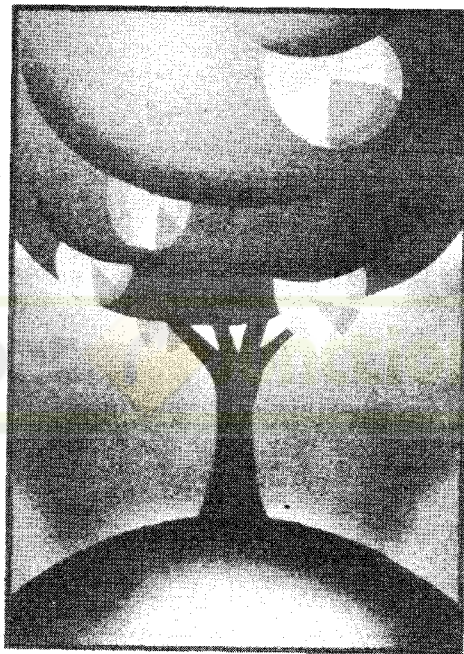


Annual Report 2009



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Board of Directors

Mr. S. Sreekanth Reddy

Mr. M. Jagadeesh

Mr. Satish C.R. Kalva

Mr. S. Krishna Reddy

Mr. N.Satya Swaroop Reddy

Mr. N.Hari Mohan

Mr. K.Rakesh Rao

Chairman

Managing Director

Director

Director

Director

Director

Director

Auditors

C. Ramachandram & Co.

Chartered Accountants

3-6-237, Unit 606, Lingapur La Bulde Complex,
Himayat Nagar, Hyderabad-500 029.**Bankers**

Axis Bank Limited

Banjara Hills, Hyderabad

HDFC Bank

Lakdikapool Branch, Hyderabad

Registered Office

Plot No: 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

Registered Office:

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

NOTICE

Notice is hereby given that the 13th Annual General Meeting of the Members of the Company will be held at 11.00 a.m. on Thursday, the 17th September, 2009 at Hotel Golkonda, Masab Tank, Hyderabad – 500 028, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2009 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 N.Hari Mohan, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Shri Satish C.R.Kalva, 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.

SPECIAL BUSINESS

5. Appointment of Managing Director

To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution.

Resolved that in accordance with the provisions of Sections 269, 309, 311 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII thereto, the consent is hereby accorded to the appointment of Shri M.Jagadeesh as Managing Director of the Company for a period of three years with effect from 31st October, 2008 at a consolidated remuneration of Rs.2,00,000/- per month which shall also be the minimum remuneration payable to him in the event of absence or inadequacy of profit in any financial year during his tenure as the Managing Director.

Further Resolved that the Board be and is hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to the above Resolution.

NOTES:

1. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Special Business in Item No.5 together with the disclosures required to be made under Proviso (IV) to Section (II) (B) of Part II of Schedule XIII to the Companies Act, 1956 and the relevant details under Clause 49 of the Listing Agreement with the Stock Exchanges in respect of directors seeking re-appointment vide Item Nos.2 and 3 are given in the annexure, which forms part of this Notice.
2. 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.
3. Register of Members and the Share Transfer Books of the company will remain closed during the period from 11th September, 2009 to 17th September, 2009 (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
28th July, 2009

Sd/-
S.Sreekanth Reddy
Chairman

Annexure to the Notice of the 13th Annual General Meeting
EXPLANATORY STATEMENT

Item No.5

With the resignation of Shri S.Sreekanth Reddy as the Managing Director of the Company, the Board at its meeting held on 31st October, 2008 appointed Shri M.Jagadeesh, as Managing Director on a consolidated remuneration of Rs.2,00,000/- p.m., as recommended by the Remuneration Committee of the Board for a period of 3 years with effect from 31st October, 2008. Prior to his appointment as the Managing Director, Shri M.Jagadeesh was the Executive Director of the Company and there is no increase in his remuneration consequent to his appointment as the Managing Director. The said appointment and the remuneration payable require the approval of the members under, inter-alia, Section 269 read with Schedule XIII to the Companies Act, 1956. Your Directors commend the Resolution for approval of the members.

As the Resolution relates to the appointment of Shri M.Jagadeesh as Managing Director and the remuneration payable to him, to that extent he may be deemed to be interested in the resolution.

