

# Annual Report 2012

Annual Report 2012



**Board of Directors**

Mr. S. Sreekanth Reddy

Chairman

Mr. M. Jagadeesh

Managing Director

Mr. Satish C.R. Kalva

Non-Executive Director

Mr. S. Krishna Reddy

Independent and Non-Executive Director

Mr. N. Satya Swaroop Reddy

Independent and Non-Executive Director

Mr. N. Hari Mohan

Independent and Non-Executive Director

Mr. K. Rakesh Rao

Independent and Non-Executive Director

**Auditors**

C. Ramachandram & Co.  
Chartered Accountants  
3-6-237, Unit 606, Lingapur La Bulde Complex,  
Himayat Nagar, Hyderabad 500 029.

**Bankers**

Axis Bank Ltd.,  
Banjara Hills, Hyderabad

HDFC Bank  
Lakdikapool Branch, Hyderabad

**Registered Office**

Plot No.111, Road No.10  
Jubilee Hills, Hyderabad 500 033

**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: Plot No.111, Road No.10, Jubilee Hills, Hyderabad – 500 033

**NOTICE**

Notice is hereby given that the 16th Annual General Meeting of the Members of the Company will be held at 11.00 a.m. on Thursday, the, 20<sup>th</sup> September, 2012 at Hotel Golkonda, Masab Tank, Hyderabad-500 028, to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2012 and the Statement of Profit and Loss for the year ended on that date and the Reports of the 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. Reappointment 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 re-appointment of Shri M.Jagadeesh as Managing Director of the Company for a period of one year with effect from 31<sup>st</sup> October 2011 at a consolidated remuneration of Rs.2,00,000/- per month which shall be the minimum remuneration payable to him in the event of absence or inadequacy of profit in any financial year during his tenure as 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. 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 12.09.2012 to 20.09.2012 (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  
30<sup>th</sup> July, 2012

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

## Annexure to the Notice of the 16<sup>th</sup> Annual General Meeting

### EXPLANATORY STATEMENT

#### Item No.5

As the earlier term of Mr.M.Jagadeesh as Managing Director came to an end on 30<sup>th</sup> October, 2011, he was re-appointed by the Board for a further period of one year with effect from 31<sup>st</sup> October, 2011 retaining the remuneration as had been paid in his earlier tenure, as recommended by the Remuneration Committee of the Board. 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)	(2)
	Nature of Industry	Software
	Date or expected date of commencement of commercial production	18.04.1996
	In case of new companies, expected date of commencement activities as per project approved by financial institutions appearing in the prospectus	Not applicable
the	(4) Financial performance based on given indicators	Description
		Rs. in Lakhs
		2011-12
		2010-11
		Income
		968.30
		Profit/(Loss) before Interest Depreciation & Tax
		96.36
		217.47
		Profit/(Loss) after Tax
		63.17
		146.15
	(5) Export performance and net foreign exchange	Foreign Exchange earned 20.61 lakh dollars for year 2011-12.
	(6) Foreign investments or collaborators, if any	Investment made in Sagarsoft Inc., U. S. A., to the extent of Rs.27.76 lakhs
II	Information about the appointee	
	(1)	(2)
	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 Managing Director
	(3) Recognition or awards	None

	(4)	Job profile and his suitability	<u>Job Profile:</u> Responsible for the over all operations of the organization under the superintendence and control of the Board.
			<u>Suitability:</u> Mr.Jagadeesh has been associated with the company for the past 17 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.
<b>III</b>		<b>Other Information</b>	
	(1)	Reasons of loss or inadequate profits	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.
	(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

Hyderabad  
30<sup>th</sup> July, 2012

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

### Annexure to the Notice of the 16<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 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	51581	Nil

## DIRECTORS' REPORT

**Dear Members**

Your Directors hereby present their Sixteenth Annual Report together with the audited accounts of the Company for the year ended 31<sup>st</sup> March, 2012.

