

13th Annual Report 2005-06



SAVEN TECHNOLOGIES LIMITED

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Saven Technologies Limited**13th Annual Report****BOARD OF DIRECTORS**

Simon Mathews	Chairman
Sridhar Chelikani	Director
Dhari Al-Roomi	Director
John Oliver Brady	Director
Clive Menhinick	Director
T N J Raman	Director
R S Sampath	Alternate to Mr. Sridhar Chelikani

I. Rama Koteswara Rao**Company Secretary****Auditors****Bankers**

Rambabu & Co.,
Chartered Accountants

IndusInd Bank Limited
Andhra Bank

**Registrar and Transfer Agent
(Physical and Depository)****Registered Office**

Dakshin Consultants (p) Ltd
6-3-655/2/4, Civil Supplies Bhavan Lane,
Somajiguda, Hyderabad - 500 082.

No.302, My Home Sarovar Plaza,
5-9-22, Secretariat Road,
Hyderabad - 500 063.

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Thirteenth Annual General Meeting of Saven Technologies Limited will be held on Thursday, the 28th day of September, 2006, at 10:30 A.M. at Surana Udyog Auditorium, The Federation of Andhra Pradesh Chambers of Commerce and Industry, Federation House, 11-6-841, Red Hills, Hyderabad - 500 004, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit and Loss Account for the financial year ended March 31, 2006 and the Balance Sheet as at that date together with the Reports of the Board of Directors and the Auditors.
2. To appoint a Director in place of Mr. T.N.J.Raman, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. John Oliver Brady, who retires by rotation and being eligible, offers himself for re-appointment.
4. To re-appoint Rambabu & Co., a firm of Chartered Accountants, as Statutory Auditors of the Company for the period commencing from the conclusion of this meeting till the conclusion of the next Annual General Meeting on such remuneration as may be fixed by the Board of Directors plus out-of-pocket expenses.

Notes

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll, instead of himself and the proxy need not be a Member. The proxy form is enclosed which should be deposited at the Registered Office of the Company duly completed and signed, not less than 48 hours before the commencement of the meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from September 22, 2006 to September 28, 2006, both days inclusive.
3. Members / Proxies are requested to bring to the meeting their copies of the Annual Report and the Attendance Slip duly filled in for attending the meeting.
4. Members desirous of obtaining any information concerning the Accounts and Operations of the Company are requested to send their queries to the Company atleast seven days before the date of the meeting so that the information required by them may be made available at the meeting.
5. Shareholders are requested to intimate immediately any change in the address registered with the Company. Members holding shares in dematerialised form are requested to notify any change in address to their respective Depository Participants (DPs).
6. Trading in the equity shares of the Company is compulsorily in dematerialised form for all investors. The ISIN (International Securities Identification Number) allotted to the Company's equity shares is INE 856B 01015.

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7. Members are requested to send all communications relating to shares to the Company's Share Transfer Agents (Physical and Depository) at the following address:

Dakshin Consultants (P) Ltd.
6-3-655/2/4, Civil Supplies Bhavan Lane
Somajiguda, Hyderabad - 500 082
Tel.No. 30688443 Fax: 30688441
E-mail : dakshinindia@rediffmail.com

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE ENSUING ANNUAL GENERAL MEETING (Pursuant to Clause 49 VI(A) of Listing Agreement with Stock Exchanges)**Mr. T N J Raman**

Mr. T N J Raman, aged about 76 year, received B.A. (Hons) in Economics from Delhi University and Post Graduation in Personnel Management and Social Work from Kolkatta University. With over 40 years of experience in Personnel Management and Manpower Development, Mr. Raman has held Senior Position in ITC, Lipton and Union Carbide. He served as an Executive Director on the Board of Jenson & Nicholson.

Mr. Raman serves on the Audit, Investors Grievances and Remuneration Committees of the Board of the Company. He is a Director on the Board of Pennar Chemicals Limited. He also serves on the Remuneration Committee of the Board of Pennar Chemicals Limited.