Disclosure under Proviso (IV) to Section (II) (B) of Part II of Schedule XIII to the Companies Act, 1956

I General Information				
(1)	Nature of Industry	Software		
(2)	Date or expected date of commencement of commercial production	18.04.1996		
(3)	In case of new companies, expected date of commencement activities as per project approved by financial institutions appearing in the prospectus	Not applicable		
(4)	Financial performance based on given indicators	Description	Rs. in Lakhs	
			2008-09	2007-08
		Income	684.55	430.42
		Profit / (Loss) before Interest Depreciation & Tax	(323.54)	36.31
		Profit / (Loss) after Tax	(371.67)	4.79
(5)	Export performance and net foreign exchange	Foreign Exchange earned 14.77 lakh dollars for the year 2008-09.		
(6)	Foreign investments or collaborators, if any	Investment made in Sagarsoft Inc., USA to the extent of Rs. 27.76 lakhs.		
II Information about the appointee				
(1)	Background details	Mr.M.Jagadeesh has been with Sagarsoft (India) Limited since inception. He is holding B.E., (Mechanical) and M.B.A., (Marketing & MIS) degrees. He has contributed to the company in the area of general administration, marketing and HR. Currently he is looking after the over all day to day affairs of the company, subject to superintendence and control of Board of Directors.		
(2)	Past remuneration	Consolidated remuneration of Rs.2,00,000/- p.m. as Executive Director		
(3)	Recognition or awards	None		
(4)	Job profile and his suitability	Job Profile: Responsible for the over all operations of the organization under the superintendence and control of the Board.		

		Suitability: Mr.Jagadeesh has been associated with the company for the past 13 years. He has helped the company to come out of the difficult situations and has been a part of the organization throughout its business cycle so far. He has been instrumental in the revival of the business of the company and its subsequent growth.
(5)	Remuneration proposed	A Consolidated sum of Rs.2,00,000/- p.m. No change in his remuneration is contemplated.
(6)	Comparative remuneration profile with respect to Industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin)	The remuneration proposed is reasonable as compared with the industry standards for a director of similar profile.
(7)	Pecuniary relationship directly or indirectly with the company or relationship with the managerial personnel,if any	Apart from being the Managing Director of the company and holding 13,900 shares in it in his personal capacity, he does not have any other pecuniary relationship with the company.
III Other Information		The company suffered heavy losses in the initial stages due to depression in the software industry. However, the industry is now recovering from the said situation and with the expected addition of more clientele, the company hopes to turn around.
(1)	Reasons of loss or inadequate profits	
(2)	Steps taken or proposed to be taken for improvement	
(3)	Expected increase in productivity and profits in measurable terms	

By Order of the Board
S.Sreekanth Reddy

Hyderabad
 28th July, 2009

Sd/-
 Chairman

Annexure to the Notice of the 13th 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 N.Hari Mohan	Shri Satish C.R.Kalva
Nature of Directorship	Non-Executive and Independent	Non-Executive and Independent
Date of birth	22.05.1973	05.12.1963
Date of appointment	15.04.2005	26.06.2001
Qualification	B.E.,	B.E., M.S.
Area of expertise	Business	Computer Science
Other directorships in public limited companies	Nil	Nil
Committee position in other Companies	Nil	Nil
Shares held in Sagarsoft (India) Ltd	Nil	Nil

DIRECTORS' REPORT

Dear Members

Your Directors hereby present their Thirteenth Annual Report together with the audited accounts of the Company for the year ended 31st March, 2009.

PERFORMANCE

A summarized financial performance of your company during the year 2008-09 is given below:

	(Rs.in Lakhs)	
	Year ended	
	31 st March, 2009	31 st March 2008
Income from operations	684.55	430.42
Other Income	52.63	0.75
Total Income	737.18	431.17
Total Expenditure	1060.72	394.86
Profit / (Loss) before depreciation, interest and tax	(323.54)	36.31
Depreciation	13.08	10.04
Interest	1.16	0.64
Profit / (Loss) before tax	(337.78)	25.63
Provision for tax (FBT)	2.90	0.96
Deferred Tax Asset / (liability) for the year	(26.94)	(19.88)
Prior period adjustments	4.05	0
Net Profit / (Loss)	(371.67)	4.79

During the year under review, the income had gone up by 59% due to better revenue from software testing and development activities. However, despite the increase in the revenue, the company could not register any profit due to increase in expenditure caused by the bad debts written off to the extent of Rs.5.30 crores.

DIVIDEND

In view of the absence of profit, your Directors regret their inability to recommend any dividend for the year 2008-09.

