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Sagarsoft
(INDIA LIMITED)

Sagarsoft

Board of Directors

Mr.S.Sreekanth Reddy
Mr.Bruce Elliott
Mr.Satish C.R.Kalva
Mr.S.Krishna Reddy

Mr.M.Jagadeesh

Mr.R.Soundararajan

Chairman and Managing Director
Director
Director
Director
(with effect from 11.4.2002)

Director
(with effect from 13.6.2002)

Company Secretary

Auditors

M/s.C.Ramachandram & Co.,
Chartered Accountants
3-5- 45/6/2, Edenbagh
Upstairs Saboo Luna Show Room
Ramkote
Hyderabad - 500 001
Tel (Off) : 4751745

Bankers

State Bank of Hyderabad
Punjabgutta branch
HDFC Bank
Lakdikapool Branch

Registered Office

Plot No.31 B, Flat No.F1
Road No.5, Jubilee Hills
Hyderabad - 500 033
Tel : 3547752 / 3547756
Fax : 3547727

Administrative Office

8-2-472/B/2
Road No.1, Banjara Hills
Hyderabad - 500 034
Tel : 3356572

Registrars and Share Transfer Agents

M/s.Karvy Consultants Limited
"Karvy House",46, Avenue 4
Street No.1, Banjara Hills
Hyderabad - 500 034

Sagarsoft (India) Limited

Regd. Office: Plot No.31 B, Flat No.F11, Road No.5, Jubilee Hills
Hyderabad - 500 033

NOTICE is hereby given that the Sixth Annual General Meeting of the Members of the Company will be held at Hotel Golkonda, Masab Tank, Hyderabad - 500 028, on Saturday the 28th September, 2002 at 3.00 p.m. to transact the following business:

1. To receive, consider and adopt the audited Accounts of the Company for the year ended 31st March, 2002 together with the reports thereon of the Directors and Auditors.
2. To appoint a Director in the place of Shri S.Sreekanth Reddy, who retires by rotation at the Annual General Meeting and, being eligible, offers himself for reappointment.
3. To appoint Auditors and fix their remuneration.
4. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution.
'Resolved that Shri Sammidhi Krishna Reddy be and is hereby appointed as a Director of the company liable to retire by rotation.'
5. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution.
'Resolved that Shri Manupati Jagadeesh be and is hereby appointed as a Director of the company liable to retire by rotation.'
6. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:
Resolved that consent be and is hereby accorded under Section 163 of the Companies Act, 1956 for keeping the Statutory Registers of the Company at its Administrative Office located at 8-2-472/B/2, Road No.1, Banjara Hills, Hyderabad - 500 034.

Note:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, in the event of a poll, to vote on his / her behalf at the meeting. The proxy to be so appointed need not be a member of the Company. However, proxies, in order to be effective, must be lodged with the Company at its Registered Office not less than 48 hours before the commencement of the Meeting.
2. The Register of Members and the Share Transfer Books of the Company would remain closed during the period from 21st September, 2002 to 28th September, 2002 (both days inclusive).
3. Explanatory Statements pursuant to Section 173 (2) of the Companies Act, 1956 on the Item No.4, 5 and 6, being the special business to be transacted are given in the annexure, which may be treated as forming part of this notice.
4. Members are requested to notify immediately any change in their addresses to the Company's Registrars and Share Transfer Agents.

By Order of the Board
For Sagarsoft (India) Limited

S.Sreekanth Reddy
Chairman and Managing Director

Place: Hyderabad
Date : 31st July, 2002

**Annexure to and forming part of the Notice convening the 6th Annual General Meeting of the Company
Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956**

On Item No.4

The Board of Directors under Article 95 of the Company's Articles of Association appointed Shri Sammidhi Krishna Reddy as a Director with effect from 11th April, 2002 in the casual vacancy caused by the resignation of Smt. S.Rachana. Under Section 262(2) of the Companies Act, 1956, he holds office only upto the date of the forthcoming Annual General Meeting. A notice under Section 257 of the Companies Act, 1956 has been received from a Member signifying his intention to propose Shri S.Krishna Reddy's appointment as a Director.

