

SARK SYSTEMS INDIA LIMITED

11th ANNUAL REPORT 2008-09

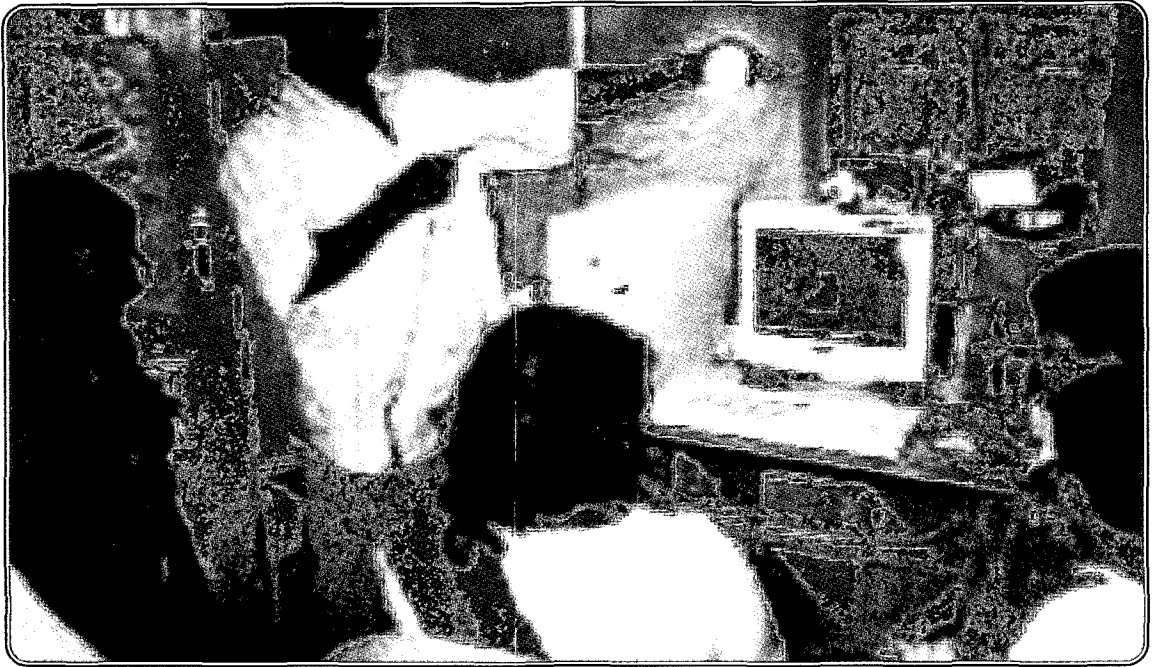


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**TELE-MEDICINES INITIATED BY GOVERNMENT OF INDIA THROUGH
OUR CSCs IN HARYANA**



SARK SYSTEMS INDIA LIMITED

BOARD OF DIRECTORS:

Sri J.S.R. Durga Prasad

Sri J. Murali Krishna

Sri. P.V. Narasimham

Sri. Guhan Subramaniam

(Sara Fund Trustee Company (P) Ltd managed by IL & FS)

Sri V. Umapathi

Dr. G.T. Murthy

Chairman

Managing Director

Director

Nominee Director

Director

Director

AUDITORS:

Mahesh, Virender and Sriram

Chartered Accountants

6-3-788-36 & 37 A

Durga Nagar Colony

Hyderabad 500 016

BANKERS:

UCO Bank

Axis Bank Ltd

State Bank of India

REGD. & CORP. OFFICE:

6-3-801, 2nd Floor

Crystal Arcade

Ameerpet

Hyderabad - 500 016

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SARK SYSTEMS INDIA LIMITED

NOTICE

Notice is hereby given that the 11th Annual General Meeting of the members of SARK SYSTEMS INDIA LIMITED will be held on 30th day of September 2009 at 3:00 p.m at Seminar Hall, Institute of Engineers (India), Khairatabad, Hyderabad - 500 004 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider, approve and adopt the audited Balance Sheet as on 31st March, 2009 and Profit and Loss Account of the Company for the year ended 31st March, 2009 and reports of the Directors' and Auditors' thereon.
2. To appoint a Director in the place of Sri P V Narasimham, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint M/s Mahesh, Virender and Sriram as Auditors of the Company and fix their remuneration.

