

# Annual Report 2009



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Annual Report 2009

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**Board of Directors**

Mr. S. Sreekanth Reddy	Chairman
Mr. M. Jagadeesh	Managing Director
Mr. Satish C.R. Kalva	Director
Mr. S. Krishna Reddy	Director
Mr. N.Satya Swaroop Reddy	Director
Mr. N.Hari Mohan	Director
Mr. K.Rakesh Rao	Director

**Auditors**

C. Ramachandram & Co.  
Chartered Accountants  
3-6-237, Unit 606, Lingapur La Builde Complex,  
Himayat Nagar, Hyderabad-500 029.

**Bankers**

Axis Bank Limited  
Banjara Hills, Hyderabad

HDFC Bank  
Lakdikapool Branch, Hyderabad

**Registered Office**

Plot No: 8-2-472/B/2, Road # 1  
Banjara Hills, Hyderabad –500 034

**Registrars and Share transfer agents**

M/s. Karvy Computershare Pvt. Ltd.,  
17-24, Vittal Rao Nagar  
Madhapur, Hyderabad-500 081

**SAGARSOFT (INDIA) LIMITED**

Registered Office:  
8-2-472/B/2, Road No.1, Banjara Hills, Hyderabad – 500 034

**NOTICE**

Notice is hereby given that the 13th Annual General Meeting of the Members of the Company will be held at 11.00 a.m. on Thursday, the 17th September, 2009 at Hotel Golkonda, Masab Tank, Hyderabad – 500 028, to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31<sup>st</sup> March, 2009 and the Balance Sheet as at that date together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri N.Hari Mohan, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Shri Satish C.R.Kalva, who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors for the company to hold office from the conclusion of the Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

**SPECIAL BUSINESS**

**5. Appointment of Managing Director**

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

**Resolved that** in accordance with the provisions of Sections 269, 309, 311 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII thereto, the consent is hereby accorded to the appointment of Shri M.Jagadeesh as Managing Director of the Company for a period of three years with effect from 31<sup>st</sup> October, 2008 at a consolidated remuneration of Rs.2,00,000/- per month which shall also be the minimum remuneration payable to him in the event of absence or inadequacy of profit in any financial year during his tenure as the Managing Director.

**Further Resolved** that the Board be and is hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to the above Resolution.

**NOTES:**

1. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Special Business in Item No.5 together with the disclosures required to be made under Proviso (IV) to Section (II) (B) of Part II of Schedule XIII to the Companies Act, 1956 and the relevant details under Clause 49 of the Listing Agreement with the Stock Exchanges in respect of directors seeking re-appointment vide Item Nos.2 and 3 are given in the annexure, which forms part of this Notice.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of himself/herself and the proxy to be so appointed need not be a Member of the Company. However, proxies in order to be effective must be lodged with the company at its Registered Office not less than 48 hours before the commencement of the Meeting.
3. Register of Members and the Share Transfer Books of the company will remain closed during the period from 11<sup>th</sup> September, 2009 to 17<sup>th</sup> September, 2009 (both days inclusive).
3. Members holding shares in physical form are requested to inform the Company or its Registrars, of the change, if any, in their addresses.
5. Members are also requested to bring the Attendance Slips duly filled in for being handed over at the entrance of the venue for the meeting.

By Order of the Board

Hyderabad  
28th July, 2009

Sd/-  
**S.Srekanth Reddy**  
Chairman

**Annexure to the Notice of the 13<sup>th</sup> Annual General Meeting  
EXPLANATORY STATEMENT**

**Item No.5**

With the resignation of Shri S.Sreekanth Reddy as the Managing Director of the Company, the Board at its meeting held on 31<sup>st</sup> October, 2008 appointed Shri M.Jagadeesh, as Managing Director on a consolidated remuneration of Rs.2,00,000/- p.m., as recommended by the Remuneration Committee of the Board for a period of 3 years with effect from 31<sup>st</sup> October, 2008. Prior to his appointment as the Managing Director, Shri M.Jagadeesh was the Executive Director of the Company and there is no increase in his remuneration consequent to his appointment as the Managing Director. The said appointment and the remuneration payable require the approval of the members under, inter-alia, Section 269 read with Schedule XIII to the Companies Act, 1956. Your Directors commend the Resolution for approval of the members.

As the Resolution relates to the appointment of Shri M.Jagadeesh as Managing Director and the remuneration payable to him, to that extent he may be deemed to be interested in the resolution.

**Disclosure under Proviso (IV) to Section (II) (B) of Part II of Schedule XIII to the Companies Act, 1956**

<b>I General Information</b>			
(1)	Nature of Industry	Software	
(2)	Date or expected date of commencement of commercial production	18.04.1996	
(3)	In case of new companies, expected date of commencement activities as per project approved by financial institutions appearing in the prospectus	Not applicable	
(4)	Financial performance based on given indicators	Description	Rs. in Lakhs
			2008-09      2007-08
		Income	684.55      430.42
		Profit / (Loss) before Interest Depreciation & Tax	(323.54)      36.31
		Profit / (Loss) after Tax	(371.67)      4.79
(5)	Export performance and net foreign exchange	Foreign Exchange earned 14.77 lakh dollars for the year 2008-09.	
(6)	Foreign investments or collaborators, if any	Investment made in Sagarsoft Inc., USA to the extent of Rs. 27.76 lakhs.	
<b>II Information about the appointee</b>			
(1)	Background details	Mr.M.Jagadeesh has been with Sagarsoft (India) Limited since inception. He is holding B.E., (Mechanical) and M.B.A., (Marketing & MIS) degrees. He has contributed to the company in the area of general administration, marketing and HR. Currently he is looking after the over all day to day affairs of the company, subject to superintendence and control of Board of Directors.	
(2)	Past remuneration	Consolidated remuneration of Rs.2,00,000/- p.m. as Executive Director	
(3)	Recognition or awards	None	
(4)	Job profile and his suitability	<u>Job Profile:</u> Responsible for the over all operations of the organization under the superintendence and control of the Board.	

