chairman position held in these 2 committees)
K Vasudeva Rao	Non Executive Independent Director	None	2	2 (No chairman position held in these 2 committees)
Keerthy Jaya Tilak	Non Executive Independent Director	None	1	NIL
Guhan Subramaniam#	Non Executive Non Independent Director	None	5	2 (No chairman position held in these 2 committees)

* Includes listed and unlisted & Indian and Foreign Companies

Nominee Director of IL&FS Trust Company Limited

The requirement that a Director shall not be a member of more than ten committees and Chairman of more than five committees has been complied with while constituting the Committee of Directors

2.2. Disclosure of shareholdings of Non Executive Directors as required under clause 49(IV) (E) (IV)

Name of the director	Shares held as on March 31, 2008
PVRK Prasad	NIL
K Vasudeva Rao	132,000
Keerthy Jaya Tilak	NIL
Guhan Subramaniam	NIL

2.3. Appointment / Reappointment of Directors:

The Directors whose appointment/re-appointment is proposed at the forthcoming Annual General meeting are:

- i. **P.V.R.K. Prasad:** PVRK Prasad was appointed as an ordinary director by the shareholders of the Company at their meeting held on June 7, 2006. He retires by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. Prasad, if reappointed will be an Independent Director.
- ii. **Keerty Jaya Tilak:** Keerty Jaya Tilak was appointed as an ordinary director by the shareholders of the Company at their meeting held on July 21, 2006. He retires by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. Tilak, if reappointed will be an Independent Director.

2.4. Board meetings and the previous Annual General Meeting

During the financial year 8 board meetings were held on April 30, 2007, August 8, 2007, November 28, 2007, January 25, 2008, February 1, 2008, February 16, 2008, February 19, 2008 and February 27, 2008. The last AGM of the Company was held on August 8, 2007.

The details of attendance of Directors in Board Meetings and the last Annual General Meeting are as follows:

Name of the Director	No. of Board meetings attended	Attendance at the last AGM
Bhargav Marepally	8	Present
Ramesh Yerramsetti	6	Absent
PVRK Prasad	2	Absent
K. Vasudeva Rao	7	Present
Keerthy Jaya Tilak	8	Present
Guhan Subramaniam	8	Present

2.5. Code of Conduct

The Board has laid down a code of conduct for all Board members and senior management of the Company. The same is posted on the website of the Company at the following link: <http://gssamerica.com/management.html>. The Company has obtained the confirmation of the Compliance with the Code from all its Board members and senior management personnel for the year 2007-2008. A confirmation to that effect from the Chairman and Managing Director is given in Annexure G to the Directors' report.

3. Audit Committee

3.1. Constitution of Audit Committee:

Audit Committee was constituted on July 22, 2006. Presently, the Audit Committee comprises of the four members and all the members have financial and accounting knowledge.

3.2. Composition of Audit Committee and attendance of members:

Three Audit Committee Meetings were held during the financial year 2007-08, on April 30, 2007, August 8, 2007 and January 25, 2008. The composition of the Audit Committee and the number of meetings attended during the financial year 2007-08 were as follows:

Name of the member	Designation	Nature of Directorship	No. of meetings attended
PVRK Prasad	Member	Non- Executive, Independent	1
Keerthy Jaya Tilak	Member	Non- Executive, Independent	3
K Vasudeva Rao	Member	Non- Executive, Independent	3
Bhargav Marepally	Member	Executive, Promoter group	3

3.3. Attendance of the Chairman of the Audit Committee at the AGM

Mr. K. Vasudeva Rao, Non-Executive Independent Director and the member of the audit Committee, has represented the audit committee at the previous AGM to answer the shareholder queries.

3.4. Attendees:

The Audit Committee invites such of the executives, as it considers appropriate to be present at its meetings. The Chief Financial Officer attends such meetings. The Statutory Auditors and Internal Audit officials are also invited to these meetings. The Company Secretary acts as the Secretary of the Committee.

3.5. The Terms of Reference of the Audit Committee:

The terms of reference of the Audit Committee as defined by the Board are as under:

- iii. To have discussion with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review the half-yearly and annual financial statements before submission to the Board of Directors.