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass with or without modification(s), the following as a **Special Resolution**.
 "RESOLVED that pursuant to the provisions of Section 198, 269, 309, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and such other approvals as may be required, Sri J.Murali Krishna, Managing Director be and is hereby re-appointed as Managing Director and for payment of remuneration, perquisites for a period of five years with effect from 24.01.2009 as set out hereunder:
 SALARY: Rs. 1,20,000/- p.m., Variable pay of Rs. 30000 p.m. and commission on profits upto maximum of 1%.
 "RESOLVED FURTHER that in the event of absence of or inadequacy of profits in any financial year, Sri J.Murali Krishna, Managing Director be paid salary and perquisites as minimum remuneration the limits specified under Section II of Par II of Schedule XIII to the Companies Act 1956".
 "RESOLVED FURTHER that the Board of Directors of the company (hereinafter referred to as 'the board' which term shall be deemed to include any committee thereof) be and is hereby authorized to vary and / or revise the remuneration of Sri J.Murali Krishna, Managing Director within and in accordance with the limits prescribed in Schedule XIII of the Act or in accordance with the changes that may be effected in Schedule XIII of the Act and / or any amendments and / or modifications that may be made by the Central Government in that behalf from time to time or any amendments or re-enactment of the relevant provisions of the Act."
5. To alter Articles of Association to incorporate new Articles:

To consider and if thought fit to pass with or without modification(s), the following resolution as a **Special Resolution**.

"RESOLVED THAT pursuant to Section 31 and all other applicable provisions, if any, or the Companies Act, 1956, the Articles of Association of the Company be altered by inserting the following new Article as stated below :

Article 97-B after Article 97-A:

Article 97 - B : Notwithstanding anything to the contrary contained in these Articles, so long as any monies remains owing by the Company to the IFIN (hereafter in this Article referred to as "The Corporation"), the Nominee Director/s of IFIN shall have veto rights on key aspects viz.,

- (i) Expansion / Diversification
- (ii) Changes in Capital Structure
- (iii) Sale / Amalgamation / Restructuring
- (iv) IPO / issuance of equity
- (v) Annual Budgets
- (vi) Appointment / Change of Auditors
- (vii) Liquidation / Winding up

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to take all suitable steps and to do all the deeds, matters and things as may be required to implement the above said Resolution."

By Order of the Board

Place: Hyderabad
Date: 04.09.2009

J. Murali Krishna
Managing Director



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NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy and vote instead of himself / herself and such a proxy need not be a member of the company. The proxy forms in order to be valid shall be lodged with the company not later than 48 hours before the meeting.
2. An explanatory statement pursuant to section 173(2) of the Companies Act, 1956, in respect of Special Business Item No.4 is annexed hereto.
3. The Share Transfer Register and Register of members of the Company will remain closed from 23rd day of September, 2009 to 30th day of September, 2009 (both days inclusive).
4. Members / Proxies attending the meeting are requested to duly fill in and sign in the enclosed attendance slip with their copy of Annual Report to the Meeting.
5. Members who hold their shares in dematerialized form are requested to bring their Client ID and DP numbers for easy identification of attendance at the meeting.
6. Shareholders 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. Pursuant to the requirements of the Listing Agreement of Stock Exchanges on Corporate Governance, the information about the Directors proposed to be reappointed is given in the annexure to the Notice.
8. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
9. The copy of Memorandum & Articles of Association of the Company is available for inspection by the members on any working hours of the Company and also at the place of meeting till conclusion of meeting.

EXPLANATORY STATEMENT

(Pursuant to the Section 173 (2) of the Companies Act, 1956)

Item No.4

The members at 5th Annual General Meeting held on 29.12.2003 reappointed Sri J.Murali Krishna, as the Managing Director of the Company for a period of 5 (five) years with effect from 24th January, 2004. The present tenure of Sri J. Murali Krishna as Managing Director expired on 23rd January, 2009.

