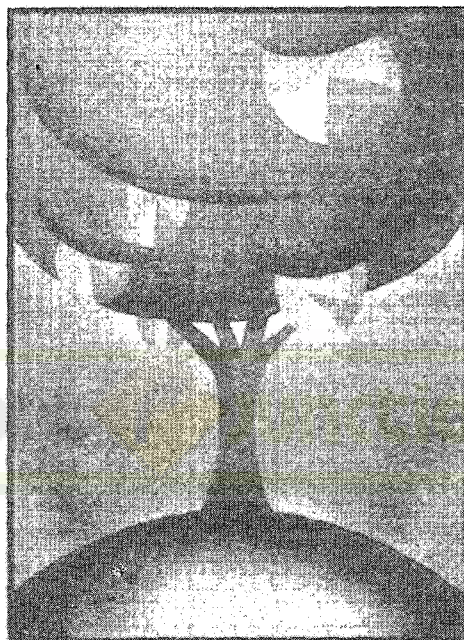


Annual Report 2007



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Board of Directors

Mr. S. Sreekanth Reddy	Chairman and Managing Director
Mr. M. Jagadeesh	Executive Director
Mr. Satish C.R. Kalva	Director
Mr. S. Krishna Reddy	Director
Mr. N.Satya Swaroop Reddy	Director
Mr. N.Hari Mohan	Director
Mr. K.Rakesh Rao	Director

Auditors

C. Ramachandram & Co.,
Chartered Accountants

3-6-237, Unit # 606, Lingapur La Builde Complex,
Himayat Nagar, Hyderabad-500 029.

Bankers

State Bank of Hyderabad
Panjagutta Branch, Hyderabad

HDFC Bank
Lakdikapool Branch, Hyderabad

Registered Office

8-2-472/B/2, Road # 1
Banjara Hills, Hyderabad -500 034

Registrars and Share transfer agents

M/s. Karvy Computershare Pvt. Ltd.,
17-24, Vittal Rao Nagar
Madhapur, Hyderabad-500 081

SAGARSOFT (INDIA) LIMITED

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

NOTICE

Notice is hereby given that the 11th Annual General Meeting of the Members of the Company will be held at 3.30 p.m. on Monday, the 24th September, 2007 at Hotel Golkonda, Masab Tank, Hyderabad – 500 028, to transact the following business:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2007 and the Balance Sheet as at that date together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri S.Krishna Reddy, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Shri N.Satya Swaroop Reddy, who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors for the company to hold office from the conclusion of the Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

NOTES:

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of himself/herself and 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. Register of Members and the Share Transfer Books of the company will remain closed during the period from 17th September, 2007 to 24th September, 2007 (both days inclusive).
3. Members holding shares in physical form are requested to inform the Company or its Registrars, of the change, if any, in their addresses.
5. Members are also requested to bring the Attendance Slips duly filled in for being handed over at the entrance of the venue for the meeting.

By Order of the Board

Hyderabad
30th July, 2007

Sd/-
S.Sreekanth Reddy
Chairman and Managing Director

Annexure to the Notice of the 11th Annual General Meeting

Details of directors seeking re-appointment vide Items No.2 and 3 of the Notice
(Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges)

Name of the Directors	Shri S.Krishna Reddy	Shri N.Satya Swaroop Reddy
Nature of Directorship	Non-Executive and Independent	Non-Executive and Independent
Date of birth	12th May, 1973	2nd October, 1971
Date of appointment	11th April, 2002	29th January, 2005
Qualification	Post Graduate in Commerce	B.A.,
Area of expertise	Finance	Business (10 years)
Other directorships in Public Limited Companies	Nil	Nil
Committee position in other Companies	Nil	Nil
Shares held in Sagarsoft (India) Ltd	500	Nil

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DIRECTORS' REPORT

Dear Members

Your Directors hereby present their Eleventh Annual Report together with the audited accounts of the Company for the year ended 31st March, 2007.