		<p><u>Suitability:</u></p> <p>Mr.Jagadeesh has been associated with the company for the past 13 years. He has helped the company to come out of the difficult situations and has been a part of the organization throughout its business cycle so far. He has been instrumental in the revival of the business of the company and its subsequent growth.</p>
(5)	Remuneration proposed	A Consolidated sum of Rs.2,00,000/- p.m. No change in his remuneration is contemplated.
(6)	Comparative remuneration profile with respect to Industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin)	The remuneration proposed is reasonable as compared with the industry standards for a director of similar profile.
(7)	Pecuniary relationship directly or indirectly with the company or relationship with the managerial personnel,if any	Apart from being the Managing Director of the company and holding 13,900 shares in it in his personal capacity, he does not have any other pecuniary relationship with the company.
<b>III Other Information</b>		The company suffered heavy losses in the initial stages due to depression in the software industry. However, the industry is now recovering from the said situation and with the expected addition of more clientele, the company hopes to turn around.
(1)	Reasons of loss or inadequate profits	
(2)	Steps taken or proposed to be taken for improvement	
(3)	Expected increase in productivity and profits in measurable terms	

By Order of the Board  
**S.Sreekanth Reddy**

Hyderabad  
28th July, 2009

Sd/-  
Chairman

**Annexure to the Notice of the 13<sup>th</sup> Annual General Meeting**

Details of directors seeking re-appointment vide Items No.2 and 3 of the Notice  
(Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges)

Name of the Directors ->	Shri N.Hari Mohan	Shri Satish C.R.Kalva
Nature of Directorship	Non-Executive and Independent	Non-Executive and Independent
Date of birth	22.05.1973	05.12.1963
Date of appointment	15.04.2005	26.06.2001
Qualification	B.E.,	B.E., M.S.
Area of expertise	Business	Computer Science
Other directorships in public limited companies	Nil	Nil
Committee position in other Companies	Nil	Nil
Shares held in Sagarsoft (India) Ltd	Nil	Nil

## DIRECTORS' REPORT

### Dear Members

Your Directors hereby present their Thirteenth Annual Report together with the audited accounts of the Company for the year ended 31<sup>st</sup> March, 2009.

### PERFORMANCE

A summarized financial performance of your company during the year 2008-09 is given below:

(Rs.in Lakhs)

	Year ended	
	31 <sup>st</sup> March, 2009	31 <sup>st</sup> March 2008
Income from operations	684.55	430.42
Other Income	52.63	0.75
<b>Total Income</b>	<b>737.18</b>	431.17
Total Expenditure	1060.72	394.86
<b>Profit / (Loss) before depreciation, interest and tax</b>	<b>(323.54)</b>	36.31
Depreciation	13.08	10.04
Interest	1.16	0.64
<b>Profit / (Loss) before tax</b>	<b>(337.78)</b>	25.63
Provision for tax (FBT)	2.90	0.96
Deferred Tax Asset / (liability) for the year	(26.94)	(19.88)
Prior period adjustments	4.05	0
<b>Net Profit / (Loss)</b>	<b>(371.67)</b>	4.79

During the year under review, the income had gone up by 59% due to better revenue from software testing and development activities. However, despite the increase in the revenue, the company could not register any profit due to increase in expenditure caused by the bad debts written off to the extent of Rs.5.30 crores.

### DIVIDEND

In view of the absence of profit, your Directors regret their inability to recommend any dividend for the year 2008-09.

### FUTURE OUTLOOK

With the severe economic downturn witnessed in key markets in the last financial year now showing signs of stabilization, we feel that outsourcing opportunities are bound to increase, but with severe downward pressure on billing rates and lower margins. We expect an increase in the number of clients that we are servicing, but at lower margins. We were always successful in leveraging long term relationships with the existing clients and with the increased focus on cost cutting measures, we feel we are at an advantage in getting increased business from them also. We are also expanding our portfolio of services to include emerging technologies and newer segments in Quality Assurance, which are expected to provide traction for this financial year.

### SHARE CAPITAL

There was no change in the share capital of your company during the year under report.

### CORPORATE GOVERNANCE

Your Company has complied with the mandatory provisions of the Corporate Governance prescribed in the Clause 49 of the Listing Agreement with the Stock Exchange. A separate report detailing such compliance together with the Certificate from the Auditors in connection therewith is included as part of the Annual Report. This report also contains the details of remuneration payable to Managerial Personnel in terms of Section II (B) of Part II of the Schedule XIII to the Companies Act, 1956.

### INTERNAL CONTROL SYSTEMS

Your Company has adequate internal control systems. Effectiveness of these systems is being reviewed at periodic intervals for possible improvement.

### PARTICULARS OF EMPLOYEES

Particulars required to be furnished in this Report pursuant to Sec.217 (2A) of the Companies Act, 1956 are given in the annexure to this report.

#### **INDUSTRIAL RELATIONS**

Industrial relations continued to be cordial throughout the year under review.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:**

The required particulars have been provided in the annexure, which forms part of this Report.

#### **DIRECTORS**

In compliance with Section 256 of the Companies Act, 1956, Shri N.Hari Mohan and Shri Satish C.R.Kalva will be retiring by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

#### **AUDIT COMMITTEE**

The Audit Committee of the Board, consisting of the following members and constituted pursuant to Section 292 (A) of the Companies Act, 1956 read with Clause 49 of the Listing Agreement, had met four times during the year ended 31<sup>st</sup> March, 2009 and, inter-alia, reviewed the financial results of the relative quarters.

Shri S.Krishna Reddy	Chairman of the Committee (Non-executive and independent director)
Shri N.Sathya Swaroop Reddy	Member (Non-executive and independent director)
Shri M.Jagadeesh	Member – Managing Director

#### **REMUNERATION COMMITTEE**

The Remuneration Committee of the Board, constituted pursuant to Schedule XIII to the Companies Act 1956 read with Clause 49 of the Listing Agreement has the following Non-Executive Independent Directors as its members:

Shri S.Krishna Reddy	:	Chairman
Shri N.Sathya Swaroop Reddy	:	Member
Shri N. Hari Mohan	:	Member

#### **AUDITORS**

Shareholders are requested to appoint Auditors to the Company to hold office from the conclusion of the ensuing Annual General Meeting till the next Annual General Meeting and to fix their remuneration. Messrs. C.Ramachandram & Co., Chartered Accountants, the Auditors of your Company hold their office up to the Annual General Meeting and are eligible for re-appointment. They have confirmed that their re-appointment, if approved by the shareholders, would be in accordance with the limits specified in Sub Section (1B) of Section 224 of the Companies Act, 1956.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217 (2AA) of the Companies Act, 1956, we state:

- (i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material developments;
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgment and estimates that 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 loss of the company for the period;
- (iii) that the directors had 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 had prepared the annual accounts on a going concern basis.

#### **ACKNOWLEDGEMENT**

We wish to place on record our appreciation of the valuable co-operation extended by our customers / clients, Bankers, RBI and other State and Central Government Authorities. We also take this opportunity to place on record our appreciation of the contributions made by the employees at all levels and the last but not least, the continued confidence reposed by you in the Management.

