

SAKSOFT

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Saksoft Limited

Annual Report

2004 - 05



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SAKSOFT LIMITED

SAKSOFT

BOARD OF DIRECTORS

Mr. AUTAR KRISHNA - Chairman
Mr. ADITYA KRISHNA - Managing Director
Mr. V. RAMANATHAN - Executive Director
Mr. AMITAVA MUKHERJEE
Mr. R. RAJAGOPALAN
Mr. S.C. AGARWAL

**COMPANY SECRETARY &
COMPLIANCE OFFICER**

Mr. S. SANKARAN

AUDITORS

M/s SURI & CO.
Chartered Accountants
#70, K H ROAD
Chennai 600 034

BANKERS

CITI BANK N.A., CHENNAI
ICICI BANK, CHENNAI
HDFC BANK, CHENNAI

REGISTERED & CORPORATE OFFICE

'SRI RAM NIVAS'
#38, V.K. Iyer Road, Mandaveli
Chennai - 600 028
Tel: +91 44 24614501
Fax: +91 44 24614486
Email: info@saksoft.com
Website: <http://www.saksoft.com>

NOIDA DEVELOPMENT CENTER

B-35-36, Sector 80, Phase 2
Noida - 201 305

SUBSIDIARY COMPANIES

SAKSOFT Pte Ltd., SINGAPORE
SAKSOFT Inc., USA
SAKSOFT GmbH, GERMANY

SAKSOFT LIMITED

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Sixth Annual General Meeting of the Company will be held at 10.00 a.m. on Thursday, the 28th July 2005 at Sri Thyaga Brahma Gana Sabha, 'Vani Mahal', # 103, G.N. Chetty Road, T.Nagar, Chennai 600 017 to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the audited Balance Sheet as at 31st March 2005 and the Profit & Loss Account of the Company for the year ended 31st March 2005 and the Report of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in the place of Mr. Amitava Mukherjee, who retires by rotation and being eligible offers himself for re-election.
4. To appoint a Director in the place of Mr.S.C. Agarwal, who retires by rotation and being eligible offers himself for re-election.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution

RESOLVED THAT Mr.R.Rajagopalan be and is hereby appointed as a Director of the Company liable to retire by rotation.

7. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

RESOLVED THAT in accordance with the provisions of Sections 198,309 and 310 read with Schedule XIII and applicable provisions, if any, of the Companies Act, 1956, including any statutory modification(s) or re-enactment thereof, for the time being in force, consent/approval of the shareholders be and is hereby accorded for revision in remuneration of Mr.V.Ramanathan, Executive Director, as set out in the Explanatory Statement annexed hereto.

RESOLVED FURTHER THAT in the event of loss or inadequate profit in any financial year, the remuneration payable to the Executive Director shall not exceed the limit specified in Schedule XIII to the Companies Act, 1956 and as may be prescribed by the Central Government from time to time.

RESOLVED FURTHER THAT, subject to the recommendation of the Remuneration Committee, the Board of Directors of the Company be and are hereby authorized to make such other alteration or change in the remuneration of the Executive Director at its own discretion from time to time so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 (including statutory modification, re-enactment thereon for the time being in force) or any amendments made therein.

8. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution

RESOLVED THAT in accordance with the provisions of Sections 198,309 and 310 read with Schedule XIII and applicable provisions, if any, of the Companies Act, 1956, including any statutory modification(s) or re-enactment thereof, for the time being in force, consent approval of the shareholders be and is hereby

accorded for revision in the terms of remuneration of Mr. Aditya Krishna, Managing Director of the Company, as set out in the explanatory statement annexed hereto.

RESOLVED FURTHER THAT in the event of loss or inadequate profit in any financial year, the remuneration payable to the Managing Director shall not exceed the limit specified in Schedule XIII to the Companies Act, 1956 and as may be prescribed by the Central Government from time to time.

RESOLVED FURTHER THAT, subject to the recommendation of the Remuneration Committee, the Board of Directors of the Company be and are hereby authorized to make such other alteration or change in the remuneration, commission or perquisites of the Managing Director at its own discretion from time to time so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 (including statutory modification, re-enactment thereon for the time being in force) or any amendments made therein.

