

TELESYS SOFTWARE LIMITED



Annual Report

2007 - 2008

TELESYS SOFTWARE LIMITED

BOARD OF DIRECTORS :

1. Heera Chand Surana	Chairman
2. Y.Satya Kumar	Director (Managing Director Upto 10.12.2007)
3. AXN Prabhu	Director (Upto 12.06.2008)
4. R.Vednarayanan	Director
5. MVC Kutty	Director (Upto 12.06.2008)
6. Thavachithan Vaithylingam Palaniswamy	Director (from 12.06.2008)
7. Pandian Kashi	Director (from 12.06.2008)

AUDITORS : Venkat & Rangaa
Chartered Accountants
12, Krishnapuri, RA Puram,
Chennai - 600 028.

BANKERS : Tamilnadu Mercantile Bank
Mount Road Branch,
Chennai – 600 002

REGISTERED OFFICE :

New No.33, Old No. 15, Postal Colony, First Street,
West Mambalam, Chennai – 600 033.
(Upto 1st October, 2007)

No.6, First Floor, Sixth Cross Street,
CIT Colony, Mylapore, Chennai - 600 004.
(Upto 03.07.2008)

New No.72, Old No.33, First Floor,
Giri Road, T. Nagar, Chennai - 600 017.
(w.e.f. 03.07.2008)

SHARE TRANSFER AGENTS : M/s.CAMEO CORPORATE SERVICES LIMITED
#1, Subramaniam Building,
Club House Road, Mount Road,
Chennai – 600 002.
Phone: (044) 28460390 (5 Lines)
Fax: (044) 28460129

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NOTICE

SIXTEENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Sixteenth Annual General Meeting of the Company will be held at Nalvar Thirumana Maligai, 136 (48) SRP Koil Street, Agaram, Chennai - 600 082 on Tuesday, 30th September, 2008 at 9.30 A.M. to transact the following business:

ORDINARY BUSINESS

1. To receive consider and adopt the Audited Balance Sheet as at 31.03.2008, the Profit & Loss account for the period from 01.04.2007 to 31.03.2008 and to consider the reports of the Directors and Auditors thereon.
2. To appoint a director in place of Shri R. Vednarayanan, Director who retires by rotation and being eligible offers himself for reappointment.
3. To appoint M/s. Venkat & Rangaa, Chartered Accountants, the retiring auditor, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the company at a remuneration to be fixed by the Board of Directors of the Company.

SPECIAL BUSINESS :

4. APPOINTMENT OF MR. THAVACHITHAN VAITHYLINGAM PALANISWAMY, ADDITIONAL DIRECTOR AS DIRECTOR

To consider and if thought fit pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Thavachithan Vaithylingam Palaniswamy who was appointed as an additional Director of the company at the meeting of Board of Directors held on 12th June, 2008 and who holds office as such upto the date of this Annual General Meeting of the company in terms of Section 260 of the Companies Act, 1956 ("Act") and in respect of whom the Company has received a notice in writing from a Member under section 257 of the Act proposing his candidature for the office of the Director of the Company be and is hereby appointed as a Director of the Company liable to retire by rotation."

"FURTHER RESOLVED THAT the Board of Directors of the Company be and are hereby authorized to do all acts, deeds and things which may be necessary to give effect to the above resolution."

5 APPOINTMENT OF MR. PANDIAN KASHI, ADDITIONAL DIRECTOR AS DIRECTOR

To consider and if thought fit pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Pandian Kashi who was appointed as an additional Director of the company at the meeting of Board of Directors held on 12th June, 2008 and who holds office as such upto the date of this Annual General Meeting of the company in terms of Section 260 of the Companies Act, 1956 ("Act") and in respect of whom the Company has received a notice in writing from a

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Member under section 257 of the Act proposing his candidature for the office of the Director of the Company be and is hereby appointed as a Director of the Company liable to retire by rotation."

"FURTHER RESOLVED THAT the Board of Directors of the Company be and are hereby authorized to do all acts, deeds and things which may be necessary to give effect to the above resolution."