For and on behalf of the Board  
Sd/-

Hyderabad  
28th July, 2009

**S. Sreekanth Reddy**  
Chairman

## **Annexure 1**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

#### **IT Industry Review**

2008-2009 was a game changer for the Indian IT Industry. It had to re-invent itself to meet the challenges thrown at it by a economic environment with its significant complexity , uncertainty and recessionary trends.

During the year, the sector maintained its double digit growth rate led by increased diversification in the geography, industry verticals, and tweaking of the service offerings portfolio. With the effects of the economic downtrend expected to continue in the near future, the Indian IT industry is displaying great resilience and tenacity in countering these unpredictable macro-economic conditions by creative cost cutting measures and enhanced productivity .

The current mood is that of optimism, with the industry expecting to witness sustainable growth over the next two-year timeframe. The industry has significant headroom for growth, though complicated by increased competition with a number of countries creating business environments aimed at replicating India's success in the IT industry.

#### **Sagarsoft Business Strategy**

Sagarsoft Business strategy is to continue to consolidate and expand its portfolio of offerings in custom software development, quality assurance services by expanding its skill set base and continue to sustain , pursue, acquire, develop and nurture strategic long term relationships .

#### **Business overview**

Your company has made significant progress last year in acquiring new clients and consolidating the business from existing clients, both on the software development and quality assurance services. The business from the new clients acquired last year is expected to increase rapidly and add significant value to the bottom-line of the company.

In view of the increased activities, your company has opened a new development center in HITEC City in addition to existing facilities at HITEC City and Jubilee Hills . Your company has initiated several cost cutting and productivity enhancement measures in addition to cautious addition to the head count based on optimal requirements to service new projects that your company has got recently. In view of the increased opportunities, your company is continuing to build teams in various technologies in anticipation of future projects that are in the sales pipe line.

#### **Human Resource and Employees- HR policy**

Sagarsoft has added employees on permanent payrolls in its software development and accounts book keeping divisions. We have been able to maintain the attrition rate below 10% due to our good HR policies.

#### **Opportunities**

Your company's strategy of focusing on the long term relationships with the clients has always paid off. We are getting projects which are of long term in nature and with lot of business viability though with reduced margins. There are plenty of opportunities in medium size projects, which your company is concentrating on. We have already bagged couple of projects of this nature and hope to increase the number of clients in this segment in this financial year too.

#### **Risks and concerns**

The immediate concern to the company's growth in the medium terms remains the same as last year with the pressure on the billing rates in Software Services continuing with prevalent economic conditions. The company's strategy of getting into newer long term contracts with new clients and newer avenues of technology outsourcing might mitigate this risk to a large extent.

#### **Outlook**

The company expects to broaden its offering's in Software Development & Quality Assurance services and increase its efforts in securing more business by offering value add services leading to improved performance in the current fiscal.

#### **Internal Control systems and their adequacy**

The company's internal control systems are adequate to meet its present operations. However these are reviewed periodically to ensure that they continue to be adequate to meet the increasing operations.



**Annexure 2**

**Particulars of Employees as required under Section 217(2A) of the Companies Act, 1956**

Name of the Employee	Shri M.Jagadeesh
Designation	Managing Director
Age	38 years
Remuneration received (Rs.)	16,50,000/-
Nature of employment	Contractual
Nature of duties	General Management
Qualification	B.E., MBA
Experience (years)	13 years
Date of Commencement of Employment	13-06-2002
Last Employment held	Nil

**Annexure to the Directors' Report**

**FORM B**

[Pursuant to Rule 2 of the companies (Disclosure of particulars in the report of Board of Directors) Rule, 1998]

**Form for disclosure of particulars with respect to technology absorption**

A	Research and development	:	None
B	Technology absorption, adoption and innovation	:	Nil
C	Foreign exchange earning and outgo		
	Foreign exchange earned	:	Rs. 69853121
	Foreign exchange out go	:	---

**C.Ramachandram & Co.,**  
Chartered Accountants

3-6-237, Unit 606,  
Lingapur La Bulde Complex,  
Himayat Nagar, Hyderabad-500 029

#### **AUDITORS' REPORT**

To

The Members  
Sagarsoft (India) Ltd.,  
Hyderabad.

1. We have audited the attached Balance Sheet of Sagarsoft ( India ) Limited as at 31<sup>st</sup> March, 2009, the Profit and Loss Account for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date. These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - b. In our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of those books.
  - c. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
  - d. In our opinion, these financial statements have been prepared in compliance with the applicable accounting standards referred to in Section 211 (3C) of the Companies Act, 1956.
  - e. Based on the representations made by all the Directors of the Company as on March 31, 2009 and taken on record by the Board of Directors of the Company and in accordance with the information and explanations as made available, the Directors of the Company do not, prima face, have any disqualification as referred to in Clause (g) of Sub Section (I) to Section 274 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i. in case of Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2009;
- ii. in the case of the Profit and Loss Account, of the Loss of the Company for the year ended on that date; and
- iii. in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **C.Ramachandram & Co.,**  
Chartered Accountants

Place: Hyderabad  
Date: 30.06.2009

Sd/-  
**C.Ramachandram**  
Partner  
Membership No: 25834

**ANNEXURE TO THE AUDITORS' REPORT**

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - (b) As explained to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to size of the company and nature of its assets. No material discrepancies were noticed on such physical verification.
  - (c) In our opinion, the company has not disposed off substantial part of fixed assets during the year and the going concern status of the company is not affected.
2. (a) The company has not granted any loans, secured or unsecured to the companies, firms or other parties covered in the register maintained U/s.301 of the Companies Act 1956.
  - (b) The Company has not taken any loans, secured or unsecured to companies, firms or other parties covered in the register maintained U/s.301 of the Companies Act, 1956.
3. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal system.
4. (a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered in to the register in pursuance of Section 301 of Act, have been so entered.
  - (b) In our opinion and according to the information and explanations given to us, the company has not entered any transactions that need to be entered into the register in pursuance of Section 301 of the Companies Act, 1956 and exceeding the value of Rupees Five Lakhs in respect of any party during the year.
5. The company has not accepted any deposits from the public within the meaning of Section 58 A and 58 AA or any other relevant provisions of the Companies Act 1956 and the Rules framed there under.
6. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
7. We are informed that the Central Government has not prescribed the maintenance of the cost records under Section 209 1 (d) of the Companies Act, 1956 for the products of the company.
8. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is regular in depositing the undisputed statutory dues including provident fund, employees state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities. There are no amounts that need to be deposited in investor education and protection fund by the Company during the current year. At the last day of the financial year, there was no amount outstanding in respect of any statutory due which was due for more than six months from the date they became payable.
  - (b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of sales tax, income tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.
9. In our opinion, the accumulated losses of the company are not more than 50% of its net worth and it has not incurred any cash losses during the year ended on that date.
10. According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any Financial Institutions or Banks as at the balance sheet date.
11. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
12. In our opinion, the company is not a chit fund or a nidhi mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
13. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
14. In our opinion and according to the information and explanations given to us the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
15. The company has not raised any new terms loan during the year.

16. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short term basis have been used for long term investment.
17. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
18. The company has not issued any debentures during the year.
19. The company has not raised any money by way of public issue during the year.
20. In our opinion and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year, that causes the financial statements to be materially misstated.
21. The Clause 2 of paragraph 4 of the Companies (Auditors' Report) Order, 2003 is not applicable in case of the company for the current year.

For **C.Ramachandram & Co.,**  
Chartered Accountants

Sd/-

Place: Hyderabad  
Date: 30.06.2009

**C.Ramachandram**  
Partner  
Membership No: 25834

		In Rs.	
Balance Sheet as at March 31,	Schedule	2009	2008
<b>SOURCES OF FUNDS</b>			
SHARE HOLDERS' FUNDS			
Share capital	1	55600000	55600000
Reserves and surplus	2	45600000	45600000
<b>LOAN FUNDS</b>			
Unsecured Loans	3	1177479	995881
<b>Total</b>		<b>102377479</b>	<b>102195881</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
4			
Original cost		70230381	67688748
Less: Depreciation		54183957	52876294
Net book value		16046424	14812454
<b>INVESTMENTS</b>			
	5	2775917	2775917
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Sundry debtors	6	880314	53047365
Cash and bank balances	7	3682933	4216547
Loans and advances	8	34653036	17045342
		39216283	74309254
Less: Current liabilities	9	13045134	12982871
Net Current Assets		26171149	61326383
Deferred tax assets		8555085	11248804
Profit and Loss account		48463951	11296938
<b>MISCELLANEOUS EXPENDITURE</b>			
(to the extent not written-off or adjusted)	10	364953	735385
<b>Total</b>		<b>102377479</b>	<b>102195881</b>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS		12	

The schedules referred to above and the notes thereon form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date

As per our report of even date

For and on behalf of the Board

For **C.Ramachandram & Co.**  
Chartered Accountants

**S. Sreekanth Reddy**  
Chairman

**C. Ramachandram**  
Partner  
Membership No.25834

**M.Jagadeesh**  
Managing Director

Place : Hyderabad  
Date : 30.06.2009

In Rs.

Profit and Loss Account for the year ended March 31,	Schedule	2009	2008
<b>INCOME</b>			
Income from operation		68454547	43042195
Other income		5263200	75451
<b>Total</b>	-	<b>73717747</b>	43117646
<b>EXPENDITURE</b>			
Administration and other expenses	11	105701197	39111601
Interest		116412	64072
Depreciation	4	1307663	1003856
Miscellaneous expenditure		370432	374521
<b>Total</b>		<b>107495704</b>	40554050
<b>Profit / (Loss) for the year</b>		<b>(33777957)</b>	2563596
Fringe benefit tax		290416	96401
Deferred Tax		2693720	1987697
Prior Period Items		404920	0
<b>Profit / (Loss) after tax</b>		<b>(37167013)</b>	479498
Brought forward losses from previous year		(11296939)	(11776437)
Balance carried to balance sheet		(48463952)	(11296939)
<b>EARNING PER SHARE</b>			
(Equity shares, par value Rs.10 each)			
Basic and Diluted		(6.68)	0.09
Number of shares used in computing earning per share		5560000	5560000

**SIGNIFICANT ACCOUNTING POLICIES AND**

**NOTES ON ACCOUNTS**

12

The schedules referred to above and the notes thereon form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our report of even date

As per our report of even date

For and on behalf of the Board

For **C.Ramachandram & Co.**  
Chartered Accountants

**S. Sreekanth Reddy**  
Chairman

**C. Ramachandram**  
Partner  
Membership No.25834

**M.Jagadeesh**  
Managing Director

Place : Hyderabad  
Date : 30.06.2009

		In Rs.	
Schedules to the Balance Sheet as at March 31,		2009	2008
<b>1. SHARE CAPITAL</b>			
<b>AUTHORISED</b>			
Equity shares, Rs.10 par value			
70,00,000 equity shares		<u>70000000</u>	<u>70000000</u>
<b>ISSUED, SUBSCRIBED AND PAID UP</b>			
Equity shares, Rs.10 par value			
55,60,000 equity shares		55600000	55600000
<b>Total</b>		<b>55600000</b>	55600000
<b>2. RESERVES AND SURPLUS</b>			
Share premium account		45600000	45600000
<b>Total</b>		<b>45600000</b>	45600000
<b>3. UNSECURED LOAN</b>			
Vehicle Loan		1177479	995881
<b>Total</b>		<b>1177479</b>	995881

**4. Fixed Assets**

Assets	Original cost			Depreciation			Net Book value	
	Cost as at April 1st, 2008	Additions	Cost as at March 31, 2009	As at April 1st, 2008	For the year	As at March 31st, 2009	As at March 31, 2009	As at March 31, 2008
Computers	53444139	1114279	54558418	49705077	387596	50092673	4465745	3739062
Office equipment	5018554	68565	5087119	1617616	240273	1857889	3229230	3400938
Furniture and fixtures	6656533	0	6656533	1395071	421358	1816429	4840104	5261462
Vehicles	2569522	1358789	3928311	158530	258436	416966	3511345	2410992
<b>Total</b>	67688748	2541633	<b>70230381</b>	52876294	1307663	<b>54183957</b>	<b>16046424</b>	14812454
Previous Year	61102978	6585770	67688748	51872438	1003856	52876294	14812454	9230540

		In Rs.	
		2009	2008
<b>5. INVESTMENTS</b>			
<b>Trade (unquoted) - at cost</b>			
<b>Long - term investments</b>			
Sagarsoft inc.		2775917	2775917
<b>Total</b>		<b>2775917</b>	2775917
<b>6. SUNDRY DEBTORS</b>			
<b>Unsecured, considered good</b>			
Debts over six months		0	53047365
Other debts		880314	0
<b>Total</b>		<b>880314</b>	53047365