By Order of the Board
For Saksoft Limited

Place : Chennai
Date : 24th May 2005

S. Sankaran
Company Secretary

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote on poll instead of himself and such proxy need not be a member. The form of Proxy is enclosed.
2. The Instrument appointing proxy should be deposited at the office of the Registrar and share transfer agents of the Company viz. Cameo Corporate Services Limited, "Subramanian Building" No.1, Club House Road, Chennai 600 002 at least 48 hours before commencement of the meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 25 July 2005 to 28th July 2005 (both days inclusive).
4. The dividend as recommended by the Board, if approved at the meeting, will be payable to those members whose names appear in the Register of Members as on 28th July 2005. The dividend in respect of shares held in the electronic form will be payable to the beneficial owners of the shares as on 24th July 2005 as per details furnished by the Depositories for this Purpose.
5. Members holding shares in physical form are requested to immediately notify change in their address to the Company's Share Transfer Agents M/s. Cameo Corporate Services Limited, "Subramanian Building" No.1, Club House Road, Chennai 600 002 and those who wish to receive dividend in electronic mode are requested to forward a specimen cheque leaf duly marked as such to Registrars at the above address.
6. Members holding Shares in electronic form may please note that, as per the applicable regulations of the Depositories, the bank details as furnished by the respective depositories to the company will be printed on the dividend warrants issued from time to time. The company/ the Registrar will not entertain any direct request from members for deletion of or change in such bank details.

It may please be noted that, dividend instructions, if any, already given by members in respect of shares in physical form will not be automatically applicable to the dividend payable on shares in electronic form. **Members may, therefore, give instructions directly to their Depository Participants regarding bank accounts for crediting the dividend.**

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7. Members/proxies are requested to bring their attendance slips duly filled in and their copy of the Annual Report for the Meeting.
8. Members who hold shares in the dematerialized form are requested to bring their Client Id and DP Id to the meeting for easier identification.
9. In terms of Clause 49 of the Listing Agreement with the National Stock Exchange, a brief resume of Directors who are proposed to be re-appointed at this meeting is given below.

a) Mr.Amitava Mukherjee:

Mr.Amitava Mukherjee is a Postgraduate in Business Economics from Delhi University and a MBA from the Asian Institute of Management, Manila.

He had been with Lazard India Ltd as its Managing Director. During his tenure with Lazard's, he advised several multinational companies on their entry strategies into India as well as advised them on mergers & acquisitions. He has rich and varied experience in investment banking having been involved with several transactions on behalf of large Indian Corporate houses and multinationals.

He is presently on the Board of Ambit Corporate Finance Pte Ltd, 3M India Limited and Aquatar Securities Pvt Ltd. He is also a member of the Audit Committee of M/s. 3M India Ltd.

He is an Independent Director of our Company and also a member of Audit Committee, Shareholders/ Investors Grievances Committee and Remuneration Committee.

b) Mr.S.C.Agarwal

Mr.S.C.Agarwal is a Chartered Accountant. He has been working with the Sak Industries Ltd since 1965 and is currently the Executive Director of that Company.

He has more than 30 years of experience in finance and accounting and an expert in all facets of Finance.

He is a Non Executive Director of our company and also a member of our Audit Committee, Shareholders/ Investors Grievances Committee and Remuneration Committee.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Item No: 6**

Mr.R.Rajagopalan, an Independent Director, was appointed by the Board of Directors of the Company as an Additional Director on 14.10.2004. Under provisions of Article 89 of the Articles of Association of the company read with section 260 of the Companies Act, 1956, Mr.R.Rajagopalan will hold office up to the date of sixth Annual General Meeting. Notice in writing under Section 257 of the Companies Act, 1956 has been received from a member along with necessary deposit proposing the appointment of Mr.R.Rajagopalan as a Director at the Sixth Annual General Meeting. Mr.R.Rajagopalan retired from the position of Managing Director – Commercial & Secretary of Widia (India) Ltd in September 2001. He was the National President of the Institute of Company Secretaries of India (ICSI) in 1979-80 and the President of the Institute of the Employer's Federation of Southern India (EFSI) in 1992-93. He was the Chairman of the North Bangalore Industries Association in 1992-93. He is presently on the Board of MRO-TEK Ltd, GTN Textiles Ltd, Karnavati Engineering Ltd and Patspin India Ltd. This Ordinary Resolution is submitted to the meeting for approval.

Interested Directors:

Mr.R.Rajagopalan is interested in the resolution as it concerns his appointment. No other Director is directly or indirectly concerned or interested in this resolution.