### PERFORMANCE

A summarized financial performance of your company during the year 2011-12 is given below:

(Rs.in Lakhs)

	Year ended	
	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
Income from operations	968.30	955.93
Other Income	31.02	16.14
<b>Total Income</b>	<b>999.32</b>	<b>972.07</b>
Total Expenditure	874.39	735.00
<b>Profit / (Loss) before depreciation, interest and tax</b>	<b>124.93</b>	<b>237.07</b>
Depreciation	25.62	18.73
Interest	2.95	0.87
<b>Profit / (Loss) before tax</b>	<b>96.36</b>	<b>217.47</b>
Provision for tax (FBT)	0	0
Deferred Tax Asset / (Liability) for the year	(27.59)	(70.55)
Provision for MAT	(14.56)	(17.39)
MAT Credit Entitlement	8.96	16.62
<b>Net Profit / (Loss)</b>	<b>63.17</b>	<b>146.15</b>

During the year under review, there was a marginal increase in income from operations by 1.29%. Your company earned a profit of Rs.63.17 lakhs only after tax as against Rs.146.15 lakhs during the previous year due to increase in expenditure for setting up a new development center and increase in head count in anticipation of new projects.

### DIVIDEND

Notwithstanding the marginal improvement in the performance during the year, in view of the accumulated loss, your Directors regret their inability to recommend any dividend for the year 2011-12.

### FUTURE OUTLOOK

As the world economy shows mixed signals of growth, the year 2012 is going to be a steady year for IT services and may not see the kind of aggressive growth that was seen earlier. Newer business models, flexibility and innovation are going to be some of the important considerations for customers. Mobile BI, Social Media solutions are some of the areas which are expected to grow aggressively this year. Increased demand for quality resources is driving the wage bills upwards, which may impact margins and increased attrition rates, which may lead to our not being able to address the customer's needs aggressively. Focus for this year is therefore to continue to concentrate on operational excellence with innovative measures, diversification into newer areas providing higher margins and efficient employee engagement programs to keep attrition levels within manageable limits.

### 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**

There are no employees covered under 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 31<sup>st</sup> March, 2012 and, inter-alia, reviewed the financial results of the relative quarters.

Shri S.Krishna Reddy	Chairman
Shri N. Satya Swaroop Reddy	Member
Shri M. Jagadeesh	Member

## **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.

For and on behalf of the Board

Hyderabad  
30<sup>th</sup> July 2012

Sd/  
**S. Sreekanth Reddy**  
Chairman

## **Annexure 1**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

#### **IT Industry Review**

2011-12 was a mixed year with increased opportunities in new age technologies like Mobility and cloud and stagnant demand for traditional services with global economy sending mixed signals. IT services market is expected to grow between 4-5% over the next couple of years.

Organizations are looking aggressively at alternative IT infrastructure like Cloud based solutions, on-demand services and SaaS in order to not only reduce hardware infrastructure costs but also to have required scalability on demand which are opening up newer avenues of service provisioning.

Next couple of years are expected to see a major surge in the use of mobile computing on a variety of devices and through an innovative new range of applications.

#### **Sagarsoft Business Strategy**

Sagarsoft Business strategy is to increase focus on Mobility and Open Source Technologies while continuing to leverage existing clients for additional business. Sagarsoft is also focusing on creating innovative business and pricing models, specializing in providing niche end-to-end service offerings and continue to sustain, pursue, acquire, develop and nurture strategic long term relationships.

#### **Business overview**

The company has made steady progress last year in acquiring new clients in Mobile and open source technologies space and in consolidating business from existing clients, across all service areas including new service lines. The business from the new clients acquired last year is expected to increase and add significant value to the top-line of the company.

The company has continued its focus on operational excellence and increasing efficiency levels in addition to cautious addition to the head count based on optimal requirements to service projects that the company is getting. In view of the emerging opportunities across new service areas that the company is building, the company is continuing to build teams in various technologies in anticipation of future projects as well as for fulfillment of existing requirements that are in the sales pipe line.

#### **Human Resource and Employees - HR policy**

Employees are Sagarsoft's best assets and it has taken every measure to have an excellent work environment. With increased opportunities for its employees due to the excellent skills that they have developed on the job, it is essential to have a proactive employee engagement programs, which SSIL is always focusing on. The company continues to add small numbers of employees marked by caution.

#### **Opportunities**

With steady progress that the company has made in mobile computing and cloud based solutions practice areas, it is concentrating on consolidating its offerings in this space with focus on Enterprise segments and Mobile BI areas which are the showing lot of momentum with increased demand from new customers. As with earlier years the company is also getting projects which are of long term in nature and with lot of business viability though with reduced margins.

#### **Risks and concerns**

The immediate concern to the company's growth in the medium term is the pressure on the billing rates, increased attrition levels due to improved opportunities for our employees in the niche segments that we are focusing on. The