

10th

Annual Report

2003 - 2004

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Quintegra Solutions Limited

Board of Directors

R. Venkata Subramani
Chairman

Babu Thiagarajan
Managing Director

V. Sriraman

R. Rengharajan

Registered office

Quintegra Towers
168 Eldams Road
Chennai 600018
Phone 91 44 24328395
Fax 91 44 24328399
Email india@quintegrasolutions.com
URL <http://www.quintegrasolutions.com>

Secretary

Raja Ganapathi

Auditors

M/s Gopikumar Associates

Bankers

State Bank of India
ICICI Bank
Bank of America
Andhra Bank

Registrar & Share transfer agents

Integrated Enterprises (India) Limited
Kences Towers, 2nd Floor
North Usman Road
T Nagar
Chennai 600017
Phone: 91 44 28140801
Fax: 91 44 28142479

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NOTICE

Please take notice that the tenth Annual General Meeting of the shareholders of Quintegra Solutions Limited will be held at **10.00 a.m. on Friday, March 18, 2005 at Russian Cultural Centre Hall, 74 Kasthuri Rangan Road, Chennai 600 018** to transact the following business:

Ordinary business

1. To receive, consider and adopt the audited accounts of the company for the 15 months period ended September 30, 2004 and the report of the Directors and Auditors' thereon.
2. To appoint a Director in place of Mr R. Venkata Subramani, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Messers. Gopikumar Associates, Chartered Accountants, the retiring Auditors of the company, as Statutory Auditors, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

By order of the Board

Place : Chennai
Date : February 18, 2005

Raja Ganapathi
Company Secretary

NOTES

1. Details pursuant to clause 49 of the Listing Agreement with the Stock Exchanges in respect of Directors seeking reappointment at the Annual General Meeting are separately annexed hereto for item 2 above and also detailed in the Corporate Governance report.
2. Any member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of this company. The instrument appointing proxies, nevertheless, should be deposited at the registered office of the company not later than forty-eight hours before the commencement of the meeting.
3. Shareholders are requested to bring their copy of Annual Report to the meeting.
4. Shareholders and proxies are requested to fill the Attendance Slip for attending the meeting.
5. In case of Joint Holders, where more than one person attend the meeting, only such holder whose name appears on top of the order, will be entitled to vote.
6. Shareholders who hold shares in dematerialized form are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting. In addition, such members who hold shares in more than one folio are requested to write to the company immediately enclosing their share certificates for consolidation of their holdings in one folio.
7. All documents referred to in the Notice are open for inspection at the registered office of the company on all working days during office hours up to the date of the Annual General Meeting.

8. The register of members and the share transfer books of the company shall remain closed from March 16, 2005 to March 18, 2005 both days inclusive.
9. Corporate members intending to send their authorised representatives are requested to send a duly certified copy of the Board Resolution authorising their representatives to attend and vote at the Annual General Meeting.
10. Consequent upon the introduction of section 109A of the Companies Act, 1956 shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the Registrar and Share Transfer Agents, M/s Integrated Enterprise India Limited. The said Form 2B can also be downloaded from the web site of the company www.quintegrasolutions.com
11. Shareholders holding the shares in dematerialized mode are requested to intimate all changes with respect to their bank details, mandate, nomination, power of attorney, change of address etc to their depository participant (DP). These changes will be automatically reflected in the company's records.