Item No: 7

Mr.V.Ramanathan joined Saksoft in 2000 and was appointed as an Executive Director of the Company in 2001. He is a production engineer with post graduation in Business Administration from IIMA with over 23 years of experience in the software industry, having worked with companies like Wipro, Ramco and SIP Technologies. He has worked with Wipro for 11 years and handled different functions & markets. He has a rare blend of management acumen, technical depth and operations knowledge. He was the architect of the Ramco Marshal ERP product and led a 200 plus development team. In his last job, he built and managed a 150-member team for an offshore development cum testing center for the Java R&D group of Sun Microsystems Inc, US. He is in charge of Operations and Technology in Saksoft and has guided it in establishing programs to ensure a multi-skill, multi-technology and multi-service portfolio for its customers.

His remuneration was last fixed in 2003. The Board considers it desirable to continue to derive the benefits out of his experience having regard to his professional qualifications and experience. In line with the software industry practice, the Board has approved the payment of the revised remuneration, as detailed below, with effect from 1st May 2005, subject to the approval of the shareholders in the Annual General Meeting.

Details of Remuneration:

Basic salary of Rs.1,80,000/- per month.

Perquisites and allowances:

In addition to salary, the Executive Director shall be entitled to the following perquisites/benefits, which shall be evaluated as per the Income Tax Rules wherever applicable. In the absence of any such rule, perquisite shall be evaluated at actual cost.

1. Actual Medical expenses incurred for self and family towards domiciliary and hospitalization expenses.
2. Rent free residential accommodation or HRA in lieu thereof @ Rs. 72,000 per month.
3. Contribution to P F as per rules of the company.
4. Contribution to Superannuation Fund as per rules of the company.
5. Gratuity payable as per the rules of the company.

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6. Club fees for two-clubs excluding admission and life membership fees.
7. Leave Travel Concession once in a year for self and family to any place in India by Air/Rail/Road.
8. Company maintained car with driver.
9. Telephone facility at residence.

Minimum remuneration:

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of his tenure, the company has no profits or the profits are inadequate, the company shall pay remuneration by way of salary, allowances and perquisites, subject to the provisions of section 198, 269 & 310 of the Companies Act, 1956 read with the provisions of Schedule XIII to the Companies Act, 1956.

Sitting Fees:

He shall not be paid any sitting fees for attending the meeting of the Board of Directors or any committee thereof from the date of his appointment.

This may be treated as an abstract of the draft agreement between the Company and Mr. V Ramanathan pursuant to Section 302 of the Companies Act, 1956. The Agreement between the Company and Mr.V.Ramanathan is available for inspection by the members of the Company at its Registered Office between 11.00 A.M. and 1.00 P.M. on any working day of the Company before the date of AGM.

The Board recommends the resolution for approval of the members

Interested Directors:

None of the Directors is interested or concerned in this resolution except Mr. V. Ramanathan.

Item No: 8

Mr. Aditya Krishna is the founder promoter of Saksoft Ltd and at present its Managing Director. He did his M.A. (Economics) from St. Stephens College, New Delhi and MBA (Finance & Marketing) from Northeastern University, Boston, USA.

He worked with Chase Manhattan Bank N.A, New York, USA from 1985 to 1987 responsible for cash management products including pricing decisions, institutional sales and sales to large corporate customers.

He was with Citibank N.A, New York, USA from 1987 to 1990 as a member of the business analysis department of the Credit Card Business and specifically handled the Insurance Products area. From 1990 to 1995 he was Vice President – Credit Director & Financial Controller, Citibank N.A, India responsible for managing Citibank India's credit card portfolio.

He was the founder promoter of Nation Wide Finance Ltd (now known as CitiFinancial Consumer Finance India Limited) and was the Managing Director of the company from 1995 to 2001. The company specializes in small ticket lending and has made a niche for itself in this segment.

The Members at the general meeting held on 25th September 2001 approved the remuneration payable to him.

At the Board meeting held on 24.05.2005, the Board of Directors decided to recommend to the Company in general meeting that the terms of his remuneration be revised so as to provide for the payment of Commission at the rate of 1% on the net profits of the Company computed in the manner laid down in sections 349 & 350 of the Companies Act, 1956. This is in addition to the base salary and other other allowances & perquisites detailed below:

The above proposal will not require the approval of the Central Government under Section 268 and Section 310 of the Act, as the increase in remuneration by way of commission proposed to be paid is within the limits laid down in Schedule XIII to the Act. The Board of Directors recommends this resolution to the members for their approval.

Details of Remuneration with effect from 1st April 2005:

1. Basic salary of Rs.1, 00,000/- per month.
2. Commission @ 1% of Net Profit

Perquisites and allowances:

In addition to salary, the Managing Director shall be entitled to the following perquisites/benefits, which shall be evaluated as per the Income Tax Rules wherever applicable. In the absence of any such rule, perquisite shall be evaluated at actual cost.