Schedules to the Balance Sheet as at March 31,	In Rs.	
	2009	2008
<b>7. CASH AND BANK BALANCES</b>		
Cash on hand	283241	1063345
Balance with scheduled banks		
- in current account	3399692	3153202
<b>Total</b>	<b>3682933</b>	4216547
<b>8. LOANS AND ADVANCES</b>		
<b>Unsecured, considered good</b>		
<b>Advances recoverable in cash or in kind for value to be received</b>		
Deposits	15026710	21510
Other advances	19626326	17023832
<b>Total</b>	<b>34653036</b>	17045342
<b>9. CURRENT LIABILITIES AND PROVISIONS</b>		
Sundry creditors	3474629	3198482
( Due to Small scale industries : Nil )		
Advance From Customers	7996715	8830212
Other liabilities	1573790	954177
<b>Total</b>	<b>13045134</b>	12982871
<b>10. MISCELLANEOUS EXPENDITURE</b> ( to the extent not written off )		
Preliminary expenses	0	5454
Public issue expenses	364953	729931
<b>Total</b>	<b>364953</b>	735385
<b>11. ADMINISTRATION AND OTHER EXPENSES</b>		
Salaries and other benefits	33406638	18858954
Travelling and conveyance	3860502	3792057
Rent	3641035	3132835
Communication expenses	1758032	2047300
Professional charges	1962879	2713820
Printing and stationery	195260	331218
Office maintenance	3114769	2932208
Directors' remuneration	1650000	900000
Auditors' remuneration	22060	20000
Bank charges	8547	8807
Bad debts written off	53047365	0
Foreign exchange fluctuation	2149225	3666630
General expenses	884885	707772
<b>Total</b>	<b>105701197</b>	39111601

## **SCHEDULE-12**

### **SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

#### **I. SIGNIFICANT ACCOUNTING POLICIES**

##### **1. Accounting Convention:**

The Company follows the Mercantile System of Accounting. The Accounts are prepared on historical cost basis and as a going concern. Accounting policies, not referred to specifically otherwise, are consistent with generally accepted accounting policies.

##### **2. Fixed Assets:**

Fixed Assets are stated at cost less accumulated depreciation.

##### **3. Depreciation:**

Depreciation on Fixed Assets has been provided on pro-rata basis at the rates and in the manner prescribed under schedule XIV of the Companies Act, 1956, on straight-line method.

##### **4. Foreign currency transactions:**

Transactions in foreign currency are recorded at exchange rates prevailing on the date of transaction and exchange differences arising on settlement of foreign currency transactions are dealt with in Profit and Loss Account. Foreign currency monetary assets and liabilities are translated at the exchange rate prevailing on the Balance sheet date.

##### **5. Employee retirement benefits:**

###### **Short term benefits:**

Short term employee benefits are charged off at the undiscounted amount in the year in which the related services is rendered.

###### **Long term benefits:**

Payments to the Defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit scheme, Company provides for gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering eligible employees. In accordance with the Payment of Gratuity Act, 1972, the Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. The company has taken master policy with Life Insurance Corporation of India under group gratuity scheme, liabilities with regard to the Gratuity Plan are determined by actuarial valuation as of the balance sheet date, based upon which, the Company contributes all the ascertained liabilities to the Aviva Life Insurance Corporation of India.

Provident fund is administered through Regional Provident fund commissioner and the contributions to the above said fund are charged against revenue.

##### **6. Miscellaneous expenditure:**

Preliminary and public issue expenses are being amortized over a period of ten years.

##### **7. Taxes on Income:**

Deferred tax is recognized on timing differences between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities have been computed on the timing differences applying enacted tax rates.

#### **II. NOTES ON ACCOUNTS**

1. Estimated amount of contracts remaining to be executed on capital account and provided for is Rs.Nil (Previous Year: Nil)
2. Contingent Liabilities: Nil (Previous Year: Nil)

3. **Directors' Remuneration:**

In Rs.

Particulars	2008-09	2007-08
Remuneration to Whole time director	1650000	900000
<b>Total</b>	<b>1650000</b>	900000

4. **Auditors' Remuneration:**

<b>For Audit</b>	<b>22,060</b>	<b>20,000</b>
<b>Total</b>	<b>22,060</b>	20,000

5. The Company has adopted the Accounting Standard -22 "Accounting for taxes on Income" issued by the Institute of Chartered Accountants of India. Deferred tax asset (Net of deferred tax liability as computed under Accounting Standard - 22) as on 31<sup>st</sup> March 2009 amounted to Rs.85,55,054/-.

6. The disclosures required under Accounting Standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) Rules 2006, are given below.

**a) Reconciliation of opening and closing balance of Defined benefit obligation.**

Description	Gratuity 2008 - 09	Gratuity 2007 - 08
Defined benefit obligation at the beginning of the Year	844557	817205
Current service cost	186785	357843
Interest cost	67565	65376
Actuarial gain / (loss)	(315645)	(395867)
Benefits paid	0	0
Defined benefit obligation at the year end	783262	844557

**b) Reconciliation of opening and closing balances of fair value of plan assets**

Description		
Fair value of plan assets at the beginning of the Year	247600	232828
Expected return on plan assets	50475	14772
Actuarial gain / (loss)	(119556)	0
Employer contribution	558032	0
Benefits paid	0	0
Fair value of plan asset at the year end	737551	247600

**c) Reconciliation of fair value of assets and obligations**

Fair value of plan assets as at 31 <sup>st</sup> March 2008	737551	247600
Present value of obligations as at 31 <sup>st</sup> March 2008	783262	844557
Fair value of plan asset at the year end	45711	596957

**d) Expenses recognized during the year**

Current service cost	186785	357843
Interest cost	67565	65376
Expected return on plan assets	505175	14772
Actuarial gain / (Loss)	(435201)	(395867)
Net cost	639076	12580

**e) Investment details**

100% invested in Pension Balance Fund

**f) Actuarial assumptions**

Mortality table (LIC) 1994-96 (ultimate)

Discounting rate - 8%

Expected rate of return on plan asset - 8%

Rate of escalation in salary - 4%

7 As the company was engaged only software development during the year pertaining to a single country, segment wise reporting is not applicable.