6 APPOINTMENT OF MR. Y. SATHYAKUMAR AS A WHOLE TIME DIRECTOR OF THE COMPANY:

To consider and if thought fit pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 ("Act") as amended or reenacted from time to time, read with Schedule XIII to the Act and the Articles of Association of the Company, the Company hereby accords its approval to the appointment and terms of remuneration of **MR. Y. SATHYAKUMAR** as **WHOLE TIME DIRECTOR** of the Company for a period of five years with effect from September 30, 2008 upon the terms and conditions set out in the Explanatory Statement annexed to the Notice convening this Annual General Meeting, including remuneration to be paid in the event of loss or inadequacy of profits in any financial year, with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment in such manner as may be agreed to between the Board of Directors and Mr. Y. Sathyakumar and that Mr. Y. Sathyakumar shall not while holding office be subject to retirement by rotation."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things, as in its absolute discretion, it may consider necessary, expedient or desirable, in order to give effect to the foregoing resolution or otherwise considered by it to be in the best interests of the Company."

BY ORDER OF THE BOARD OF DIRECTORS

Sd/-

Heerachand Surana
(Director)

Place : Chennai

Date : 04/09/2008

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND TO VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. A PROXY FORM IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT LEAST 48 HOURS BEFORE THE GENERAL MEETING AT THE REGISTERED OFFICE OF THE COMPANY.
3. THE EXPLANATORY STATEMENT SETTING OUT THE MATERIAL FACTS CONCERNING SPECIAL BUSINESS IN RESPECTS OF ITEM NOS. 4, 5, AND 6 OF THE ACCOMPANYING NOTICE AS REQUIRED BY SECTION 173 OF THE COMPANIES ACT, 1956 IS ANNEXED HERETO.

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4. THE REGISTER OF MEMBERS AND THE SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED FROM TUESDAY, 23RD SEPTEMBER, 2008 TO TUESDAY, 30TH SEPTEMBER, 2008 (BOTH DAYS INCLUSIVE) IN CONNECTION WITH THE ANNUAL GENERAL MEETING.
5. 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.
6. REAPPOINTMENT OF DIRECTORS

At the ensuing Annual General Meeting Shri R. Vednarayanan retire by rotation and being eligible offers himself for reappointment. Pursuant to Clause 49(VI)(A) of the Listing Agreement relating to the code of Corporate Governance, the particulars of the aforesaid Director are given below:

Profile of Directors retiring by rotation:

a) Shri R. Vednarayanan

Shri R. Vednarayanan aged about 47 years is a practicing Chartered Accountant and has a rich and varied experience in the field of accounting, audit, taxation, project finance and corporate procedures.

Shri R. Vednarayanan who joined the company on 30th September, 2006 as a Non-Executive Independent Director has contributed in various ways by bringing external and wider perspective and independence to the decision making thereby contributing towards improving the efficiency of the company. He is the Chairman of the Audit Committee and member of the Remuneration Committee and Shareholders/ Investors Grievance Committee of the Board of Directors of the Company.

The other directorships/ committee memberships of Shri R. Vednarayanan are: NIL

TELESYS SOFTWARE LIMITED**ANNEXURE TO THE NOTICE**

Explanatory Statement as required by Section 173 of the Companies Act, 1956 ('the Act')

The following Explanatory Statement relating to Special Business at Item Nos. 4,5, and 6 of the accompanying Notice sets out all material facts as required under Section 173 of the Act.

Item No. 4:

Mr. Thavachithan Vaithylingam Palaniswamy was appointed as an additional director by the Board of Directors of the Company pursuant to Section 260 of the Companies Act, 1956 with effect from 12th June, 2008. The Company has received a notice in writing from a member under section 257 of the Companies Act, 1956 signifying his intention to propose Mr. Thavachithan Vaithylingam Palaniswamy as a candidate for the Office of director of the Company. Aged 49 years, a science graduate with an enormous experience in industry and business, his appointment as a Non-Executive Independent Director will strengthen the board. Other Directorships/Committee Memberships are NIL.

The Board recommends the above resolution for your approval.

None of the Directors of the Company except Mr. Thavachithan Vaithylingam Palaniswamy are concerned or interested in the above resolution.