Pursuant to clause 49 of the listing agreement with the stock exchanges, following information are furnished about the directors proposed to be reappointed vide items

no. 2 in the notice dated Feb 18, 05

Name of the Director	Mr R. Venkata Subramani
Date of birth	Apr 14, 1960
Date of appointment on the Board	Feb 23, 1994
Expertise in specific functional areas	Banking & Finance
Qualification	B Com, FCA
List of outside Directorship held	1) Deftpro Solutions Private Limited
Chairman/Member of the Committees of Board of Directors of the Company	1) Audit Committee 2) Investors Grievances Committee 3) Compensation Committee
Chairman/Member of the Committees of Board of Directors of other Companies in which Directorship is held	None

FROM THE DESK OF YOUR CHAIRMAN

Dear esteemed co-owners of Quintegra,

Ten Years.... It has been a wonderful association we have enjoyed and I am sure the association will be truly rewarding in the years to come by. It gives me immense pleasure in writing to you for the tenth time since formation of your organization. Without your support, it would not have been possible to accomplish and cross significant milestones. Your company has grown truly into a versatile organization in the year gone by and is geared to take on a dynamic market environment

You, the owners of the organization will appreciate that any merger brings with it a marriage of disparate organization cultures, people values and above all commitment to your customers. With a new branding exercise, your company has been successful in making the merger a grand success. Your customers have truly acknowledged the value of the merged entity and Quintegra is now known for the vision and mission, which it set about to achieve. Your organization continues to grow organically and in-organically.

Your organization has kept up the promise of mining into existing customers and finding new avenues for service.

Your company also kept its promise of becoming a CMM Level 4 organization. Your organization has been certified at Level 4 and is already focusing itself on scaling newer heights and becoming a CMMi Level 5 organization in the next year.

Quintegra@Bangalore

Your company opened up an exclusive .NET practice based out of Bangalore and have started offering services in the B-O-T model. Bangalore provides your organization the opportunity to tap the best of the talents and also the greatest challenge to retain the talent once acquired. Your company has successfully tapped the opportunity and has built a formidable team capable of delivering the best of the breed solutions.

Testing Data Center

Your organization started to offer 3rd Party testing services leveraging on the existing customers. We have built

partnerships with Mercury Interactive which has provided your company the opportunity to provide automated testing services to your customers. Your organization prides itself in providing out-of-box testing solutions for a variety of verticals like Telecom and Health Care

Asia-Pacific Presence

Your organization also saw tremendous opportunity in the Asia Pacific region and has bagged prestigious orders from Thailand and Malaysia. Asia Pacific is always known for its penchant towards new and upcoming technologies and your company has been successful in exceeding the high expectations and has truly carved a niche for itself as a technology company par excellence.

Your organization has also successfully been able to retain the confidence posed by your existing customers. This is highlighted by the fact that existing customers have placed immense faith in your organization and renewed contracts for higher volume of business. There have been notable additions of customers to your organization, who have been appreciative of the organization's deliverance.

Peter Drucker had said that whatever is not measurable is not maintainable. Data Quest has measured your company to be at '141st rank'. Also Business India has ranked your company at '641' in top 1,000 companies. You, as the co-owners of the company, I am sure, are glad to note the progress made by your organization. Your organization has managed to successfully position itself in the past year and the fruits for all the efforts this year will most likely see the company move into a higher orbit in the coming year. As always, I look forward to your continued support in the growth of your organization, QUINTEGRA.

Let me conclude this short message on high note with wholehearted gratitude for all your appreciation and continued show of patronage.

With lot of regards,

R. Venkata Subramani

DIRECTORS REPORT

Your directors, present with pleasure the 10th annual performance report and audited financial statements of your company for the 15 months period ending September 30, 2004.

Financial results

	Amount in Rs.crores	
	FY 2003-04	FY 2002-03
	(15 months)	(12 months)
Income from operations	47.22	42.98
Operating cost, C&B	34.75	28.15
Selling, General & Admin cost	6.37	7.29
Interest	.65	.93
Depreciation & Amortisation	3.08	4.81
Profit before tax	2.42	1.93
Tax expenses	.03	.03
Profit after tax	2.39	1.90

Management discussion and analysis

Pursuant to clause 49 of the listing agreement, management discussion and analysis report is given as a part of this report.

Corporate governance

Pursuant to clause 49 of the listing agreement with the stock exchanges, a report on corporate governance along with auditor's certificate for its compliance is included as a part of the annual report.