Mr. John Oliver Brady

Mr. John Oliver Brady, aged about 42 year, received a Bachelor's Degree in Science. He is the President and CEO of Limelight Technologies, Inc., USA, specializing in Agriculture Domain of Information Technology (IT) business. Mr. Brady has diverse experience in the field of IT for about 20 years and has worked with major IT Companies. He is also associated with 2ask.com as President and CEO and with Red Rover Technologies, Inc., as a director.

He is not a member of any Committee within the meaning of Clause 49 of Listing Agreement with Stock Exchanges.

By Order of the Board
for Saven Technologies Limited

Place : Hyderabad
Date : August 22, 2006

I. Rama Koteswara Rao
Company Secretary

DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the report on the business and operations of the Company for the financial year ended March 31, 2006.

Financial Results

There has been an improvement in the performance of the Company during the year 2005 - 06. The overall income has increased to Rs. 74.17 Million recording an improvement of 20% over that of the previous year Rs. 61.81 Million. The Company generated a cash profit of Rs.7.97 Million as against previous year Rs.5.21 and the net profit of the company was Rs. 4.98 Million as against a loss of Rs. 4.32 Million. Your US subsidiary, Saven Technologies Inc. continued to perform well during the year with a growth of 51% reaching a total income of Rs. 452.89 Million as against previous year's Rs. 300.14 Million. The net profit of your subsidiary registered an increase of 65% at Rs. 24.65 Million as against Rs.14.92 Million in the previous year. In view of improved performance of the subsidiary company, the Consolidated income was Rs.466.49 Million as against previous year's Rs. 314.66 Million, recording a growth of 48%. The net profits increased to Rs. 29.15 Million as against Rs.12.78 Million in the previous year constituting a growth of 128%.

Business Overview

Technology Consultancy Services

The US economy continued to be buoyant, outsourcing both on-shore and off-shore technical and business processes. The US subsidiary consultancy services reflected a healthy growth with their focus on data warehousing and web technologies. They had already increased the staff to more than 100 consultants as at the end of March, 2006 and are planning to ramp-up further with focus on

providing services in value added financial segments.

IT Enabled Services

Your Company has already increased the strength to 94 numbers and will be shortly reaching a level of 100 numbers. Net realization, however, continued to be in strain due to business coming from third party contacts. Your Company will be putting in efforts more vigorously for getting job outsourced both on medical billing segment and on insurance segment during the current year from direct customers.

Subsidiary Companies

Saven Technologies Inc, the US subsidiary had an impressive growth in the volume of business and profit for the year ended March 31,2006. The total income recorded an increase on 51% from a level of Rs. 300.14 Million to Rs. 452.89 Million during the year ended March 31,2006 and the net profit after tax was at Rs. 24.65 Million as against Rs. 14.92 Million recording an increase of 65% for the same period. Your subsidiary continued to recruit consultants and had more than 100 consultants at the end of March 2006. During the current year, they have already recruited additional consultants and are planning to increase further during the financial year. While continuing their focus on data warehousing and web based technologies, they have also initiated their efforts on open source tools and are planning to recruit technical personnel for this business.

With the outlook for the current year 2006-07 continuing to be good, a quantum jump is expected during the current year. This is evident from the US Subsidiary's performance in the first quarter wherein they had already recorded a revenue growth of 46% at Rs. 139.57 Million as compared to the corresponding quarter of the previous year of Rs. 95.37 Million.

Saven Technologies (UK) Limited, a wholly -owned Subsidiary of your company in the UK, did not have any operations during the year under review.

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The Annual Reports of these subsidiaries have been attached to this Report as required under Section 212 of the Companies Act, 1956.

Joint Venture

Penrillian Limited, a Joint Venture of your Company in UK, set up with the object of carrying on the business of software development for wireless information devices continued to perform well during the last year. The Joint Venture to develop software on the Symbian Operating Platform to the leading mobilephone companies in UK.

Consolidated Financial Statements

In conformity with Clause 32 of the Listing Agreement with Stock Exchanges and as required by Accounting Standard 21 issued by The Institute of Chartered Accountants of India (ICAI), the Consolidated Financial Statements of your Company and its Subsidiaries are published in the Annual Report in addition to the individual financial statements.