Item No. 5:

Mr. Pandian Kashi was appointed as an additional director by the Board of Directors of the Company pursuant to Section 260 of the Companies Act, 1956 with effect from 12th June, 2008. The Company has received a notice in writing from a member under section 257 of the Companies Act, 1956 signifying his intention to propose Mr. Pandian Kashi as a candidate for the Office of director of the Company. Aged 40 years, a science graduate with an enormous experience in industry and business, his appointment as a Non-Executive Independent Director will strengthen the board. Other Directorships/Committee Memberships are NIL.

The Board recommends the above resolution for your approval.

None of the Directors of the Company except Mr. Pandian Kashi are concerned or interested in the above resolution.

Item No. 6:

The Board of Directors recommend the appointment of Mr. Y. Sathyakumar as the Whole time Director of the Company for a period of five years w.e.f. 30th September, 2008.

Mr. Y. Sathyakumar aged about 37 years is a graduate and has rich and varied experience in the field of industry, business and Corporate Management.

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Mr. Y. Sathyakumar who joined the company on 10th February, 2002 as a Director was appointed as the Managing Director of the Company for a period of 5 years w.e.f. 10th December, 2002. He has contributed in various ways towards improving the working efficiency of the company. He is a member of the Audit Committee and is the Chairman of the Shareholders/Investors Grievance Committee of the Board of Directors of the Company.

The Board considers that the appointment of Mr. Y. Sathyakumar as a Whole time Director of the Company will contribute in various ways towards the progress of the company since he has requisite experience and expertise in services. It is recommended to utilise his services for the betterment of the company.

The remuneration payable to Mr. Y. Sathyakumar as Whole time Director as approved by the Remuneration Committee in its meeting is subject to a limit of Rs. 1,20,000/- p.a.

Where in any financial year during the currency of tenure of the Whole time Director the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites not exceeding the limits as specified above. The Board of Directors have liberty to alter and vary the aforesaid terms and conditions relating to remuneration in line with such amendments as may be made from time to time to the Companies Act, 1956.

Mr. Y. Sathyakumar shall not while holding office be subject to retirement by rotation.

The appointment is terminable by notice by either party of 60 days.

Your directors recommend to pass ordinary resolution as set out in the notice.

Mr. Y. Sathyakumar may be deemed to be interested in this resolution as it concerns him. No other director is concerned or interested in the passing of this resolution.

This should also be considered as an abstract of the terms of appointment of Whole time Director and Memorandum as to the nature of the concern or interest of the Directors in the said appointment as required under section 302 of the Companies Act, 1956 or any amendment or modification thereof.

BY ORDER OF THE BOARD OF DIRECTORS

Sd/-
Heerachand Surana
(Director)

Place : Chennai
Date : 04/09/2008

TELESYS SOFTWARE LIMITED**DIRECTORS REPORT**

Your Directors are happy to present the Sixteenth Annual Report of your company together with the Audited Accounts of the Company for the financial year ended 31st March 2008.

FINANCIAL HIGHLIGHTS:

During the year under review, the company has incurred a loss of Rs. 16,535,817 as against a loss of Rs. 2,764,111/- during the previous year. The financial results of the company compared to the previous year are summarized as under:

Particulars	31.03.2008	(Rs.) 31.03.2007
Income	83,423,178.00	38,591,562.00
Profit / (Loss) before Depreciation and Tax	(13,593,341.00)	1,421,538.00
Less: Depreciation	3,030,259.00	4,991,237.00
Profit/ (Loss) Before Tax	(16,623,600.00)	(3,569,699.00)
Provision for FBT	31,251.00	8,196.00
Provision for Taxation - Current	353,772.00	303,552.00
Provision for Deferred Tax	(472,806.00)	(1,117,336.00)
Profit/ (Loss) After Tax	(16,535,817.00)	(2,764,111.00)
Balance Brought Forward	(53,285,621.00)	(50,521,510.00)
Balance carried over to Balance Sheet.	(69,821,438.00)	(53,285,621.00)
EPS (Basic) (Diluted)	(0.72)	(0.15)
Weighted average number of shares	23,235,250	23,235,250

REGISTERED OFFICE:

The Registered Office of the Company was changed from New No. 33, Old No. 15, Postal Colony, 1st Street, West Mambalam, Chennai – 600 033 to No. 6, First Floor, Sixth Cross Street, CIT Colony, Mylapore, Chennai – 600 004 with effect from 1st October, 2007 to facilitate operational convenience. The Registered Office was further changed to New No. 72, Old No. 33, First Floor, Giri Road, T. Nagar, Chennai – 600 017 w.e.f. 03.07.2008 looking at better prospects from the new location.