Share capital

Consequent upon the allotment of 2,28,00,000 equity shares of Rs 10 each, by the Company on Aug 30, 03 in terms of the order dated Aug 11, 03 of the High Court of Madras, the paid up capital of the Company stands increased to Rs. 26,80,01,000.

Reserves and surplus

Balance of profit during the year as retained earnings were carried forward to the undistributed profits and eventually augmented the reserves and surplus position of the company to the tune of Rs. 2.39 crores.

Dividend

Dividend on equity shares of the company for the year could not be recommended by your Directors, to conserve resources for meeting business requirements.

Subsidiary companies

As required under section 212 of the companies Act, the audited financial statements as on Sep 30, 2004 along

with the report of the Board of Directors in respect of your company's subsidiaries viz Quintegra Solutions (Europe) Limited, U.K. and Yelam.com Pvt Limited, India for the year 2003-04 are attached. An amount of Rs. 15,549,637 was incurred for Yealm.com Pvt. Ltd classified as advance in holding company books. The board of directors are confident of getting value for the amount spent on this account though it might take some more time.

Consolidated financial statements

Per Accounting Standard 21 issued by the Institute of Chartered Accountants of India, the audited consolidated financial statements of Quintegra group are annexed in the report.

Delisting of equity shares

At an extra ordinary general meeting held on December 27, 04 the shareholders have approved the resolution for delisting the equity shares of the company from Bombay Stock Exchange, Ahmedabad Stock Exchange, Coimbatore Stock Exchange and Cochin Stock Exchange. The company is in the process of completing the formalities in this regard.

Energy conservation, technology absorption and foreign exchange earnings and outgo

The information relating to conservation of energy, technology absorption and foreign exchange earnings and outflow required to be disclosed under the Companies (disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure forming part of this report.

Personnel

During the year under review, there were no personnel employed in the company, whose particulars have to be set out in the Directors Report as required by the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

Directors' responsibility statement

Pursuant to the requirements under section 217(2AA) of the Companies Act, 1956 with respect to Directors' responsibility statement, it is hereby confirmed that:

1. In the preparation of the annual accounts for the year under review, applicable accounting standards issued by the Institute of Chartered Accountants of India, had been followed and there were no material departures;

2. In preparation of the accounts, proper accounting policies have been selected and applied consistently and judgments and estimates that are reasonable and prudent were made, so as to give a true and fair view of the state of affairs of the company at the end of the financial period for 15 months ended Sep 30, 04 and also profit of the company for the period ended on that date.
3. 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;
4. The annual accounts for the year under review have been prepared on a going concern basis.

Fixed deposits

The company has not accepted any fixed deposits during the year .

Directors

Mr R. Venkata Subramani, Director retire by rotation and being eligible offer himself for reappointment at the ensuing annual general meeting. With effect from June 1, 04 Mr. R. Venkata Subramani continues to be in the Board as Non Executive Chairman.

Mr. Babu Thiagarajan, Managing Director has submitted his resignation on December 27, 04. The board has not taken any decision in this issue. Mr. G. R. Lakshmanan,

Mr. V.K. Khanna and Mr. V. Krishnaswamy were the directors resigned from their office during the period under review.

Auditors

Messers Gopikumar Associates, chartered Accountants, statutory auditors of the company who hold office until the conclusion of the forthcoming annual general meeting has confirmed vide the declaration obtained from them under section 224(1)(B) of the Companies Act, 1956 that they are eligible for reappointment and the reappointment, if made would be within the prescribed limits as stated under that section.

Acknowledgement

Your directors express their grateful appreciation for the assistance and cooperation received from the Banks, Government Authorities, Customers, Vendors and Shareholders during the year under review, in aiding the smooth flow of operations. Continued dedication and sense of commitment shown by the employees at all levels during the year deserve special mention.