Dividend

In the absence of adequate profits, your Directors are unable to recommend any dividend for the year under review.

Fixed Deposits

Your company has not accepted any deposits and as such, no amount of principal or interest was outstanding on the date of the Balance Sheet.

Directors

Pursuant to Article 125 of the Articles of Association of your Company read with Section 256 of the Companies Act, 1956, Mr. T.N.J. Raman and Mr. John Oliver Brady, Directors, retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

Auditors

The Auditors, Rambabu & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office, if re-appointed.

Directors' Responsibility Statement pursuant to Section 217(2AA) of the Companies Act 1956

Your Directors state:

- I. That in the preparation of the Annual Accounts, the applicable accounting standards have been followed;
- II. That the Directors have selected such accounting policies and applied them consistently and made judgments 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 ended March 31, 2006 and the profit of the Company for that financial year;
- III. That the Directors have 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 have prepared the Annual Accounts on a going concern basis.

Corporate Governance

A separate section on Corporate Governance with a detailed compliance report thereon is annexed to the Annual Report. The Auditors' Certificate in respect of compliance with the provisions concerning Corporate Governance, as required by Clause 49 of the Listing Agreement, is also annexed.

Saven Technologies Limited**13th Annual Report****Disclosure as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988**

In terms of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 your Directors furnish the required details below:

- (a) Conservation of Energy : The nature of the company's operations require a very low level of energy consumption.
- (b) Research and Development (R&D): The Company continues to look at opportunities in the areas of research and development in the present range of activities.
- (c) Technology Absorption: The Company has not imported any technology during the year.
- (d) Foreign Exchange Earnings and Outgo: During the year under review your company earned foreign exchange aggregating to Rs.6.55 million. The Foreign Exchange outgo during the year was Rs.1.13 million.

Particulars of Employees

During the year under review, none of the employees of the Company have drawn remuneration as specified under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended.

Acknowledgments

Your Directors thank the investors, bankers, clients and vendors for their continued support. Your Directors place on record their appreciation of the valuable contribution made by the employees at all levels.

For and on behalf of the Board

Place : Hyderabad
Date : August 22, 2006

Simon Mathews
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS REPORT (forming part of Directors' Report)**a. Industry Structure and Developments**

Offshore outsourcing has shown significant growth over the last couple of years and India has gained a significant advantage out of this. Global Corporations have started looking to Indian I.T. Companies for delivering qualitative and cost effective solutions for their operations. The Indian IT Industry, however, continues to operate in a challenging environment amidst increased political, regulatory, security and local issues and concerns in the United States and elsewhere.

Further, the Indian IT service providers need to focus on the following:

- Building domain expertise;
- Strengthening their delivery model to effectively cater to multi-locational enterprises;
- Strengthening their end-to-end solution capabilities;
- Building stronger relationships with existing clients;
- Moving up the value chain for competitive advantage; and
- Leveraging domain knowledge, process maturity and delivery capabilities to provide value-added and cost effective solutions.

Despite the challenges, Analysts and Industry Associations such as NASSCOM are projecting a positive outlook for the Indian software and services sector in the long run.

b. Opportunities, Threats, Risks and Concerns

High Costs and obsolete processes are driving U.S. Healthcare Companies to offshore work. According to NASSCOM, the estimated opportunity is \$ 4.5 Billion by 2008 offering employment to about 200,000 people in India. Your Company is endeavoring to get a reasonable share in the Medical Billing segment, by moving up in the value chain.

While a number of Indian Companies are looking at outsourcing, competition from other low cost countries is also a factor to be reckoned with.

Your Company including its US subsidiary is closely monitoring the developments in the industry and intends to broaden service offerings and increase business with existing clients and developing new clients.

In a dynamic industry such as Information Technology, risk is an inherent aspect of business. While there is enormous potential and opportunity available in the market, it is equally associated with risks and threats including availability and identification of right skilled Manpower, managing high attractive rate, competition, etc. The Company will continue to regularly monitor risk levels on various parameters and evolve strategies to mitigate the risks.

c. Outlook

As the market conditions in US are improving, your subsidiary is in the process of recruiting additional technology talent to cater to the anticipated growth.

