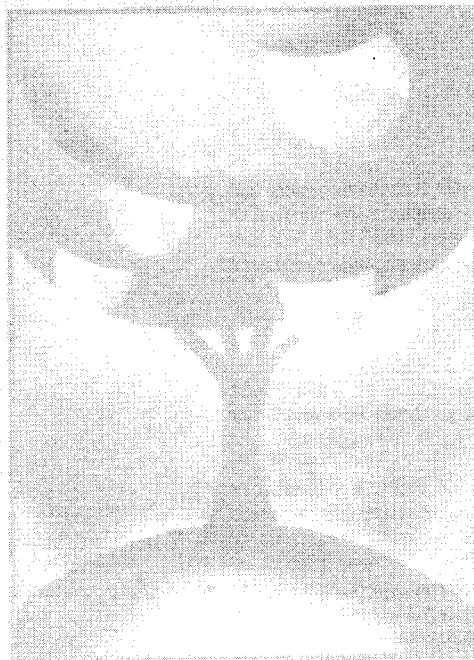


# Annual Report 2010



14 Annual Report 2010

totality



**Board of Directors**

Mr. S. Sreekanth Reddy

Chairman

Mr. M. Jagadeesh

Managing 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**

Axis Bank Ltd.,  
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 14th Annual General Meeting of the Members of the Company will be held at 11.00 a.m. on Monday, the, 20th September, 2010 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 31<sup>st</sup> March, 2010 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 K.Rakesh Rao, 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 10.09.2010 to 20.09.2010 (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.
4. 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  
11<sup>th</sup> August, 2010

Sd/-  
**S.Sreekanth Reddy**  
Chairman

**Annexure to the Notice of the 14<sup>th</sup> 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 K.Rakesh Rao	Shri N.Satya Swaroop Reddy
Nature of Directorship	Non-Executive and Independent	Non-Executive and Independent
Date of birth	13-04-1971	2 <sup>nd</sup> October, 1971
Date of appointment	15.04.2005	29 <sup>th</sup> January, 2005
Qualification	B.E.,	B.A.
Area of expertise	Business	Business
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 Fourteenth Annual Report together with the audited accounts of the Company for the year ended 31<sup>st</sup> March, 2010.

### PERFORMANCE

A summarized financial performance of your company during the year 2009-10 is given below:

(Rs.in Lakhs)

DESCRIPTION	Year ended	
	31 <sup>st</sup> March, 2010	31 <sup>st</sup> March, 2009
Income from operations	711.89	684.55
Other Income	46.46	52.63
<b>Total Income</b>	<b>758.35</b>	737.18
Total Expenditure	660.71	1060.72
<b>Profit / (Loss) before depreciation, interest and tax</b>	<b>97.64</b>	(323.54)
Depreciation	17.37	13.08
Interest	1.43	1.16
<b>Profit / (Loss) before tax</b>	<b>78.84</b>	(337.78)
Provision for tax ( FBT)	0	2.90
Deferred Tax Asset / (Liability) for the year	117.05	(26.94)
Prior period adjustments	0	4.05
<b>Net Profit / (Loss)</b>	<b>195.89</b>	(371.67)

During the year under review, the income had gone up marginally by 4 % due to better revenue from software testing and development activities, which enabled your company to earn a profit of Rs.78.84 lakhs before tax, as against a loss of Rs.337.78 lakhs incurred during the corresponding period of the previous year.

### DIVIDEND

In view of the meager profit earned, your Directors regret their inability to recommend any dividend for the year 2009-10.

### FUTURE OUTLOOK

As we step into the new decade, world economy is heralding a slow but steady recovery from one of the worst recessions in the past few decades. Business is slowly looking up, with newer opportunities opening up for us, but at the cost of lower rates and lesser margins. It is going to be a challenging phase as costs are expected to raise with higher wage bills and increased attrition levels driven by improving business conditions. Adding to this mix is the highly fluctuating exchange rates and impending discontinuation of fiscal incentives, which has become a challenge. We expect to overcome these present and impending challenges by a slew of measures that we have undertaken tackling the margin pressures and increased costs while continuing on the growth path.

### 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.

### 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 K. Rakesh Rao and Shri N. Satya Swaroop Reddy 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 31<sup>st</sup> March, 2010 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. Satya 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. Satya 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:

- (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 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.

Hyderabad  
11<sup>th</sup> August, 2010

For and on behalf of the Board  
Sd/-  
**S. Sreekanth Reddy**  
Chairman

## Annexure 1

### **MANAGEMENT DISCUSSION AND ANALYSIS**

#### **IT Industry Review**

The year 2009-10 was marked by turbulence, with countries around the world especially USA and Europe going into the recession. As per Nasscom, Worldwide technology products and services related spend is estimated to reach USD 1.5 trillion in 2009, a decline of 2.9 per cent over 2008 and IT services is expected to grow by 2.4 per cent in 2010, and 4.2 per cent in 2011 as companies coming out of recession harness the need for information technology to create competitive advantage.

During the year, the sector was affected by these recessionary trends marked by cuts in IT budgets, cancelled closed deals, delayed payments and deals, renegotiated pricing, looking for severe pricing cuts and stretching the dollar by demanding more for less.

As per Nasscom, Key demand indicators in the last two quarters such as increased deal flow, volume growth, stable pricing, and faster decision making have made the industry post good results. Though full recovery is expected in another two quarters, development of new growth levers, improved efficiency and changing demand outlook signifies early signs of recovery.

#### **Sagarsoft Business Strategy**

Sagarsoft Business strategy is to diversify beyond core offerings and markets through new business and pricing models, specializing to provide end-to-end service offerings in its portfolio of offerings in custom software development, quality assurance services and continue to sustain, pursue, acquire, develop and nurture strategic long term relationships.

#### **Business overview**

Your company has made steady 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 and add significant value to the top-line of the company.

Your company has continued to increasing efficiency levels in addition to cautious addition to the head count based on optimal requirements to service projects that your company has got recently. In view of the emerging 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**

Employees are Sagarsoft's best assets and the Company has have taken every measure to have an excellent work environment. Your company continues to add small numbers of employees marked by caution. We have been able to maintain the attrition rate below 5% due to our good HR policies.

#### **Opportunities**

We are getting projects which are of long term in nature and with lot of business viability though with reduced margins. The type of projects has seen a significant change with increasingly challenging works which your company was able to deliver successfully.

#### **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 Maintenance and Quality Assurance services and increase its efforts in securing more business by offering value added services leading to improve 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	39 years
Remuneration received (Rs.)	24,00,000/-
Nature of employment	Contractual
Nature of duties	General Management
Qualification	B.E., MBA
Experience (years)	14 years
Date of Commencement of Employment	13-06-2002
Last Employment held	Nil



**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. 74243452
	Foreign exchange out go	:	Rs.2.94 lakhs