

TELESYS SOFTWARE LIMITED

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Annual Report

2005 - 2006

TELESYS SOFTWARE LIMITED

BOARD OF DIRECTORS:

Mr. Heera Chand Surana	Chairman
Mr. Y.Satyakumar	Director
Ms.Bhushan Babu	Director
Mr. Rajkumar Suriya Prakash	Director
Mr. AXN Prabhu	Director
Mr. R. Vednarayanan	Director

AUDITORS

Mr.Chinnappan
Chartered Accountant

BANKERS

Tamilnadu Mercantile Bank,
Mount Road Branch,
Chennai – 600002

REGISTERED OFFICE

New No:33, Old No:15, Postal Colony
1st Street,
West Mambalam
Chennai – 600 033

SHARE TRANSFER AGENTS

M/s.CAMEO CORPORATE SERVICES LIMITED
"Subramaniam Building "
V Floor, 1 Club House Road,
Chennai – 600002
Phone: (044) 28460390 (5 Lines)
Fax:(044) 2846129

TELESYS SOFTWARE LIMITED

NOTICE

NOTICE is hereby given that the Fourteenth Annual General Meeting of the Members of Telesys Software Limited will be held on 30th day of September 2006 at 09:30AM at New No:33, (Old no:15) Postal Colony, 1st Street, West Mambalam, Chennai – 600033

ORDINARY BUSINESS:

01. To receive , consider and adopt the audited balance Sheet as at 31st March 2006 and the Profit and Loss Account for the year ended on that date and the report of the Board of Directors and auditors thereon.
02. To appoint Mr. AXN Prabhu as a Director in place of Ms.Usha Natarajan who retires by rotation.
03. To appoint Mr. R. Vednarayanan as a Director in place of Mr.Lakshmiopathy who retires by rotation.
04. To appoint Auditors of the company to hold office from the conclusion of this Annual General Meeting until the conclusion of the Next Annual General Meeting of the company. The remuneration may be fixed by the Board of Directors.

SPECIAL BUSINESS:

05. To pass the following Resolution as a Special Resolution either with modification or without.
“ RESOLVED THAT, pursuant to Section 17 of the Companies Act and any other applicable provisions in this regard the existing main object be numbered and as “1” and some more Object Clauses mentioned herein under be included as the main objects of the Company in addition to the existing one.

2. To design, construct, build, sell, lease, lease-out, hire, hire-out, maintain, operate, dispose off, buy, sell, deal, transact Technology Parks, Export Processing Zones, Malls, Multiplexes, Shopping Complexes, Office Complexes, Commercial Complexes of all kinds, Special Export Processing Zones, Residential Complexes, Super Structure Hi Tech Parks, Infra Structures of all kinds, Properties of all kinds including real estates and to create and establish a dedicated Fund which may be open ended or close ended as the case may be for any of these purposes mentioned herein.

3. To manufacture, buy, sell , trade, distribute, maintain, electric and other conventional or non conventional powers of all kinds, by adopting any technology and any raw material whatsoever anywhere in India.

4. To manufacture and trade, eatables of all kinds, food products of all kinds, coffee, tea, nourishing drinks of all kinds, breweries of all kinds, aerated drinks of all kinds, soft drinks of each and every kind, alcoholic drinks of each and every kind, alcohols of all kinds and to install , construct, build, buy, sell, lease, hire, operate, maintain, dispose off Bottling plants of all kinds, Distilleries of all kinds anywhere in India
06. To pass the following Resolution as an Ordinary Resolution either with Modification or without:-
The Company had received a notice in writing from one of the shareholders proposing

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the candidature for the office of Chairman and Director of the company recommending Mr. Heera Chand Surana, for such appointments by the members by means of an ordinary resolution to be passed as mentioned herein below:

"RESOLVED THAT pursuant to Section 257 and other applicable provisions if any of the Companies Act, 1956, Mr. Heera Chand Surana be and is hereby appointed as the Chairman and Director of the Company, who shall not be retiring by rotation.

By Order of the Board
For Telesys software Limited

(Y.SatyaKumar)
Managing Director

Place: Chennai
Date:01-09-2006

1. A MEMBER WHO IS ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE HOLDING THE MEETING.
3. The Register of Members and the Transfer of Book in respect of the Equity Shares will remain closed from 22nd September 2006 to 28th September 2006 both days inclusive.
4. The Members are requested to intimate to the Registrar and Transfer Agents, Cameo Corporate Services Limited, #1 Subramaniam Building, Club House Road, Mount Road, Chennai- 600 002, change of address if any at the earliest quoting their registered folio number .