8. Balances due to or due from the parties are subject to confirmation.
9. As required by Accounting Standards AS-18, the related parties disclosure issued by the Institute of Chartered Accountants of India are as follows :

Related Party Transactions	Associate Companies	Subsidiary Companies	Company in which Directors are interested	Companies in which Directors are interested	Directors in individual capacity are interested
Related Parties	Sagar Soft Inc.,	-	-	-	-
Name of Transaction	Software Development Service	-	-	-	-
Transactions during the year (Rs. in lakhs)	431.57	-	-	-	-
Remuneration to MD (Rs. in lakhs)	-	-	-	-	16.50
Commission to MD (Rs. in lakhs)					-
Dividend to MD (Rs. in lakhs)					
Outstanding as on 31st March, 2009 (Rs. in Lakhs) Debit/ (Credit)	(79.97)	-	-	-	-

10. Additional information pursuant to the provisions of Paragraph 3, 4C & 4D of Part II of Schedule of the Companies Act, 1956 (As certified by the management)

Particulars	Year ended 31-03-2009		Year ended 31-3-2008	
	Quantity	Value (Rs.)	Quantity	Value (Rs.)
a) Turnover	NA	68454547	NA	43117646
b) Capacity	NA	NA	NA	NA
c) Opening Stock	NA	Nil	NA	Nil
d) Closing Stock	NA	Nil	NA	Nil
e) <b>Value of Imports:</b>				
i. Capital Goods	Nil		Nil	
ii. Components and Spare parts	Nil		Nil	
f) <b>Expenditure in Foreign Currency:</b>				
i. On account of Travelling Expenses		197495		Nil
ii. On account of salaries		Nil		Nil
iii. On account of capital goods		Nil		Nil
g) Value of Imported and Indigenous Raw Materials, Spare Parts and Other Materials		Nil		Nil
h) Earnings in Foreign Currencies		69853121		43042195

11. Figures of previous year have been regrouped / reclassified wherever necessary to conform to the current year's presentation / classification.

12. Figures are rounded off to be nearest rupee

SIGNATURES FOR SCHEDULES 1 to 12

As per our report of even date

For and on behalf of the Board

For **C.Ramachandram & Co.**  
Chartered Accountants

**S.Sreekanth Reddy**  
Chairman

**C. Ramachandram**  
Partner  
Membership No.25834

**M. Jagadeesh**  
Managing Director

Place : Hyderabad  
Date : 30.06.2009

	In Rs.	
<b>Cash Flow Statement for the Year</b>	<b>2009</b>	<b>2008</b>
<b>Cash Flow from operating activities</b>		
Net Profit / (Loss) before tax and extraordinary items	(34068373)	2467196
Adjustment for:		
Dividend Received	(5263200)	0
Depreciation	1307663	1003856
Miscellaneous expenses	370432	374521
Operating Profit / (Loss) before working capital changes	(37653478)	3845573
Adjustment for:		
Sundry debtors	52167051	1449251
Loans and advances	(17607694)	(2377370)
Trade payables	62262	4019372
Cash generated from operation	(3031859)	6936825
Cash flow before extraordinary items	-3031859	6936825
Extraordinary items	(404920)	0
<b>Net cash from operating activities</b>	<b>(3436779)</b>	<b>6936825</b>
<b>Cash flow from investing activities</b>		
Fixed assets	2541633	6585770
Investments	0	(217378)
Dividend Received	<b>5263200</b>	
<b>Net cash used for investing activities</b>	<b>2721567</b>	<b>6368392</b>
<b>Cash flow from financing activities</b>		
Proceeds from long term borrowings	<b>577336</b>	<b>0</b>
Repayments of long term borrowings	<b>395739</b>	<b>0</b>
<b>Net cash from in financing activities</b>	<b>181597</b>	<b>0</b>
Net increase/(decrease) in cash and cash equivalents	(533615)	568433
Cash and equivalents as at 01-04-2008	4216547	3648114
Cash and equivalents as at 31-03-2009	3682932	4216547

As per our report of even date

For and on behalf of the Board

For **C.Ramachandram & Co.**  
Chartered Accountants

**S. Sreekanth Reddy**  
Chairman

**C. Ramachandram**  
Partner  
Membership No.25834

**M.Jagadeesh**  
Managing Director

Place : Hyderabad  
Date : 30.06.2009

<b>Balance sheet abstract and company's general business profile</b>	<b>In Rs.</b>
<b>Registration details</b>	
Registration No.	01-23823
State code	01
Balance Sheet Date	31-Mar-09
<b>Capital raised during the year</b>	
	in Rs.
Public issue	-
Rights issue	-
Bonus issue	-
Private placement	-
<b>Position of mobilization and deployment of funds</b>	
Total liabilities	102377479
Total assets	102377479
<b>Sources of funds</b>	
Paid-up capital	55600000
Reserves and surplus	45600000
Secured loans	0
Unsecured loans	0
<b>Application of funds</b>	
Net fixed assets	16046424
Investments	2775917
Net current assets	26171149
Deferred tax asset	8555085
Miscellaneous expenditure	364953
Accumulated losses	48463951
<b>Performance of company</b>	
Turnover	73717747
Total expenditure	107495704
Profit / (Loss) before tax	(33777957)
Profit / (Loss) after tax	(37167013)
Earning per share	(6.68)
Dividend rate	0
<b>Generic names of principle products/services of the company</b>	
Item Code No.(ITC code)	Not applicable
Product description	Computer Software and Hardware

### Report on Corporate Governance

#### 1. Company's philosophy on code of governance:

Sagarsoft believes that adherence to good corporate practice leads to transparency in its operations and improvement in the quality of its relations with all its stakeholders.

#### 2. Board of Directors

##### Composition:

The Board of Directors has an optimum combination of Executive and Non-Executive Directors and its composition is in conformity with Clause 49 of the Listing Agreement entered into with the Stock Exchanges. All the Directors have made the requisite disclosures regarding Committee positions held by them in other Companies.

##### Meetings held

The Board met five times on the following dates during the financial year 2008-09:

19-04-2008, 30-06-2008, 31-07-2008, 31-10-2008, 30-01-2009

##### Board Procedure

Board Meetings are fixed taking into consideration the business requirements and statutory compliance. The Agenda is circulated in advance to the Board members, to enable them to take appropriate decisions at the meetings.

##### Code of Conduct

The Company has adopted a Code of Conduct for all its Directors and Senior Executives and the same is available on the Company's website.

##### Category and Attendance of Directors:

The names and categories of the Directors on the Board, their attendance at the Board Meetings held during the financial year 2008-09 and at the last Annual General Meetings as also the number of Directorships and Committee position held by them in other public limited companies are as follows:

SI No	Name of the Director	Category of Directorship	No. of Board Meetings attended	Whether attended the last AGM held on 24-09-2008	No of membership of the Boards		No. of Committee Memberships	
					As Member	As Chairman	As Chairman	As Member
1	Shri S.Sreekanth Reddy	Chairman – Non-Executive and Non-Independent	4	Yes	6	1	-	-
2	Shri M.Jagadeesh	Managing Director	5	Yes	1	-	-	1
3	Shri S.Krishna Reddy	Independent and Non-Executive	5	Yes	1	-	2	-
4	Shri Satish C.R. Kalva	Non-Executive	-	No	1	-	-	-
5	Shri N. Sathya Swaroop Reddy	Independent & Non-Executive Director	5	Yes	1	-	-	1
6	Shri N.Hari Mohan	Independent & Non-Executive Director	5	Yes	1	-	-	2
7	Shri K. Rakesh Rao	Independent & Non-Executive Director	2	Yes	1	-	-	-

Note: Only Public Limited Companies and their Audit Committee and Investors' Grievance Committee have been considered for the above purpose.

