

SARK SYSTEMS INDIA LIMITED

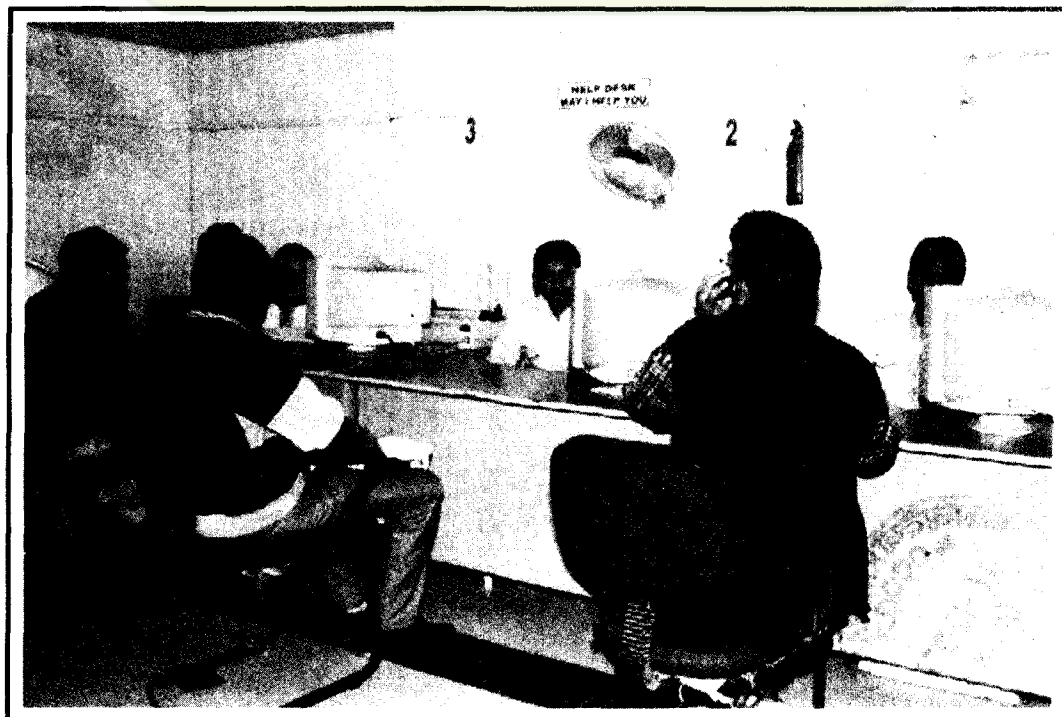
5th Annual Report



2002-2003



Sri Rakesh Mehta, Commissioner - MCD, Sri V.H Ron, CMD - ECIL and Sri J. Murali Krishna, MD-SARK at the time of MOU Signing of MCD Project.



Citizen Services Bureau set up at MCD, Delhi.

**BOARD OF DIRECTORS :****Sri J.S.R.Durga Prasad***Chairman***Sri J.Muralikrishna***Managing Director***Sri. J. Subrahmanyam****Sri. P.V. Narasimham****Dr.G.T.Murthy****Sri B.Shankar****Sri V.Umapathi****Sri G.Raghurama Sharma**

(Alternate to Sri D.Visweswara Rao)

AUDITORS :**Mahesh, Virender and Sriram**

Chartered Accountants

6-3-788-36 & 37 A,

Durga Nagar Colony

Hyderabad 500 016

BANKERS :**State Bank of Hyderabad.**

Commercial Branch

S.P. Road

Secunderabad.

REGD. & CORP. OFFICE :

6-3-801, 2nd Floor

Crystal Arcade

Ameerpet

Hyderabad – 500 016

C O N T E N T S

Notice of Annual General Meeting

Directors' Report

Reports on Corporate Governance

Auditors Report

Balance Sheet

Profit and Loss Account

Schedules Forming Part of Accounts

Cash Flow Statement

Proxy form -- Cum -- Attendance Slip

**NOTICE**

Notice is hereby given that the 5th Annual General Meeting of the company will be held on Monday, the 29th day of December 2003 at 10.30 A.M at Surana Udyog Auditorium, FAPCCI, 11-6-841, Redhills, Hyderabad 500 004 to transact the following business.

ORDINARY BUSINESS :

1. To receive consider and adopt the audited accounts of the company for the year ended 31st March 2003, and reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Sri. J.S.R. Durga Prasad who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Sri J. Subrahmanyam who retires by rotation and being eligible offers himself for re-appointment.
4. To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution:

“Resolved that M/s. Mahesh, Virender and Sriram, Chartered Accountants, the retiring Auditors, be and are hereby appointed as Auditors of the company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting at a remuneration as may be fixed by the Board of Directors and reimbursement of out of pocket expenses.”