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.
For item 05 :-

The Board of Directors are contemplating huge growth and market for IT related structures and buildings of all kinds. Also the Directors are keen on purchasing an existing bottling plant to augment the Sales and profitability of the Company. Also a Distillery plant is also eyed for purchase and the initial talks are started. A power generation unit may also be considered in case the distillery plant is made operative. In view of these initiations the Directors would like to request the members to approve the change of object clauses suggested which would result in huge revenue increase and higher profitability of the Company. The Resolution is sought to be passed as a Special Resolution.

For item 06:-

Special notice is hereby by given to the members about the candidature of Mr. Heera Chand Surana, for the position of the Chairman and Director proposed by one of the shareholders of the Company. Mr. Heera Chand Surana, is a seasoned business man and has high potential to bring in diversified business activities to the company by his extensive connections. He has also expressed his willingness to serve the company as a Chairman and Director of the company. The Board suggests the members to pass the said resolution as an ordinary resolution, which would enable the said person to be a director not to retire by rotation.

TELESYS SOFTWARE LIMITED**DIRECTORS REPORT**

Your Directors have great pleasure in presenting the fourteenth Annual Report of the Company with the audited accounts for the year ended 31st March 2006.

Financial Results:**Rupees in Lakhs**

Particulars	Year ended 31.03.2006	Year ended 31.03.2005
Revenue from Operations	131.64	240.00
Profit before Depreciation & Deduction	(69.54)	22.21
Less: Depreciation	85.49	73.99
Less: Goodwill written off	151.84	151.84
Less: Dim in Value of Investment	0.00	(16.90)
Profit / Loss before tax	(306.87)	(186.72)
Less: Provisions for Tax-Current & Deferred		(15.51)
Profit /(Loss) After Tax	(306.87)	(171.21)
Balance carried forward to Balance sheet.	(505.34)	(198.47)

DIVIDEND:

Our directors have not recommended any dividend as the company was running under loss.

REVIEW OF OPERATIONS:

- a) The Present situation in the Software industry is facing declining trend both in india and abroad and the Company is also finding difficult to compete with the MNC software Companies.

b) Business Performance:

The Turnover is Rs:131.64 Lakhs in the Financial Year 2005-06 against s:240.00 lakhs in the Financial Year 2004-05. The company has incurred loss of Rs:306.87

Lakhs after tax compared to previous year loss of Rs:171.21 Lakhs. Your Directors are hopeful of maintaining and improving the turnover and profit in the forth coming years by strategic business plans.

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c) Internal Control System and their adequacy:

Much has been done in cutting off expenditures in almost all areas. Manpower is carefully taken in by making systematic study of their skill and exposure in regard to the projects the company is handling greater care is shown in the effective utilization of these skills by coordinating all the individual efforts towards the corporate goal incurring minimal cost.

d) Human Resources and Industrial relations:

Your Directors wish to place on record their deep appreciation of the dedication and commitment of employees to the growth of your company during the year. Your Directors also express their sincere gratitude to the Bankers, Consultants, Auditors and shareholders for their continued patronage and co-operations.

DIRECTORS:

During the year Ms.Usha Natarajan and Mr.lakshmi pathy retire by rotation.

DEPOSITS:

The Company has not accepted any deposit from the public.

DIRECTOR'S RESPONSIBILITY STATEMENT:

As required under section 217 of the Companies Act, 1956 the Directors hereby confirm that :

1. In the preparation of the annual accounts, the applicable accounting standards has been followed along with proper explanation relating to material departures.
2. The Directors had selected such accounting policies and applied them consistently and made judgements 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 and of the profit of the company for that period.

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3. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. The Directors had prepared the annual accounts on a going concern basis.

AUDITOR AND AUDITOR REPORT:

The Board recommends the appointment of Mr.A.Chinnappan , Chartered Accountant as the auditors of the company from the conclusion of the ensuing the Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be fixed by the Board. A letter from the auditor about the compliance under section 224(1B) of the companies Act, has been duly received.

CORPORATE GOVERNANCE:

Your company has always striven to incorporate appropriate standards for good corporate governance. It has taken adequate steps to ensure that all mandatory provisions of corporate governance as prescribed under the amended listing agreements of the Stock exchanges, with which the company is listed are complied with. A separate report on corporate governance is produced as a part of the annual report.

CONSERVATION OF ENERGY , TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS/ OUTGO:

The company has no activity relating to conservation of energy or technology absorption. The company did not have any foreign exchange earnings or out go during the year.

STATEMENT UNDER SECTION 217(2A) ON PERSONNEL:

Particulars of Employees pursuant to Section 217(2A) of the Companies Act, 1956 are not applicable since none of the employees are in receipt of remuneration in excess of the limits specified herein during the period under review:

ACKNOWLEDGEMENTS:

Your Directors wish to place on record their deep appreciation of the dedication and commitment of employees to the growth of your company during the year. Your Directors also express their sincere gratitude to the Bankers, consultants, Auditors and the shareholders for their continued patronage and cooperation.