Due to the global economic slowdown, your Directors anticipated the low financial performance and low profits for the year 2008-09. However considering the contribution of Sri J. Murali Krishna in progress of the Company during his tenure, the Remuneration Committee and Board of Directors in their meetings held on 29th January, 2009 approved the reappointment of Sri J.Murali Krishna, as Managing Director and decided to pay the remuneration in accordance with Schedule XIII subject to the approval of shareholders.

The explanatory statement read with the proposed resolution may be treated as an abstract of the terms and re-appointment and memorandum of interest under section 302 of the Companies Act, 1956.

The Board approved the resolution as set out at item no.4 of the notice subject to approval of general body by way of Special Resolution.

None of Directors except Sri J.Murali Krishna and Sri J.S.R.Durga Prasad is interested / concerned in the resolution.

I) General Information:

1. Nature of Industry: Software Industry.
2. Date of commencement of commercial production: 16th November, 1998
3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospects : Not Applicable



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4. Financial Performance:

Particulars	2008-09	2007-08	2006-07
Turnover	1336.93	1059.50	712.28
PBDT	555.74	538.20	382.48
Depreciation	470.54	330.04	211.82
Taxation	62.05	82.40	63.23
Net Profit	23.14	125.75	107.43
Dividend Paid	NIL	NIL	NIL

5. Export Performance and net foreign exchange earnings : NIL

6. Foreign Investments or collaborators : NIL

II) Information about the appointee:

1. Background Details:

Sri J.Murali Krishna aged around 47 years is a Master in Business Administration from Jamnalal Bajaj Institute of Management Studies, Mumbai and entrepreneur with extensive experience in the field. He is in-charge of the affairs of the management since inception of the company and only the Executive Director (Promoter) at the Board level and expanded the activities of the Company.

2. Past Remuneration:

(Rs. in Lacs)

Year	2008-09	2007-08	2006-07
Total Remuneration	12.00	12.00	12.00

3. Job Profile and his suitability:

Sri J.Murali Krishna is fully involved in the day-to-day operations and affairs of the Company and his position involved significant managerial responsibility. Taking into account Sri J. Murali Krishna's efforts and the growth, the Company has achieved during his tenure, his qualification, experience and expertise of over 15 years the Board considers that his remuneration must be revised. The Board is confident that Sri J.Murali Krishna's vision, leadership and management capabilities will enable the Company to grow further.

4. Remuneration Proposed:

The remuneration proposed is Salary of Rs. 1,20,000/- p.m., Variable pay of Rs. 30000 p.m. and commission on profits upto maximum of 1% w.e.f 24th January, 2009

Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case expatriates the relevant details would w.r.t. the country of his origin): The remuneration proposed to be paid to him is comparable to others with the same experience handling responsibilities of same nature of a company. There is, however, not much comparison available in the market.

5. Pecuniary relationship:

Pecuniary relationship directly or indirectly with the company or relationship with the managerial personnel, if any : Apart from receiving remuneration and holding equity shares of the company, Sri J.Murali Krishna is not having any other pecuniary relationship with the company.

Sri J.S.R. Durga Prasad, Chairman is brother of Sri J. Murali Krishna.



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III) Other Information:

1. Reasons for inadequate profits:

Due to the global economic slowdown the business of the company has got affected during the year 2008-09.

2. Steps taken or proposed to be taken for improvement:

The Company is expecting good business in second half of 2009-10 as new Government is with sound economic policies.

3. Expected increase in productivity and profits in measurable terms:

The Company is expecting an increase of 25% in sales during the year 2009-10 as compared to 2008-09.

IV) Disclosures:

1. The shareholders of the company shall be informed of the remuneration package of the managerial person: Yes, this information has been furnished above.

2. The following disclosures shall be mentioned in the Board of Directors' report under the heading "Corporate Governance", if any attached to the annual report: This information has been furnished in this report.

Item No. 5

The Company has received sanction from IL & FS Financial Services Limited (IFIN) for a sum up to Rs.120mn for the project being put up by the Company vide its sanctioned letter Ref.BBY/OTL/08/23 February 13, 2008.