PERFORMANCE

A summarized financial performance of your company during the year 2006-07 is given below:

	Year ended	
	31 st March, 2007	31 st March 2006
Income from operations	253.47	109.12
Other Income	-	-
Total Income	253.47	109.12
Total Expenditure	187.88	86.66
Profit before depreciation and tax	65.59	22.46
Depreciation	18.16	36.90
Profit before tax	47.43	(14.44)
Provision for tax (FBT)	0.26	0.17
Deferred Tax Asset / (liability) for the year	(21.69)	(6.20)
Net Profit	25.48	(20.81)

PERFORMANCE OF THE COMPANY

During the year under review, the income had gone up by more than 130% due to increased revenue from software testing activities.

DIVIDEND

In view of the absence of adequate profit, your Directors regret their inability to recommend any dividend for the year 2006-07.

FUTURE OUTLOOK

Sagarsoft believes that as relationships with current clients stabilize and mature, business opportunities will continue to grow. Leveraging existing clients, Sagarsoft is adding new clients who are looking at us not solely on a cost-cutting basis but based on the fact that they are having access to an expanded talent pool built by us over a period of time. With additional services being constantly added to the portfolio, we expect to maintain the growth achieved during last year.

SHARE CAPITAL

There was no change in the share capital of your company during the year under report.

CORPORATE GOVERNANCE

Your Company has complied with the mandatory provisions of the Corporate Governance prescribed in the Clause 49 of the Listing Agreement with the Stock Exchanges. A separate report detailing such compliance together with the Certificate from the Auditors in connection therewith is included as part of the Annual Report.

INTERNAL CONTROL SYSTEMS

Your Company has adequate internal control systems. Effectiveness of these systems is being reviewed at periodic intervals for possible improvement.

PARTICULARS OF EMPLOYEES

There are no employees in the Company whose particulars are required to be furnished in this Report pursuant to Sec.217 (2A) of the Companies Act, 1956.

INDUSTRIAL RELATIONS

Industrial relations continued to be cordial throughout the year under review.

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

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

DIRECTORS

In compliance with Sec.256 of the Companies Act, 1956, Shri S.Krishna Reddy and Shri N.Satya Swaroop Reddy will be retiring by rotation at the ensuing Annual General Meeting and are eligible for re-appointment, which your Board recommends

AUDIT COMMITTEE

The Audit Committee of the Board, consisting of the following members and constituted pursuant to Sec.292 (A) of the Companies Act, 1956 read with Clause 49 of the Listing Agreement, had met four times during the year ended 31st March 2007 and, inter alia, reviewed the financial results of the relative periods.

Shri S.Krishna Reddy	Chairman of the Committee (Non-executive and independent director)
Shri N.Sathya Swaroop Reddy	Member (Non-executive and independent director)
Shri M.Jagadeesh*	Member – Executive Director

REMUNERATION COMMITTEE

The Remuneration Committee of the Board, constituted pursuant to Schedule XIII to the Companies Act 1956 read with Clause 49 of the Listing Agreement has the following Non-Executive Independent Directors as its members:

Shri S.Krishna Reddy	Chairman
Shri N.Sathya Swaroop Reddy	Member
Shri N. Hari Mohan	Member.

This Committee met on 26th June, 2006 to suggest an hike in the remuneration payable to the Executive Director.

AUDITORS

Shareholders are requested to appoint Auditors to the Company to hold office from the conclusion of the ensuing Annual General Meeting and fix their remuneration. Messrs. C. Ramachandram & Co., Chartered Accountants, the Auditors of your Company hold their office up to the Annual General Meeting and are eligible for re-appointment. They have confirmed that their re-appointment, if approved by the shareholders, would be in accordance with the limits specified in Sub Section (1B) of Section 224 of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, we state:

- (i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material developments;
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgment and estimates that 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 the period;
- (iii) that the directors had taken proper and sufficient care 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;
- (iv) that the directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

We wish to place on record our appreciation of the valuable co-operation extended by our customers / clients, Bankers, RBI and other State and Central Government Authorities. We also take this opportunity to place on record our appreciation of the contributions made by the employees at all levels and the last but not least, the continued confidence reposed by you in the Management.