With its focus on IT enabled services, the Company will continues to make its best endeavours for a reasonable share of business in this segment.

d. Segment-wise / Product-wise performance

Business Segments of the Company are primarily Technology Consultancy Services in respect of Consultants already deployed in the United States and IT-Enabled Services.

Revenue and direct expenses in relation to segments are categorised based on items that are individually identifiable to the respective segment, while the remainder of the costs are categorised in relation to the associated turnover of the segment. Certain expenses are not specifically allocable to specific segments as the concerned services are used interchangeably.

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The Management believes that it is not practical to provide segment disclosures relating to those costs and expenses and, accordingly, these expenses are separately disclosed as "unallocated" and adjusted only against the total income of the Company.

Geographical revenues are segregated based on the location of the customer who is invoiced or in relation to which the revenue is otherwise recognised.

i. Business Segments**Year ended March 31, 2006**

(Amount in Rs.)

Particulars	Technology Consultancy Services	IT-Enabled Services	Total
Revenues	63,516,889	10,326,763	73,843,652
Identifiable operating expenses	58,838,882	2,938,028	61,776,910
Allocated expenses	1,754,864	2,565,780	4,320,644
Segmental operating income / (loss)	2,923,143	4,822,955	7,746,098
Unallocable expenses			2,970,119
Operating income / (loss)			4,775,979
Other income (expenses), net			229,627
Net profit / (loss) before taxes			5,005,606
Income taxes			25,218
Net profit / (loss) after taxes			4,980,388

Year ended March 31, 2005

(Amount in Rs.)

Particulars	Technology Consultancy Services	IT-Enabled Services	Total
Revenues	49,490,640	11,926,438	61,417,078
Identifiable operating expenses	48,202,528	2,542,914	50,745,442
Allocated expenses	1,373,700	3,698,433	5,072,133
Segmental operating income / (loss)	(85,588)	5,685,091	5,599,503
Unallocable expenses			10,140,612
Operating income / (loss)			(4,541,109)
Extra-ordinary items			(25,695)
Other income (expenses), net			240,201
Net profit / (loss) before taxes			(4,326,603)
Income taxes			--
Net profit / (loss) after taxes			(4,326,603)

(Note: Previous year's figures have been regrouped wherever necessary)

Saven Technologies Limited**13th Annual Report****ii. Geographic Segments****Year ended March 31, 2006**

(Amount in Rs.)

Particulars	North America	India	Total
Revenues	63,516,889	10,326,763	73,843,652
Identifiable operating expenses	58,838,882	2,938,028	61,776,910
Allocated expenses	1,754,864	2,565,780	4,320,644
Segmental operating income/(loss)	2,923,143	4,822,955	7,746,098
Unallocable expenses			2,970,119
Operating income/(loss)			4,775,979
Other income (expenses), net			229,627
Net profit/(loss) before taxes			5,005,606
Income taxes			25,218
Net profit/(loss) after taxes			4,980,388

Year ended March 31, 2005

(Amount in Rs.)

Particulars	North America	India	Total
Revenues	49,490,640	11,926,438	61,417,078
Identifiable operating expenses	48,202,528	2,542,914	50,745,442
Allocated expenses	1,373,700	3,698,433	5,072,133
Segmental operating income/(loss)	(85,588)	5,685,091	5,599,503
Unallocable expenses			10,134,328
Operating income/(loss)			(4,541,109)
Extra-ordinary items			(25,695)
Other income (expenses), net			240,201
Net profit/(loss) before taxes			(4,326,603)
Income taxes			--
Net profit/(loss) after taxes			(4,326,603)

*(Note: Previous year's figures have been regrouped wherever necessary)***e. Internal Control Systems and their adequacy**

There are adequate internal control procedures and internal audit systems commensurate with the size of the Company and the nature of its business. The Management periodically reviews the internal control systems for further improvement.