Shri S.Krishna Reddy, aged 29, is a post graduate in commerce with good experience in financial and administrative matters, having served earlier with the company itself. He is not holding any other directorships and it is not proposed to pay any remuneration for his holding the office of Director.

As your Directors are confident that your Company will greatly benefit from its association with Shri Sammidhi Krishna Reddy, they recommend the resolution for your consideration.

On Item No.5

The Board of Directors under Article 95 of the Company's Articles of Association appointed Shri M.Jagadeesh as a Director with effect from 13th June, 2002 in the casual vacancy caused by the resignation of Shri R.S.Sudhish. Under Section 262(2) of the Companies Act, 1956, he holds office only upto the date of the forthcoming Annual General Meeting. A notice under Section 257 of the Companies Act, 1956 has been received from a Member signifying his intention to propose Shri M.Jagadeesh's appointment as a Director.

Shri M.Jagadeesh, aged 31, a graduate engineer with MBA has 8 years of experience in IT Industry, having served earlier with the company as Manager (Co-ordination). He is not holding any other directorships other than in World Wide Web Institute India Pvt. Ltd., and it is not proposed to pay any remuneration for his holding the office of Director.

As your Directors are confident that your Company will greatly benefit from its association with Shri M.Jagadeesh, they recommend the resolution for your consideration.

On Item No.6

Your Company has its Administrative office at 8-2-472/B/2, Road No.1, Banjara Hills, Hyderabad - 500 034, where it is now proposed, for administrative convenience, to keep the statutory Registers of the Company. As this would require the approval of the shareholders, a suitable resolution is submitted for their approval.

Memorandum of Directors' interest:

As the Items No.4 and 5 relate to the appointment of Shri S.Krishna Reddy and Shri M.Jagadeesh respectively, to that extent they may be deemed to be interested in these resolutions proposing their respective appointments. None of the directors is interested in the resolution proposed in Item No.6.

By Order of the Board
For Sagarsoft (India) Limited

S.Sreekanth Reddy
Chairman and Managing Director

Place: Hyderabad
Date : 31st July, 2002

DIRECTORS' REPORT

Dear Members

Your Directors have pleasure in presenting their Sixth Annual Report together with the audited accounts of the Company for the year ended 31st March, 2002.

FINANCIAL PERFORMANCE

The Financial results of your Company are summarized below:

Rs. In lakhs			
Sl. No.	Particulars	Year Ended	
		31.03.2002	31.03.2001
1	Income from:		
	Software Development	473.78	1074.36
	World Wide Web Operations	226.02	678.65
	Netlinx	119.70	709.71
2	Other Income	24.90	113.86
3	Adjustment for stocks	-	9.08
	Total Income	844.40	2585.66
4	Total Expenditure	1233.06	1913.12
5	Interest	25.49	35.15
6	Depreciation	177.48	110.29
7	Profit before Tax	-591.63	527.10
8	Provision for Tax	-	57.53
9	Net Profit / Loss for the year	-591.63	469.57
10	Deferred Tax asset for the current year	55.07	-
11	Deferred Tax liability for the current year	-30.56	-
12	Balance carried to Balance Sheet	-567.12	469.57

PERFORMANCE OF THE COMPANY

With the steep fall in the total income, the performance of your Company suffered a serious set back during the year under review. The segment-wise income earned by your Company during the year under review together with, inter-alia, future prospects have been covered in the Management's Discussion and Analysis Report given in the annexure 2.

DIVIDEND

In view of the disappointing performance of your Company during the year under review, your Directors are unable to recommend any dividend for the year ended 31st March, 2002.

SHARE CAPITAL

There was no change in the Share Capital of your Company during the year under review.

PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956

There were no employees covered under the Section 217 (2A) of the Companies Act, 1956 read with The Companies (Particulars of Employees) Rules, 1975 as recently amended.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The required particulars have been provided in the Annexure, which forms part of this Report.