For and on behalf of the Board of Directors

Place : Chennai

R. Venkata Subramani

Date : February 18, 2005

Chairman

ANNEXURE TO DIRECTOR'S REPORT

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988.

A Conservation of energy:

(a) Energy conservation measures taken ;

- 1) The company is in the business of Information Technology and belongs to software industry, which is at present not covered by the said rule under the list of industries, which should furnish information in form A specified under the rule. Hence, Form A containing the disclosure of particulars with respect to conservation of energy is not annexed.
- 2) Electricity consumption of the company is always under control with efficient monitoring mechanism and systemized training.
- 3) Infrastructure in the company is fully ensured

to automatically conserve the valuable energy resources.

- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy; All energy saving computers and equipments are planned for additional purchase, if required in the near future.
- (c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods; Electricity consumption has always been under control with judicious consumption.
- (d) Total energy consumption and energy consumption per unit of production as per Form A of the Annexure in respect of industries specified in the Schedule thereto. Not annexed as the industry in which the company is engaged is not covered under the list specified under the law.

B Technology absorption:

- (e) Efforts made in technology absorption are given in Form B annexed with this report.

C Foreign exchange earnings and outgo:

- (f) Activities relating to exports; initiatives taken to increase exports ; development of new export markets for products and services ; and export plans; At present almost 99% of the revenue comes from export earnings for the company which is an entity under the Software Technology

Parks of India having 100% EoU status. United States is the target market place of the company though there are revenues from Europe and Far East. The company expects the foreign income flow to increase by at least 10 to 20% in the current year of operations.

- (g) Total foreign exchange earned and expended; Total foreign exchange earnings in India during the year (in terms of INR) Rs. 23.05 crores
Total foreign exchange expended in India during the year (in terms of INR) Rs. 1.88 crores

FORM B**Form for disclosure of particulars with respect to absorption.****Research and development (R & D)**

1. Specific areas in which R & D carried out by the company.
2. Benefits derived as a result of the above R&D
3. Future plan of action

Quintegra Solutions' Growth Initiative targets the increasingly productive sphere of offshore outsourcing. As computers, high-speed communication systems, and computer software become more powerful and more useful, IT penetrates deeper into our home, work, and education environments. At least part of this astonishing progress has resulted from R&D research in improved communications and their applicability to the booming e-Commerce marketplace.

4. Expenditure on R & D :

- (a) Capital Rs. 1.72 crores was spent during the period for purchase of various equipments and other infrastructure needed for the R&D.
- (b) Recurring Rs. 1.01 crores has been spent during the period for Technology & related R&D. That includes hardware & software support and Internet connectivity charges etc.
- (c) Total Rs. 2.73 crores
- (d) Total R & D expenditure as a percentage of total turnover 6%

Technology, absorption, adaptation and innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation. NA
2. Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc. NA
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished :
 - (a) Technology imported. NA
 - (b) Year of import.
 - (c) Has technology been fully absorbed ?
 - (d) If not fully absorbed, areas where this has not taken place, reasons there for and future plans of action

MANAGEMENT DISCUSSION AND ANALYSIS

Management team of the company met a lot many times during the year under review, in continued striving to achieve the targets set before the company. In addition to the report of the board of directors of the company, the extract of the discussion and analysis had by management on various fronts are given below, which throw some light on the happenings and the things that are expected to happen.

2003-04, a retrospection

- ✓ Quintegra emerged as a solid player in the software services business with proven solutions offered to more than 50 customers in varied segments
- ✓ Strategic acquisitions were explored where 'Savvy Inc., US was acquired its Siebel practice.
- ✓ Floated Offshore Development Centre in Bangalore
- ✓ Forayed into Far East region of the APAC market

Environmental scanning

Quintegra operates in an environment where the market is already flooded with cutthroat competition and high delivery standards. In such still competitive situation, companies have to compromise a lot in different aspects (such as margin, rate per hour etc). Despite of the market conditions, Quintegra is determined to be a dominant player considering its present cost advantage and the dedicated staff strength, which are both, crucial in the ever growing industry.