One of the conditions of the said sanction is that the Nominee Directors of IFIN shall have veto rights on all key aspects as mentioned in the Resolution, but the Articles are silent about the above referred requirement of IFIN. Hence, it is proposed to include Article 97-B.

Members are, therefore requested to pas this resolution as a Special Resolution.

None of the Directors of the Company, except the present Nominee of IFIN is concerned / interested in the proposed Resolution.



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DIRECTORS' REPORT AND MANAGEMENT DISCUSSION & ANALYSIS

The Directors have pleasure in presenting their 11th Annual Report together with the Audited Accounts for the financial year ended 31st March 2009.

FINANCIAL RESULTS:

(Rupees in Lakhs)

Particulars	2008-2009	2007-2008
Total Income	1336.93	1059.50
Profit before Interest, Depreciation and Taxation	629.59	591.99
Interest	73.86	53.79
Depreciation	467.47	326.97
Preliminary & Public issue expenses w/off	3.07	3.07
Profit before Taxation	85.20	208.16
Provision for Taxation		
Fringe Benefit Tax	1.08	1.04
Income Tax	8.80	23.58
Deferred Tax	52.17	57.78
Profit after Taxation	23.14	125.75
Balance brought forward from previous year	413.35	296.95
Amount available for the appropriations	436.49	422.70
Preference Dividend	8.00	8.00
Corporate Dividend tax	1.36	1.36
Surplus carried forward	427.13	413.34

BUSINESS OUTLOOK AND MANAGEMENT DISCUSSION:

Your directors have pleased to share with you that your company has completed eleven years.

Evolution:

The company started as an ERP Implementation and Client Server applications provider in the year 1998. SARK acquired the implementation partnership of BaaN and has many implementations in India and Abroad to its credit, in SME segment. It had one of the best implementation teams trained by BaaN itself. In the year 2001 as BaaN went into crisis, SARK tied up with Electronic Corporation of India Limited (ECIL), a public sector undertaking and entered into e-Governance Applications development and deployment.

Service to State Road Transport Sector:

SARK implemented computerized bus pass services and served many RTCs - Delhi Transport Corporation (2001-2007), North West Karnataka Transport Corporation (2003-4), North East Karnataka Corporation (2003-2004), Thane Municipal Transport Corporation (2004-2005), Navi Mumbai Municipal Transport Corporation (2004-2006), Metropolitan Transport Corporation Chennai (2004-2005). It has acquired the skills for rapid deployment of infrastructure and services management, multi location e-retailing services, citizen centric services management.

Entry into Local Body Management Applications:

SARK signed up with ECIL to implement the citizen services bureaus (CSB) project for Municipal Corporation, Delhi (MCD). The project went live in 2003 with SARK establishing state of the art data center and 12 CSBs to render range of G2C services include Issue of Birth and Death Certificates, Booking of Parks and Community Halls, Registration and Renewal of Licenses, Collection of property tax and other



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Municipal Dues. The project was expanded to setup ward wise CSBs at the desire of MCD, to include many other B2C and G2C services.

SARK was the first to facilitate in India launch of online registration of Births and Deaths by Institutions and facility for citizens to order certificates over internet. The portal enables the payment for Municipal services using electronic payment gateways.

MCD won many national and international awards in e-governance for applications and services render by SARK. Shri Abdul Kalam former President of India, Bimal Jalan, Former Governor of Reserve Bank of India have covered these developments in their publications in praise of these services. The MCD CSB project is due for renewal in the current year and your management is making the best possible efforts and hopeful of getting the extension of the same.

SARK has become an established player in the field of local body applications development and deployment. These applications development experience is being leveraged in CSC project, under implementation by SARK.

Common Service Centers (CSC):

The success of citizen service bureaus as single window service for all G2C services in AP (ESeva) and Delhi lead to adoption of this concept in many other State Head Quarters.

Ministry of IT, Government of India under national e-governance program (NeGP) launched a massive initiative to setup 100,000 common service centers in rural India to provide IT enabled citizen services of G2C and B2C. IL & FS is the national level service agency facilitating government in implementation of the same.