INDUSTRIAL RELATIONS

Industrial relations continued to be satisfactory during the year under review.

DIRECTORS

Pursuant to Section 256 of the Companies Act, 1956 Shri S.Sreekanth Reddy will be retiring by rotation at the Annual General Meeting, whereat, being eligible, he will be offering himself for re-appointment.

Smt. S.Rachana, Shri R.S.Sudhish and Shri Laxman Lal Rawat resigned from the Board. Shri Sammidi Krishna Reddy and Shri Manupati Jagadeesh were appointed in the casual vacancies caused by the resignation of Smt.S.Rachana and Shri R.S.Sudhish, respectively.

In accordance with Article 95 of the Articles of Association of the Company read with Section 262(2) of the Companies Act, 1956, Shri Sammidi Krishna Reddy and Shri Manupati Jagadeesh will be holding their office up to the date of the forth coming Annual General Meeting. Notices under Section 257 of the Companies Act, 1956 have been received from members signifying their intention to propose the appointment of Shri Sammidi Krishna Reddy and Shri Manupati Jagadeesh as Directors at the AGM.

AUDIT SUB COMMITTEE

The Audit Sub Committee of your Board, constituted under Section 292(A) of the Companies Act, 1956, read with clause 49 of the Listing Agreement, presently consists of the following Non-Wholetime and Independent Directors.

Shri Brue Elliott
Shri S.Krishna Reddy
Shri M.Jagadeesh

AUDITORS

Regarding the auditors' comments in clause 'f' in their Report on the non-provision of exchange fluctuation in converting the volume of the foreign debtors into local currency, members' attention is drawn to para 8 of Sub schedule II, Notes on Accounts, of Schedule 16 to the accounts, which is self-explanatory.

The Auditors of your company namely, M/s.C.Ramachandram & Co., Chartered Accountants, will be retiring at the ensuing Annual General Meeting. Being eligible, they have conveyed their consent for re-appointment, and furnished their certificate under Section 224 of the Companies Act, 1956 to the effect that their re-appointment, if made, would be in accordance with the limits specified in the said Section.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, a Report on the implementation of the 'Corporate Governance' has been given in the annexure, which may be treated as forming part of this Directors' Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 and subject to disclosures in the annual accounts, the Board of Directors of your company hereby confirm:

- that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- that the directors had selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
- that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- that the directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGMENTS

Your Directors wish to place on record their appreciation of the valuable guidance and co-operation extended by the State Bank of Hyderabad, HDFC Bank, RBI and other State and Central Government authorities. Your Directors also wish to place on record their appreciation of the contribution made by the employees at all levels and the shareholders for their confidence reposed in the management, which would motivate for better performance despite adverse factors faced by the industry.

For and on behalf of the Board of Directors
For Sagarsoft (India) Limited

Place: Hyderabad
Date: 31st July, 2002

S.Sreekanth Reddy
Chairman and Managing Director

ANNEXURE 1 TO THE DIRECTORS' REPORT
Form B

(Pursuant to Rule 2 of the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1998)

Form for disclosure of particulars with respect to technology absorption

A	Research and Development	:	None
B	Technology Absorption, Adoption and Innovation	:	Nil
Foreign Exchange Earnings and Outgo			
	Foreign exchange earned	:	Rs.72.53 lakhs
	Foreign exchange outgo	:	Rs.18.14 lakhs

For and on behalf of the Board of Directors
For Sagarsoft (India) Limited

Place: Hyderabad
Date: 31st July, 2002

S.Sreekanth Reddy
Chairman and Managing Director

ANNEXURE 2 TO THE DIRECTORS' REPORT
MANAGEMENT DISCUSSION AND ANALYSIS

IT INDUSTRY REVIEW

The IT Services Industry in the year 2001-02 presented mixed bag of opportunities with the boom of e-commerce ushered in by the proliferating internet technology, on the one side and the threat of tech slow down and downsizing on IT spending by large Corporate lurking around the turn of the year 2001, on the other.