SPECIAL BUSINESS :

5. To renew the appointment of Sri. J. Murali Krishna as Managing Director.

To consider and if thought fit to pass the following resolution as a Special Resolution.

“RESOLVED THAT pursuant to the provisions of Section 269,314 and Schedule XIII of the Companies Act, and other applicable provisions if any of the Act, Sri. J. Murali Krishna be and is hereby appointed as the Managing Director of the Company for a period of five years with effect from 25.01.2004 on a consolidated pay of Rs. 12.00 lacs per annum.”

Hyderabad
27th September, 2003

By order of the Board
For SARK Systems India Ltd.

Sd./-
(J.Muralikrishna)
Managing Director

**Notes :**

1. A Member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote for himself. A proxy need not be a member. Proxies in order to be valid shall be deposited with the registered office of company 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 28-12-2003 to 29-12-2003 (both days inclusive)
3. Members / Proxies attending the meeting are requested to bring the attendance slip sent with Annual report and handover the same at the entrance duly filled and signed.
4. Members who hold their shares in dematerialised form are requested to bring their client ID and DP numbers for easy identification of attendance at the meeting.
5. Share holders are requested to bring their copy of Annual report to the Meeting.
6. Share Holders are requested to intimate immediately any change in their address and bank account details registered with the company in case of physical holders and in case of demat holders to their DP holders directly .
7. Re-appointment of Directors

At the ensuing Annual General Meeting , Sri. J.S.R. Durga Prasad and Sri. J. Subrahmanyam retire by rotation and being eligible offer themselves for re-appointment . The information details to be provided for the aforesaid Directors under Corporate Governance code are as under:

- a) Sri. J.S.R. Durga Prasad : FCA, AICWA aged 42 years. He is the Proprietor of M/s. Durga Prasad Associates, Chartered Accountants and having a specialisation in Taxation, Project Finance and Audit.
- b) Sri J.Subrahmanyam : Aged 68 years is a qualified Cost and Management Accountant. He has worked with Indian Railways and Bharat Heavy Electricals Ltd etc. in senior capacity in Finance and Audit Functions.

EXPLANATORY STATEMENT

(Pursuant to the provisions of Section 173(2) of the Act.)

Item No. 5 :

Sri. J. Murali Krishna was appointed as Managing Director in the Extra Ordinary General Meeting held on 25th day of January 1999 for a period of five years and his appointment holds good upto 24th day of January 2004 and the Board recommends for his reappointment for another period of five years (upto 24.01.2009).

None of the Directors are interested in the above resolution except Sri. J.S.R. Durga Prasad and Sri. J. Murali Krishna.



DIRECTORS' REPORT

The Directors have pleasure in presenting their 5th Annual Report together with the Audited Accounts for the financial year ended 31st March 2003.

FINANCIAL RESULTS :

Rs in Lakhs

Description	2002-2003	2001-2002
Total Income	400.37	573.74
Profit before Interest, Depreciation and Taxation	150.97	194.42
Interest	22.06	24.40
Depreciation	73.03	58.14
Preliminary & Public issue expenses w/off	2.87	2.87
Profit before Taxation	53.00	109.01
Provision for Taxation		
Income Tax	4.74	8.43
Deferred Tax	17.72	—
Profit after Taxation	30.54	100.58
Balance brought forward	123.60	55.66
Amount available for the appropriations		156.24
Proposed Dividend	NIL	29.25
Corporate Dividend tax	NIL	—
Prior period adjustments -Deferred tax of earlier yrs	81.99	3.39
Surplus carried forward	72.15	123.60

Dividend :

The company is implementing the prestigious Citizen Services Project in Delhi that has 12 to 18 months of gestation period. Revenues from this project are expected to be substantial in the coming years.

To conserve the resources of the Company your Directors are not proposing any dividend for the financial year 2002-2003.

Management Discussion and Analysis:

E-Governance:

The focus of the company has successfully moved into the e-governance area by winning the Municipal Corporation of Delhi (MCD) citizen service contract for a period of 5 years, in consortium with Electronics Corporation of India Limited.

Honourable Chief Minister of Delhi, Smt. Sheila Dixit has inaugurated the first citizen service bureau(CSB) and Data Center on February, 19th 2003 and subsequently all the 13 CSBs have been started. The company has established first RF Metro Network of large size based on IEEE 802.11x standard across Delhi.



Other services such as bill collection for utilities - water, power and telephone- are under market exploration and many of them are expected to fructify by the end of next year. Considering the complexity and variety of MCD operations the development and system stabilisation is expected to take 8 to 12 months. Hence revenues are expected to flow from the project from April, 2004.