SARK bagged the order for setting up CSCs in two states - Haryana and Bihar for two divisions each in 2007-08. SARK is in the process of setting 2000 CSCs in both the states put together. SARK has completed the installation of 600 plus CSCs in the state of Haryana out of which 300 centers have been setup on franchise basis making the local village level entrepreneur (VLE) as the lead partner in rendering the services. SARK has setup over 700 centers in Bihar on the VLE model and expected to complete the installation of the remaining centers in the next two quarters. In this endeavour, we are helped by IL & FS and their sister concerns in Business Modeling, Services Innovation, and IL & FS has extended financial assistance to rollout the centers.

VLE (Franchisee) Business Model:

SARK has implemented the VLE (Franchisee) model to operate the CSC that has dual edge of operations cost control and leveraging local entrepreneurial skill. The franchisee model envisages collecting a caution deposit against the hardware and infrastructure being provided to facilitate the IT enabled services in rural India. To encourage rural development and entrepreneurship, the company offered the revenues from incidental services such as typing, printing and photography to VLE and entered into an agreement with VLE to charge Rs 1000/- as monthly infrastructure fee, thus over the period of contract the caution deposit gets self liquidated over the contract period.

The company has signed up agreement with Microsoft to provide digital literacy services which are expected to yield good revenues in the times to come. The company has signed up with State Bank of India (SBI) to offer banking services. Implementation of various government schemes such as old age pension, Kisan credit card, crop insurance, NREGA, are expected to result in huge opportunity in rural banking services where your company is taking a significant position. Your company received the mandate in Haryana for electricity bill collection services in one of the divisions and the same is expected to be extended to the other division also.

Portals for Rural Market:

The company developed rural specific portals for Rural Employment Registration services, Matrimony Services and Auctions for Rural produce and services. These portal are expected to mature in the next two years to generate substantial revenues.



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The company expects to reach a realization of Rs 2500 to Rs 3000 per center this year with 25% growth rate in Haryana and Bihar. These business models are expected to mature and yield good quantum of revenues in the later part of the project duration viz., 3rd year of implementation onwards. Some of the centers are being operated by own staff resulting in significant input cost is taken by the company to understand and drive the business.

Debtors Management:

The significant portion of the receivables are from Government - from Govt of AP, towards Ration card implementation (Rs 1.68Cr), CSB project Implementation at MCD (Rs 1 CR) and over Rs 3.6 Crs receivable but not yet due from Govt of Bihar towards BIC project (Receivable at the rate of RS 13 lakhs a month). All these debts are recoverable but delay in release of the same by governments is causing strain on the working capital. The company is exploring long term working capital funding sources.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:

Share capital:

The paid up share capital now stands at Rs.9,35,00,000 represented by 93,50,000 equity shares of Rs.10/- each and Rs.1,00,00,000 represented by 10,00,000 8 % Preference Shares of Rs.10/-each.

Reserves and surplus:

During the year under review the reserves and surplus stood at Rs.1163.73 lakhs as compared to Rs.1152.95 lakhs in the previous year.

Fixed Assets:

The gross fixed assets of the company stood at Rs.4587.45 lakhs as at the end of the current year as compared to Rs.3110.41 lakhs of previous year.

Net Current Assets:

The net current assets of the company have increased to Rs.633.53 lakhs as on 31st March, 2009 from Rs.928.79 lakhs as at 31st March, 2008.

Dividend on Equity:

Your Directors do not recommend any appropriation towards dividend on Equity Share Capital for the year ended 31st March, 2009.

Fixed Deposits:

The Company has not invited / accepted any fixed deposits within purview of Section 58 A during the year under review.

DIRECTORS:

In accordance with the provisions of Section 255 of the Companies Act, 1956 and the Company's Articles of Association, the Director Sri P V Narasimham who retires by rotation and being eligible offer himself for re-appointment at the ensuing Annual General Meeting.

DIRECTORS RESPONSIBILITY STATEMENT:

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following in terms of Section 217 (2AA) of the Companies Act, 1956.

- i. That in accordance with the preparation of the accounts for the financial year ended 31st March, 2009, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 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 and of the profit of the company for the year under review.