The Indian IT Industry is forecasted to revive itself and grow at a satisfactory level. In this sector, technical consulting services that constitute bulk of the services account for major source of Revenue. Outsourcing of software development work, be it new product development, applications enhancement or maintenance service assignments, has found acceptance with Corporates the world over. Several large MNCs hive off even mission critical on-line applications to Indian offshore Companies to execute from their India centers.

The offshore outsourcing and methodology combination is expected to bolster further with the hardening of IT budgets and spending cuts following the economic downtrends emanating from USA.

According to NASSCOM, approximately 40% of Fortune 500 Companies use Indian IT service companies and the market size of IT Software and Services in India which in 1999 was valued at \$ 3.9 billion, was projected to grow beyond the \$ 5 billion mark by end 2001. The re-emergence of mainframe related development assignments and integration services, on the new technology environments of e-commerce and web, bodes well for the offshore centric methodology that Sagarsoft has chosen to pursue as a premier growth strategy.

SAGARSOFT'S BUSINESS STRATEGY

Expecting an early end of the current slackness, Sagarsoft's business strategy emphasizes the following:

- Expand Sagarsoft service offering in E-Business areas
- Increase the services that Sagarsoft performs off-shore
- Develop and enhance long term relationships
- Pursue additional strategic acquisitions and relationships

BUSINESS OVERVIEW

Sagarsoft positions itself as a global software company with Indian capabilities, offering a broad range of IT services, including application development, Technical and Business consulting and e-business solutions to a host of clients across industry verticals.

Sagarsoft's flexible offshore / offsite delivery model allows access to highly skilled, low cost IT professionals in India to integrate work on client projects at the Software Development center, with the efforts also at the project site or client site.

REVENUE ANALYSIS BY SEGMENTS

The segment wise break-up of the year's revenue is given below.

(Rs. in lakhs)			
Sl.No.	Description	2001-02	2000-01
1	Software Development	473.78	1074.36
2	Worldwide Web Operations	226.02	678.65
3	Netlinx	119.70	709.71
4	Other Income	24.90	113.86
	Total	844.40	2576.58

HUMAN RESOURCES AND EMPLOYEES - HR POLICY

Sagarsoft seeks to attract, motivate, and retain its professionals by offering:

- the ability to work with leading-edge technologies;
- attractive compensation plans that align employee's interests and goals with its own;
- a stimulating, flexible and entrepreneurial work environment;

OPPORTUNITIES

The e-economy is growing with such a tremendous impact on manufacturing and service industries in differing ways, that almost all are realigning or altering their business strategies to combat the new economy challenges. With the pressure of dotcoms practically over, most corporations are laying greater emphasis on integrating new technologies with the existing mainframe and legacy systems. This seems to be yet another opportunity for offshore solution providers like your company.

Development of newer applications on the web/internet brings forth-tremendous benefits to e-business software Providers. Outsourcing of development work hitherto executed at client's site and offsite locations, to offshore centers, will be the key word with the ongoing slowdown in USA forcing Corporates to look to economizing and budget cuts. The cost-effective offshore methodology of Sagarsoft will convince clients to migrate work to India Development Centre.

RISKS AND CONCERNS

The immediate concern to company's growth in the medium term stems from the continued slowdown in the US economy and reduced IT spending patterns. The company globally used to draw about 70% of its revenue from US based clients; hence a slowdown in the IT spending by the corporate end clients might translate into a of loss of revenue, delayed sales cycles, inability to sustain orders and possibly contract new business of the same magnitude. The company's stress on moving work offshore will mitigate this risk, to a large extent.

OUTLOOK

The company does not see any immediate break through in the current year; however it is cautiously optimistic about its growth prospects with the end of the current phase.

Internal Control systems and their Adequacy:

The Company's internal control systems are adequate to meet its present operations. However these are proposed to be reviewed periodically to ensure that they continue to be adequate to meet the increasing operations.