With much more focus on the whole industry by varied players to their numerous business requirements, it is believed that the industry will grow at a faster rate comparatively where the opportunities available before the company are expected in an add on trend.

Opportunities and challenges

Quintegra has an adept portfolio of business solutions and a disciplined team of professionals having enough expertise and experience with competing capabilities to capture high growth opportunities. In the upstream software services arena, the key to success will lie in the ability to identify, access and focus on opportunities that offer attractive **Measurable Business Gains**. Quintegra is confident, it has chosen a right path and its progress so far in pursuit of set goals are always according to sound judgment and knowledge of events.

Siebel practice, Governmental regulations in the US, 'India' mantra in US and signing up with a leading

company in Malaysia and existing business in India and UK in Rest of World region are providing enough opportunities.

Looking at the challenges that pose threat, Quintegra is up against the leading Indian conglomerates with accolades of performances in the kitty. Quintegra, aware of standing amidst leading technology providers with proven track records and more than adequate resources is always on the rampant state to outwit the competition with sheer innovation and distinct inventiveness that will post as a very unique selling proposition, just only to its name.

Product wise performance

Quintegra offers a range of IT-enabled services. Recognizing the need to add value for customers, Quintegra offers a combination of onsite/offshore/near-shore delivery models for speedy delivery schedules and optimum cost-efficiency. Services are offered in many verticals and varied segments.

Outlook

Quintegra's positive projections largely depend on the spiraling of software services market and the increased competitiveness to achieve measurable business gains. Further, the demand-supply scenario and the trend in competitive pricing would also have an impact in the performance.

Any upturn in the forayed segment of Information Technology, can significantly enhance Quintegra's top line and bottom line, given its scale of operations and the competitive costing estimates. Nevertheless, unprecedented volatility and economic events as were in the past might still have an impact on the revenue front.

Risks and concerns

Software services solutions are internationally competitive markets and subject to great amount of practical difficulties in building clientele. Population in the industry, necessity or need to make use of the alternatives are very much on the dark for many a business houses and the enlightening of them about the add on features might not be easy on the convincing front.

Quintegra, however has historically been resilient to the fluctuations of economic and industry cycles/downturns. Quintegra's high level of costing measures, competitive operations and diplomatic management have helped the

company in mitigating the adverse impact of generic industry risk factors. Conscious effort on maintaining the judicious operations and thrust on the target segment proved to be effective in continuing the operations even in turbulent times.

Internal control systems

An extensive system of internal controls is practiced by Quintegra to ensure that all the assets are safeguarded and protected against the loss from unauthorized use or disposition. Transactions are authorised per Line of Authority, properly recorded, correctly reported and documented.

Systems are often reviewed for continuous improvement in gearing towards achieving efficiency of operations, optimum utilization of resources, effective monitoring and compliance with all applicable regulations. Internal audit by the management, periodical review, policy documentation and compliance, guidelines and procedures supplement the internal control systems that are designed to ensure reliability of financial and all other records to prepare financial statements and other data, and to maintain accountability of assets.

Financial and operations performance

Financial operations of the company were utmost effective with perfect planning, systemized control, formalized regulations, effective organizing, competent staffing, efficient directing, perfect coordination and sincere budgeting. Working capital and fixed assets management were often reviewed for creative improvements.

Operating performance, on the other hand, though cannot be quantified in terms of finance as to its efficiency and effectiveness, solutions of the company did add attention in all presentations made with many leading corporate conglomerates. Further, the already proven solutions continued to get added importance with the existing clientele who extended continued support on satisfied performance that was always above par.

Research and Development

For a long time now, the company is known for its renowned R&D initiatives. Personnel and facilities for a superior R&D framework have always been the strength of Quintegra, which continued to deliver new innovations in varied fields.