**By Order of the Board
For Telesys Software Limited**

Place:Chennai
Date:30.06.2006

(Usha Natarajan)
Director

(Y.Satya Kumar)
Managing Director

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STATEMENT AND REPORTS ON CORPORATE GOVERNANCE:

A MANDATORY REPORTS ON CORPORATE GOVERNANCE:

I. Company's Philosophy on Corporate Governance:

The Company's philosophy is aimed at exhibiting maximum transparency to the investors by providing them with more information. This is done not only with the information that are to be revealed under mandatory provisions but also with those information which according to the Management and the Board are relevant to the investors and other Statutory Authorities to whom these Reports are addressed to:

II. BOARD OF DIRECTORS:

Name	Designation	Category	No of Board Meetings attended during 2005-06	Whether attended the Last AGM	No of Directorships in public companies	No of other Board committees in which he/she is Member or Chairperson
Mr.Y.Satyakumar	Managing Director	Executive	6	Yes	NII	NII
Ms.Usha Natarajan	Director	Executive	6	Yes	NII	NII
Mr.Bhusan Babu	Director	Non Executive	6	Yes	NII	NII
Mr. Rajkumar Suriya Prakash	Director	Non Executive	6	Yes	2	2
*Mr.Lakshmipathy	Director	Non Executive	3	Yes	NII	NII

* Appointed on 15.07.2005

The Board of Directors comprise of Two Executive Directors, and Three Independent Directors.

BOARD MEETINGS:

Six Board Meeting were held on the following dates:

11.5.2005,29.6.2005,30.6.2005,8.8.2005,31.10.2005 and 31.1.2006

None of the Directors is member in more than 10 committees or acting as Chairman of more than Five Committees.

III.AUDIT COMMITTEE:

Constitution:

The Committee consists of 3 Directors.

1.Mr. Lakshmi Pathy – Chairman

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2.Mr. Rajkumar Suiya Prakash– Director

3.Mr.Bhushan Babu – Director

The Committee is chaired by Mr.Lakshmi Pathy

TERMS OF REFERENCE:

The charter of the committee is an prescribed under clause 49 of the Listing Agreement viz.,

1. Oversight of Company's Financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
2. Recommending the appointment and removal of external auditors, fixation of audit fee and also approval of any other services.
3. Reviewing with the management the annual financial statements before submission to the Board focusing primarily on:
 - i) Any charges in accounting policies and practices.
 - ii) Major accounting entries based on exercise of judgment by Management.
 - iii) Qualification in draft audit report.
 - iv) Significant adjustments arising out of audit.
 - v) The 'Going Concern' assumption.
 - vi) Compliance with Accounting Standards.
 - vii) Any related party transaction ie., transaction of the company of material nature with promoters of the management and their subsidiaries or relatives etc., that may have potential conflict with the interest of the company at large.
4. Reviewing with management, external and Internal audit function including the structure of internal control system.
5. Reviewing the adequacy of internal audit function including the structure of Internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
6. Discussing with internal auditors any significant findings and follow up thereon.
7. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud and irregularity or a failure of internal control systems of a material nature and reporting the matter of the Board.
8. Discussing with the external auditors before the audit commences, nature and scope of audit, as well as post-audit discussion to ascertain any area of concern.
9. Reviewing the company's financial and risk management policies.
10. Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividend) and creditors.

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Meetings and attendance:

The Audit committee met 3(Three) times during the year i.e, on 30.6.2005, 31.10.2005 and 31.1.2006 and all the director have attended all the three (3) the meetings.

IV. REMUNERATION COMMITTEE:-

Constitution:

The Committee consists of 3(Three) directors.

- 1.Mr. Rajkumar Suriya Prakash. - Chairman
- 2.Mr. Bhushan Babu - Director
- 3.Mr. Satya Kumar - Director

The committee is headed by MrRajkumar Suriya Prakash.

TERMS OF REFERENCE:

The Remuneration committee has been constituted to recommend and review the remuneration packages of the Managing Director, Whole Time Directors and to formulate a broad policy for management remuneration .

REMUNERATION POLICY:

The Remuneration Policy as outlined by the committee aims at recognizing and rewarding performances and achievements, while fixing the remuneration of Directors, their contribution by way of their professional. This policy is in tune with current national and international practices.

Meetings and Attendances:

During the year 2005-06, the committee met once i.e on 31.10.2005.

Details of Remuneration of Directors:

Name	Salary per annum	Perquisites	Commission	Contribution to Provident fund	Sitting Fees	Stock Option	Total Rs
Mr.Y.Satya kumar	120000	NII	NII	NII	NII	NII	120000
M s . U s h a Natarajan	120000	NII	NII	NII	NII	NII	120000
Total	240000	NII	NII	NII	NII	NII	240000