FUTURE OUTLOOK

With the severe economic downturn witnessed in key markets in the last financial year now showing signs of stabilization, we feel that outsourcing opportunities are bound to increase, but with severe downward pressure on billing rates and lower margins. We expect an increase in the number of clients that we are servicing, but at lower margins. We were always successful in leveraging long term relationships with the existing clients and with the increased focus on cost cutting measures, we feel we are at an advantage in getting increased business from them also. We are also expanding our portfolio of services to include emerging technologies and newer segments in Quality Assurance, which are expected to provide traction for this financial 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 Exchange. A separate report detailing such compliance together with the Certificate from the Auditors in connection therewith is included as part of the Annual Report. This report also contains the details of remuneration payable to Managerial Personnel in terms of Section II (B) of Part II of the Schedule XIII to the Companies Act, 1956.

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

Particulars required to be furnished in this Report pursuant to Sec.217 (2A) of the Companies Act, 1956 are given in the annexure to this report.

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 this Report.

DIRECTORS

In compliance with Section 256 of the Companies Act, 1956, Shri N.Hari Mohan and Shri Satish C.R.Kalva will be retiring by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

AUDIT COMMITTEE

The Audit Committee of the Board, consisting of the following members and constituted pursuant to Section 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, 2009 and, inter-alia, reviewed the financial results of the relative quarters.

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 – Managing 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

AUDITORS

Shareholders are requested to appoint Auditors to the Company to hold office from the conclusion of the ensuing Annual General Meeting till the next Annual General Meeting and to 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:

- that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material developments;
- 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 loss of the company for the period;
- 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;
- 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
Sd/-

Hyderabad
28th July, 2009

S. Sreekanth Reddy
Chairman

Annexure 1

MANAGEMENT DISCUSSION AND ANALYSIS

IT Industry Review

2008-2009 was a game changer for the Indian IT Industry. It had to re-invent itself to meet the challenges thrown at it by a economic environment with its significant complexity , uncertainty and recessionary trends.

During the year, the sector maintained its double digit growth rate led by increased diversification in the geography, industry verticals, and tweaking of the service offerings portfolio. With the effects of the economic downtrend expected to continue in the near future, the Indian IT industry is displaying great resilience and tenacity in countering these unpredictable macro-economic conditions by creative cost cutting measures and enhanced productivity .

The current mood is that of optimism, with the industry expecting to witness sustainable growth over the next two-year timeframe. The industry has significant headroom for growth, though complicated by increased competition with a number of countries creating business environments aimed at replicating India's success in the IT industry.

Sagarsoft Business Strategy

Sagarsoft Business strategy is to continue to consolidate and expand its portfolio of offerings in custom software development, quality assurance services by expanding its skill set base and continue to sustain , pursue, acquire, develop and nurture strategic long term relationships .

Business overview

Your company has made significant progress last year in acquiring new clients and consolidating the business from existing clients, both on the software development and quality assurance services. The business from the new clients acquired last year is expected to increase rapidly and add significant value to the bottom-line of the company.

In view of the increased activities, your company has opened a new development center in HITEC City in addition to existing facilities at HITEC City and Jubilee Hills . Your company has initiated several cost cutting and productivity enhancement measures in addition to cautious addition to the head count based on optimal requirements to service new projects that your company has got recently. In view of the increased opportunities, your company is continuing to build teams in various technologies in anticipation of future projects that are in the sales pipe line.

Human Resource and Employees- HR policy

Sagarsoft has added employees on permanent payrolls in its software development and accounts book keeping divisions. We have been able to maintain the attrition rate below 10% due to our good HR policies.

Opportunities

Your company's strategy of focusing on the long term relationships with the clients has always paid off. We are getting projects which are of long term in nature and with lot of business viability though with reduced margins. There are plenty of opportunities in medium size projects, which your company is concentrating on. We have already bagged couple of projects of this nature and hope to increase the number of clients in this segment in this financial year too.

Risks and concerns

The immediate concern to the company's growth in the medium terms remains the same as last year with the pressure on the billing rates in Software Services continuing with prevalent economic conditions. The company's strategy of getting into newer long term contracts with new clients and newer avenues of technology outsourcing might mitigate this risk to a large extent.

Outlook

The company expects to broaden its offering's in Software Development & Quality Assurance services and increase its efforts in securing more business by offering value add services leading to improved performance in the current fiscal.

Internal Control systems and their adequacy

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

**Annexure 2****Particulars of Employees as required under Section 217(2A) of the Companies Act, 1956**

Name of the Employee	Shri M.Jagadeesh
Designation	Managing Director
Age	38 years
Remuneration received (Rs.)	16,50,000/-
Nature of employment	Contractual
Nature of duties	General Management
Qualification	B.E., MBA
Experience (years)	13 years
Date of Commencement of Employment	13-06-2002
Last Employment held	Nil


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