Quintegra, one of the principle members of NASSCOM continued to represent itself in all meetings and

associations on selective agenda. Significant partnerships have also been entered into during the year with famed personalities in jointly exploring the R&D initiatives.

Quality

Quintegra is committed to continued improvement in quality for the entire range of services. Full-fledged lab utilities with an efficient testing team with solid script round the clock, always ensure the quality of solutions. Quintegra is conscious about the Measurable Business Gains to its clientele and one way of efficient achievement of it is by providing bug free solutions that work on any front by all means without any difficulties. All the solutions are tested many times internally under different conditions and certified for delivery.

Centralized testing team facilitates the interaction between various functional teams and groups in sharing communication and knowledge to provide the customer, reliable services. During the year under review, focus was particularly on activities with specific importance on software systems and process support studies. The company has fulfilled its accreditation objective to obtain quality certificates from renowned vendors on getting CMM Level 4.

Human Resources Development

Quintegra believes in empowering employees through greater knowledge, opportunity, responsibility, accountability and reward. Measurable Business Gains, the mission of the company is always in the mind of employees in pursuing the objectives as set by themselves and the company, jointly. Quintegra management always emphasis on identifying, nurturing and freeing up talent. This involves a practice of encouraging youth, urging experienced people to mentor others and inculcating "can-do" culture that mould itself to evolving personal aspirations and corporate goals throughout the career of an individual.

There were about 225 people directly on the roles of Quintegra as on the balance sheet date where the average age works around 25 years. The ratio of support to business personnel read as 1:9. Almost all the people in the business group were engineers with background on computer applications. Attrition rate which is said to be high in the industry was under check during the year very much due to the prospects in the company for the employees while number of additions increased considerably depending upon the requirement.

CORPORATE GOVERNANCE

With clear cut roles and responsibilities assigned across the board in the organisation, with sheer commitment in discharging the duties with cent percent devotion, with independent verification and safeguarding integrity of the valuable resources of the company, with timely and material disclosure of all material information concerning the company to respective people, with highest regards to investor relations, with a solid internal control systems, with fair review and active encouragement by management in efficiency and effectiveness of performance, with competitive remuneration policy and directing corporate ethics, Quintegra marches towards the future with a lot to deliver to varied segments.

Details of compliance by the company under the provisions of the corporate governance in accordance with the clause 49 of the listing agreement with the Stock Exchanges, in which the equity shares of the company are listed are given under:

1) Quintegra's philosophy on code of governance

Highest level of transparency, accountability and equity, in all facets of operations, in all interactions with stakeholders, employees, government, suppliers, associates and customers are always envisaged by the company in its practice. Quintegra is committed to achieving the highest international standards in corporate governance. Quintegra believes that all its operations and actions must serve the underlying goal of reaping rich dividends to the shareholders over a sustained period of time.

2) Board of directors

Competent board of directors of the company consists of four members at present as follows:

Non Executive Chairman Mr R. Venkata Subramani
Chairman

Executive Director Mr Babu Thiagarajan
Managing Director

Independent Directors Mr V. Sriraman
Mr R. Rengharajan

Details of board meetings held during the year

Name	Meeting 1 Aug 30, 03	Meeting 2 Sep 09, 03	Meeting 3 Oct 06, 03	Meeting 4 Oct 30, 03	Meeting 5 Nov 13, 03
Mr R.Venkata Subramani	Present	Present	Present	Present	Present
Mr Babu Thiagarajan	Present	Present	Present	Present	Present
Mr.R.Rengharajan	Present	LoA	LoA	LoA	LoA
Mr.V.Sriraman	Present	Present	Present	Present	Present
Mr G. R. Laskshmanan	LoA	LoA	LoA	LoA	LoA
Mr V.K. Khanna	NA*	NA	NA	NA	NA
Mr V. Krishnaswamy	LoA	LoA	LoA	NA	NA

* Not Applicable