MATERIAL CHANGES AND COMMITMENTS:

There have been no material changes & Commitments, which have occurred between the end of the financial year of the company to which the balance sheet relates and the date of the report affecting the financial position of the company.

RESERVES:

The company does not propose to carry any amount to reserves during the financial year in view of the loss incurred by the company.

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DIVIDEND:

Your directors do not wish to recommend any dividend in view of the loss incurred by the company.

DEPOSITS

The Company has not accepted any public deposits during the financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

a) Economic Overview

The Economy retards to 8.7% in the year 2007-08 which was expected and it appears difficult to sustain 9% rate of economic growth. Inflation was recorded to be 4.4 % which was found to be less than 5.6% last year. Fuel and power constituted the main subscribers to inflation. The Government plans an aim of 9 % GDP growth during 11th Five Year Plan. The Investment climate was full of optimism.

b) Industry Structure, Development and Outlook

The growth in services sector continued to be broad based. Software services were the main drivers of growth. The real estate sector witnessed a slow down. The management is also planning diversification in areas of Infrastructures Development, Power sector etc. to improve the performance of the company and in turn enhance shareholders value.

c) Business performance and Segment Reporting

During the year under review, the company has incurred a loss of Rs. 16,535,817/- as against a loss of Rs. 2,764,111/- during the previous year. The performance of the company is expected to improve during the coming years with increasing efforts being made in the direction of improving the working efficiency of the company.

d) Segment

The company operates in only one segment that is Software development and sales in India only.

e) Internal Control System and its adequacy

The system of internal control has been established to provide reasonable assurance of safeguarding assets and maintenance of proper Accounting records and its accuracy. The business risks and its control procedures are reviewed frequently. Systems audit is also conducted regularly to review the systems with respect to Security and its Adequacy. Reports are prepared and circulated to Senior Management and action taken to Strengthen controls where necessary.

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f) Risk Management

Risk evaluation and management is an ongoing process in the company.

g) Human resources and Industrial relations

Your company continues to have cordial relations with its employees.

DIRECTORS

Shri R. Vednarayana, Director of the company retires by rotation at the ensuing Annual General Meeting of the Company and being eligible offers himself for reappointment.

Shri Thavachithan Vaithylingam Palaniswamy and Shri Pandian Kashi were appointed as additional directors of the company w.e.f. 12.06.2008 by the Board of Directors of the company in accordance with Section 260 of the Companies Act, 1956. They hold office upto the conclusion of the ensuing Annual General Meeting of the Company to be held on 30th September, 2008. The requisite notices together with necessary deposits have been received from members pursuant to section 257 of the Companies Act, 1956 proposing the appointment of Shri Thavachithan Vaithylingam Palaniswamy and Shri Pandian Kashi as directors of the company.

Shri AXN Prabhu and Shri MVC Kutty have resigned as directors of the company w.e.f. 12.06.2008. The Board places on record their sincere and deep appreciation for valuable services rendered to the company during their tenure as directors of the company.

The board recommends the appointment of Mr. Y. Sathyakumar as a Whole time Director of the company at the ensuing Annual General Meeting of the company. The remuneration payable to him has been approved by the Remuneration committee in its meeting.

AUDITORS:

M/s. Venkat & Rangaa, Chartered Accountants, Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting of the Company and being eligible offer themselves for reappointment. A written certificate pursuant to section 224(1B) has been obtained that their appointment if made will be within the limits specified therein. The Audit Committee in its meeting have recommended the reappointment of the Auditors.

AUDITORS REPORT:

There are no reservations, qualifications or adverse remarks contained in the Auditors Report.