### Shareholding of Non-Executive Directors

Shri S.Krishna Reddy, a non-executive director of the Company was holding 7800 shares in the company as on 31<sup>st</sup> March 2009. None of the other Non-Executive Directors was holding any shares in the Company as on 31<sup>st</sup> March, 2009.

### 3. Audit Committee:

#### Composition as on 31<sup>st</sup> March, 2009

Shri S.Krishna Reddy – Chairman (Non-Executive and independent director)

Shri N.Sathya Swaroop Reddy – Member ( -do-)

Shri M.Jagadeesh– Member (Whole time Director)

Shri S.Krishna Reddy, Chairman of the Committee, is a post-graduate in commerce and has sufficient experience in the field of finance. The composition of the Committee is in conformity with Clause 49 of the Listing Agreement.

#### Terms of reference

Terms of reference of the Audit Committee include all items listed in Clause 49(II)(D) of the Listing Agreement.

#### Meetings held:

The Audit Committee held four meetings, on 30-06-2008, 31-07-2008, 31-10-2008 and on 30-01-2009 during the financial year 2008-09.

#### Attendance

Name of the Director	No. of meetings attended
Shri S.Krishna Reddy	4
Shri M.Jagadeesh	4
Shri Sathya Swaroop Reddy	4

### 4. Remuneration Committee:

Pursuant to Schedule XIII to the Companies Act, 1956 read with Clause 49 of the Listing Agreement, the Board has constituted a Remuneration Committee, which presently consists of S. Krishna Reddy, Shri N.Sathya Swaroop Reddy and Shri N.Hari Mohan, with terms of reference as mentioned in the said Clause. Shri S. Krishna Reddy, Chairman of the Committee, was present at the last Annual General Meeting. This Committee met twice during the year.

#### Remuneration policy

##### Non-Executive Directors

Non-Executive Directors are not paid any remuneration excepting by way of sitting fee of Rs.750/- per meeting for attending the meetings of the Board and Committees thereof. Details of sitting fee paid are given below:

Sl.No.	Name of the Director	Sitting Fee (Rs.)
1	Shri S.Krishna Reddy	6,750
2	Shri N.Satya Swaroop Reddy	6,750
3	Shri N.Hari Mohan	3,750
4	Shri K.Rakesh Rao	1,500
	<b>Total</b>	<b>18,750</b>

#### Managing Director and Whole time Directors

The Managing Director is paid a consolidated remuneration of Rs.2,00,000/- per month.

### 5. Shareholders' / Investors' Grievances Committee:

The Investors Grievances Committee of the Board consists of the following non-executive independent directors as its members:

Shri S.Krishna Reddy	Chairman
Shr N.Hari Mohan	Member



Based on the information obtained from the Registrars, there were no complaints received from the investors during the financial year 2008-09. In view of this the Committee did not hold any meeting during the said financial year.

#### 6. General Body Meetings:

The details of the time, venue and the date of the last three Annual General Meetings of the Company are given below:

AGM	Date		Time Venue
12 <sup>th</sup> AGM	24 <sup>th</sup> September, 2008	11.00 a.m.	Hotel Golkonda, Masab Tank Hyderabad-500 028
11 <sup>th</sup> AGM	24 <sup>th</sup> September, 2007	3.30 p.m.	Hotel Golkonda, Masab Tank Hyderabad-500 028
10 <sup>th</sup> AGM	28 <sup>th</sup> September 2006	11.30 a.m.	Hotel Golkonda, Masab Tank, Hydeabad-500 028

#### Details of Special Resolutions passed in the above said Annual General Meetings:

One Special Resolution was passed at the 10<sup>th</sup> and at the 12<sup>th</sup> Annual General Meeting seeking approval of shareholders for the increase in the remuneration to Shri M.Jagadeesh, the then Executive Director.

#### Details of Special Resolution passed through Postal Ballot held:

No Special Resolution was passed at the last (12th) Annual General Meeting through Postal Ballot.

No Resolution, either Special or Ordinary is proposed to be passed through Postal Ballot at the ensuing 13th AGM. Whenever it is proposed to pass any resolution through Postal Ballot, Company will duly follow the procedure prescribed under the Companies (Passing of the Resolution by: Postal Ballot) Rules, 2001 read with other applicable Sections / Rules in force.

#### 7. Disclosures:

##### i. Related Party Transactions:

There were no related party transactions during the financial year 2008-09 other than what has been reported in Note 9 to the Notes on Accounts.

There were no materially significant transactions with Directors, their relatives or the Management that may have potential conflict with the interests of the Company at large. The Register of Contracts containing transactions, in which Directors are deemed to be interested, is placed before each meeting of the Board.

##### ii. Statutory compliance, Penalties and Strictures

There was no instance of non-compliance by the Company on any matter related to capital market during the last three years or any penalties or strictures on the Company by the Stock Exchange, SEBI or other statutory authorities relating to capital market.

##### iii. Whistle Blower Policy

The Company does not have a 'Whistle Blower Policy'. However, no personnel have been denied access to the Audit Committee of the Company.

##### iv. Compliance with Mandatory requirements and adoption of Non-Mandatory requirements.

The Company has implemented the mandatory requirements of Clause 49 of the Listing Agreement.

Regarding non-mandatory requirements, the Company has constituted a Remuneration Committee pursuant to Clause 49 of the Listing Agreement read with Schedule XIII to the Companies Act, 1956, to recommend a suitable remuneration to the Board members.

#### 8. Means of Communication:

##### Quarterly results

As part of compliance with Clause 41 of the Listing Agreement, the Company furnishes the quarterly financial results, to the Stock Exchanges followed by publication in the newspaper.

##### Newspapers in which the results are published:

Quarterly results are invariably published in Andhra Prabha and Financial Express.

**Presentation made to Institutional Investors and Financial Analysts:**

During the year 2008-09, the Company had not made any presentation to the institutional investors or analysts, as no occasion arose for it.

The Management Discussion and Analysis Report forms part of the Annual Report.