1. Actual Medical expenses incurred for self and family towards domiciliary and hospitalization expenses.
2. Rent free residential accommodation or HRA in lieu thereof.
3. Contribution to P F as per rules of the Company.
4. Contribution to Superannuation Fund as per rules of the Company.
5. Gratuity payable as per the rules of the Company.
6. Club fees for two-clubs excluding admission and life membership fees.
7. Leave Travel Concession once in a year for self and family to any place in India by Air/Rail/Road.
8. Company maintained car with driver.
9. Telephone facility at residence.

Minimum remuneration:

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of his tenure, the company has no profits or the profits are inadequate, the company shall pay remuneration by way of salary, allowances and perquisites, subject to the provisions of section 198, 269 & 310 of the Companies Act, 1956 read with the provisions of Schedule XIII to the Companies Act, 1956.

Sitting Fees:

He shall not be paid any sitting fees for attending the meeting of the Board of Directors or any committee thereof from the date of his appointment.

This may be treated as an abstract of the draft agreement between the company and Mr. Aditya Krishna pursuant to Section 302 of the Companies Act, 1956. The Agreement between the Company and Mr. Aditya Krishna is available for inspection by the members of the Company at its Registered Office between 11.00 A.M. and 1.00 P.M. on any working day of the Company before the date of AGM.

The Board recommends the resolution for approval of the members

Mr. Aditya Krishna is interested in the resolution to the extent of remuneration proposed to be paid to him. Mr. Autar Krishna, non-executive Chairman, is also interested in this resolution as a relative of Mr. Aditya Krishna. No other Director is concerned with or interested in this resolution.

By Order of the Board
For Saksoft Limited

Place: Chennai
Date: 24th May 2005

S. Sankaran
Company Secretary

SAKSOFT LIMITED

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Your directors are delighted to present their report on the business and operations of your company for the year ended March 31, 2005 along with the audited Annual Accounts for the financial year ended 31st March 2005.

FINANCIAL RESULTS

(Rs. in lakhs*)

	Year ended March 31,	
	2005	2004
Export Revenue	1,603.92	1,011.49
Domestic Revenue	253.65	185.13
Other income	21.34	32.01
Total Revenue	1,878.91	1,228.63
Expenditure	1,164.88	1,045.22
Operating Profit	714.03	183.41
Depreciation	109.39	87.60
Profit before Taxation	604.64	95.81
Taxation	45.00	5.00
Deferred Tax for the current year	(13.46)	5.85
Taxation of pre years: (write back)/provision	(0.31)	(0.42)
Profit after taxation	573.41	85.38
Add: Balance brought forward	840.79	822.95
Less: Capitalised for Bonus Shares (1:1)	(340.00)	—
Available for Appropriations	1,074.20	908.33
Transfer to general reserve	70.00	10.00
Dividend & Dividend tax	114.03	57.54
Balance carried forward	890.17	840.79
EPS	8.12	1.26

* 1 Million = 10 Lakhs & 1 crore = 10 millions

Results of Operations

Total revenue increased to Rs. 1,878.91 lakhs from Rs. 1,228.63 lakhs in the previous year – a growth of 52.9%. Export revenues increased to Rs. 1,603.92 lakhs from Rs. 1,011.49 lakhs in the previous year – a growth of 58.6%. The operating profit increased by 289.3% from Rs. 183.41 lakhs (14.9% of total revenues) in the previous year to Rs. 714.03 lakhs (38% of total revenues). The profit after tax increased to Rs. 573.41 lakhs (30.5% of total revenues) from Rs. 85.38 lakhs (6.9% of total revenues).

Dividend

Your directors recommend a final dividend of Re. 1/-per share (10% on par value of Rs.10/-) on the enhanced full capital of Rs.10 crores. The total dividend for the year is Rs. 114.03 lakhs, as against Rs.57.54 lakhs for the previous year. Dividend (including dividend tax), as a percentage of profit after tax is 20%, as compared to 67% in the previous year.

This dividend is subject to the approval by the shareholders at the ensuing Annual General Meeting.

Shifting of Registered Office

The registered office of the company was shifted from New Delhi to the State of Tamil Nadu for operational convenience as confirmed by Company Law Board, Northern Region Bench vide its order number CP.NO.107/17/2004/CLB dated 4th October 2004 and a new certificate of registration obtained from the ROC, Chennai, vide number 54429 dated 11th October 2004.