The company has successfully launched software for operations management of Panchayats and received orders for about 25 Panchayats from various districts in Andhra Pradesh. It is felt that Internet/Communication network providing as a value added service along with the application may deliver more value to the customer - Government for better monitoring and Rural Population for better reach. The company is exploring the technology alternatives such as CORDECT / 802.11x as network technology back end to facilitate integrated rural services. The intended solution will bring continuous revenues to the company from Panchayat and also facilitate launch of new solutions to become source of new revenue pools.

The company has initiated software development on other local bodies administration to widen the e-governance spectrum of solutions.

Public Transport Solutions :

The management is analyzing the market space to find the customer needs more precisely.

Bio-Metric solutions:

The company has developed solutions for attendance management using biometrics. Integrated employee administration suite covering attendance, payroll and PF is under development to enhance the customer benefit and deliver it as a service. Few enquiries are being pursued in this direction.

Operations and Outlook:

The company expects to maintain moderate growth for the coming year and then leap forward as the infrastructure placed in Delhi starts yielding results handsomely.

Replies to Auditors Report:

1. Confirmation of balances is an ongoing process and re-conciliation is done on regular basis.
2. Gratuity policy – the company has decided to take an insurance policy to cover gratuity liability.

**Projections Vs Actuals****PERFORMANCE Vs PROJECTIONS**

(As required under Clause 43 of Listing Agreement)

	Rs. in Lakhs	
	Year ended 31-03-2003	
	Results	Projection
TOTAL INCOME	400.37	1352.00
EXPENDITURE:		
Software Development Expenditure	135.57	608.40
Administrative & Marketing Expenses	113.83	189.28
Depreciation	73.03	54.63
TOTAL EXPENDITURE	322.43	852.31
Profit before Interest and taxation	77.93	499.69
Interest on Term Loan	22.06	2.11
Public Issue and Incorporation expenses w/off	2.87	17.99
Profit before Taxation	53.00	479.59
Taxation	22.46	117.99
PROFIT AFTER TAX	30.54	335.87
Dividends	—	234.00
Dividend Tax	—	25.74
Transfer to Balance sheet	30.54	101.87
Add: Depreciation	73.03	54.63
Add: Public Issue and Pre-operative expenses w/off	2.87	17.99
Net Cash accruals	106.44	174.49
PAT / Sales (%)	7.63	24.84
EPS (Rs.)	0.52	5.74

Internal Control Systems and their adequacy:

Adequate internal control systems are in vogue commensurate with the size of the operations of the organization. Continuous efforts are being made by constant review to improve the same.

Material Developments in Human Resources/Industrial Relations:

The morale of the employees is high and adequate steps are being taken for continuous training of staff in new technologies to take up challenging assignments. The company has 57 people on its rolls as on 31st March 2003.

**Directors Responsibility statement :**

The Directors would like to inform the members that the Audited Annual Accounts for the year ended 31-03-2003 are in full conformity with the requirements of Companies Act 1956. The Directors further confirm that,

- In preparation of the Annual Accounts the applicable accounting standards have been followed with proper explanation if and where required.
- The accounting policies selected and consistently applied are reasonable. Prudent judgment and estimates are made so as to give a true and fair view of the state of affairs of the company for the year.
- The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for providing and detecting fraud and irregularity.
- The Directors had prepared the Annual Accounts on a going concern basis.

Directors :

Sri. J.S.R. Durga Prasad and Sri. J. Subrahmanyam retire by rotation and being eligible offer themselves for re-election.

Sri. J. Murali Krishna, Managing Director was appointed for a period of five years and his appointment holds good only upto 24th day of January 2004 and the Board recommends for his reappointment for another period of five years.

Information U/S 217(i)(e) of the Companies Act, 1956 read with the report of the Board of Directors Rules 1988 and forming part of Directors report.**A. Conservation of Energy**

The Business activities require minimal energy consumption. However measures are taken to conserve energy, as far as possible through energy efficient Systems.

B. The Company has not setup a formal R& D unit and is developing the products within the existing facilities.**C. Technology Absorption : The company has not imported any Technology.**

		Rs. In Lakhs.	
		2002-2003	2001-2002
D. Foreign Exchange Earnings	:	—	—
Foreign Exchange out go	:	1.01	4.94

Particulars of Employees :

There are no employees drawing Rs.12,00,000/- or more per year, who worked for complete year or Rs.1,00,000/- or more per month who worked for part of the year.

Auditors :

M/s. Mahesh, Virender and Sriram, Chartered Accountants, the Company's Auditors retire and are eligible for re-appointment.