For and on behalf of the Board

Hyderabad
30th July, 2007

Sd/-
S. Sreekanth Reddy
Chairman & Managing Director

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Annexure to the Directors' Report

FORM B

[Pursuant to Rule 2 of the companies (Disclosure of particulars in the report of Board of Directors) Rule, 1998]

Form for disclosure of particulars with respect to technology absorption

A	Research and development	:	None
B	Technology absorption, adoption and innovation	:	Nil
C	Foreign exchange earning and outgo		
	Foreign exchange earned	:	Rs. 25347731
	Foreign exchange out go	:	-

MANAGEMENT DISCUSSION AND ANALYSIS

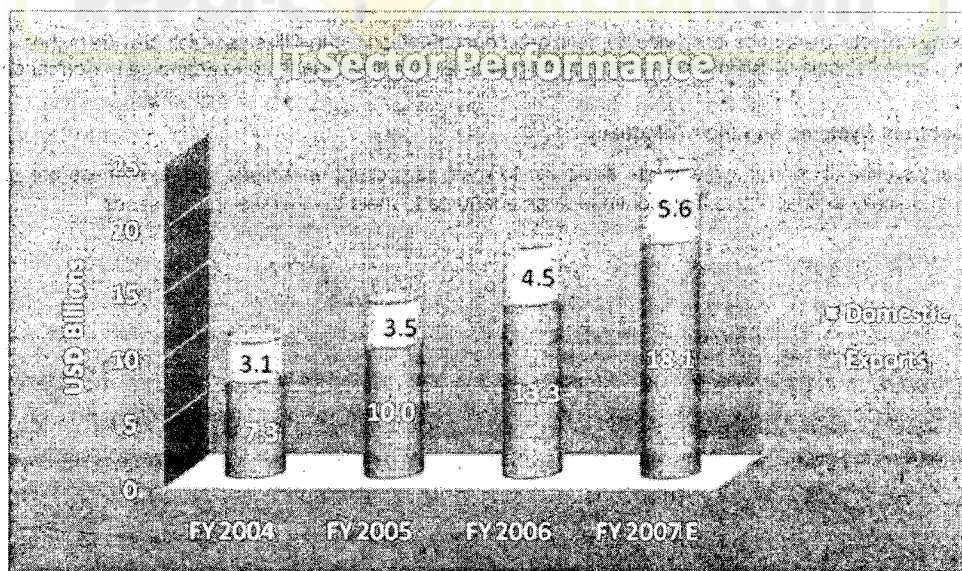
IT Industry Review

According to the NASSCOM survey, the Indian IT software and services industry continued its outstanding performance in 2006-07, recording double digit growth. The sector's momentum was catalyzed by new contracts and renewals, increased traction in a broader range of services, expansion of its geographic footprint, increased mergers and acquisitions (both domestic and cross-border) and heightened interest among private equity investors to drive newer growth opportunities.

The NASSCOM annual study also indicated the following:

- The Indian IT-BPO industry (including domestic market) recorded revenues of US\$ 39.6 billion in FY 2006-07, up from US\$ 30.3 billion in FY 2005-06.
- The software and services exports segment grew by 33 percent, to register revenues of US\$ 31.4 billion in FY 2006-07, up from US\$ 23.6 billion in FY 2005-06.
- Within the export segment, IT services exports grew by 35.5 percent, to notch up revenues of US\$ 18 billion
- Steady growth was observed across key service categories in ITES-BPO industry including Finance and Accounting (F&A), Customer Interaction Services (CIS) and Human Resource Administration (HRA)
- The industry continued to be amongst the largest employers, directly providing jobs to more than 1.6 million people and indirectly creating employment opportunities for an additional 6 million Indians in related industries.
- The industry also significantly impacted socio-economic development by contributing 5.2 percent to the national GDP
- India maintained its lead as the preferred outsourcing destination, based on factors such as talent suitability, process maturity and conducive business environment

Source for Above Content: NASSCOM



Sagarsoft Business Strategy

Sagarsoft has enhanced its business offerings across various domains in particular Financial services and is developing a strategic niche by building teams across the products and tools used in these domains. Sagarsoft is systematically acquiring new clientele by presenting a basket of offerings in QA, Application Development & Support, and Systems support specific to these domains.

Business Overview

Your company has made rapid progress last year is acquiring new clients and consolidating the business from existing clients and has developed significant strategic skill sets which your company expects to reap benefits in the coming years by leveraging the domain expertise developed during the past one year. The business from the new clients acquired this year is expected to increase rapidly and add significant value to the bottom-line of the company.