**9. General Shareholder information :**

**i. Annual General Meeting:**

Date & Time : At 11.00 a.m. on Thursday the 17<sup>th</sup> September, 2009  
 Venue : Hotel Golkonda, Masab Tank, Hyderabad – 500 028

**ii. Financial Year :** April to March

**iii. Book Closure Dates :** From 11<sup>th</sup> September, 2009 to 17<sup>th</sup> September, 2009

**iv. Dividend payment date :** No dividend is recommended for declaration at the meeting.

**v. Listing on Stock Exchanges :** Bangalore Stock Exchange Limited

**vi. Stock Code :** SAGARSOFT

**vii. Market price details :**

There were no quotations for the company's shares during the year ended 31<sup>st</sup> March, 2009.

**viii. Registrar and Transfer Agents** Karvy Computershare Private Limited  
 17-24, Vittal Rao Nagar  
 Madhapur, Hyderabad-500 081  
 Tel: 91 40 23420815 - 28  
 Fax: 91 40 23420814 / 23420857  
 Website: karvycomputershare.com

**ix. Share Transfer System**

All proposals for transfer of shares in physical form are scrutinized by the Share Transfer Agents of the Company and, subject to the same being found to be in order, are approved.

**x. Distribution of shareholding and shareholding pattern as on 31st March, 2009 is given below:**

**Shareholding pattern as on 31<sup>st</sup> March, 2009:**

Category	No of Holders	Shares	%
Promoter Group - All Individuals	16	2436300	43.82
Banks	2	413300	7.43
Corporate Bodies	59	542723	9.76
Public - Individuals holding more than 10000 shares	29	713210	12.83
Public - Individuals holding 10000 and less shares	2093	1444367	25.98
NRIs	7	10100	0.18
<b>Total</b>	<b>2206</b>	<b>5560000</b>	<b>100.00</b>

**Distribution of shareholding as on 31<sup>st</sup> March, 2009:**

Distribution of Shares	No. of shares	% to the No. of shares	No. of holders	% to the No. of holders
50 and less	1638	0.03	64	2.9
51 to 100	75964	1.37	761	34.5
101 to 200	55320	0.99	282	12.78
201 to 300	33005	0.59	115	5.21
301 to 500	132279	2.38	306	13.87
501 to 1000	252888	4.55	317	14.37
1001 to 5000	685505	12.33	261	11.83
5001 to 10000	325827	5.86	47	2.13
10001 to 20000	286419	5.15	21	0.95
20001 to 50000	534024	9.6	16	0.73
50001 to 100000	216471	3.89	4	0.18
More than 100000	2960660	53.25	12	0.54
<b>Total</b>	<b>5560000</b>	<b>100.00</b>	<b>2206</b>	<b>100.00</b>

**xi. Dematerialization of Shares and liquidity**

Trading in the shares of the Company has to be in the electronic form only. The Company has a subsisting agreements with NSDL and CDSL for the purpose.

The ISIN number for the company's shares is : INE184B01012.

Shares representing 63% of the share capital were kept in dematerialized form as on 31st March, 2009

**xii. Details of outstanding GDR / ADR / Warrants or any other convertible instruments:**

The Company has not issued any GDR or ADR; nor there are any other instruments pending conversion.

**xiii. Development Centre**

Cyber Towers  
10<sup>th</sup> Floor  
Q4, A2, HITECH City  
Madhapur  
Hyderabad – 500 081  
Tel: 040 – 66772426  
Fax: 040 - 23114607

**xiv. Address for correspondence**

Sagarsoft (India) Limited  
Regd. Office  
8-2-472/B/2, Road No.1, Banjara Hills  
Hyderabad – 500033  
Tel: 040 - 23351571  
Fax:040 - 23356573

For and on behalf of the Board

Hyderabad  
28<sup>th</sup> July, 2009

**S. Sreekanth Reddy**  
Chairman

#### DECLARATION

I, M. Jagadeesh, Managing Director of Sagarsoft (India) Limited, hereby declare that all the members of the Board of Directors and the Senior management personnel have affirmed compliance with the Code of Conduct for the year ended 31<sup>st</sup> March, 2009.

For **Sagarsoft (India) Limited**

Hyderabad  
28th July, 2009

Sd/-  
**M. Jagadeesh**  
Managing Director

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#### CERTIFICATE

To

The Members of  
Sagarsoft (India) Limited  
Hyderabad

We have examined the compliance of conditions of Corporate Governance by Sagarsoft (India) Limited, for the year ended on 31<sup>st</sup> March, 2009, as stipulated in Clause 49 of the Listing Agreement of the said company with Stock Exchange.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of the information and according to the explanation given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the company as per the records maintained by the Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For **C.Ramachandram & Co.**,  
Chartered Accountants

**C.Ramachandram**  
Partner

Hyderabad  
28th July, 2009



**Sagarsoft (India) Limited**

Registered Office: 8-2-472/B/2, Road # 1, Banjara Hills, Hyderabad-500 034

**Thirteenth Annual General Meeting**

**Admission Slip**

I certify that I am a registered shareholder / proxy for the registered shareholder of the company. I hereby record my presence at the Thirteenth Annual General Meeting of the company to be held at Hotel Golkonda, Masab Tank, Hyderabad - 500 028 on Thursday, the 17th September, 2009 at 11.00 a.m.

Name of the Member (in Block Letters) \_\_\_\_\_

Name of the Proxy (in Block Letters) \_\_\_\_\_

(To be filled in if the proxy attends instead of the Member)

Registered Folio No. \_\_\_\_\_ \*DPID No. \_\_\_\_\_ and \*Client ID No. \_\_\_\_\_

No. of Shares \_\_\_\_\_

\*If shares are held in electronic form

Signature of the Shareholder / Proxy

Note: Please bring this attendance slip with you, duly filled in, and hand over the same at the entrance of the meeting hall.

**Sagarsoft (India) Limited**

Registered Office: 8-2-472/B/2, Road # 1, Banjara Hills, Hyderabad-500 034

**Thirteenth Annual General Meeting**

**Proxy**

I / We \_\_\_\_\_ being

a Member / Members of Sagarsoft (India) Limited hereby appoint \_\_\_\_\_

of \_\_\_\_\_ or failing him / her \_\_\_\_\_ of

\_\_\_\_\_ as my / our proxy to vote for me / us on my / our behalf at the Thirteenth Annual

General Meeting of the company to be held on Thursday, the 17th September, 2009 at 11.00 a.m. at Hotel Golkonda, Masab

Tank, Hyderabad - 500 028 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2009

Registered Folio No. \_\_\_\_\_ \*DPID No. \_\_\_\_\_ and \*Client ID No. \_\_\_\_\_

No. of Shares \_\_\_\_\_

<p>Please affix Re. 1/- Revenue Stamp</p>
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Signature of the Shareholder

N.B. : A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his / her behalf at the meeting. The proxy to be so appointed need not be a member of the company. However, proxies, in order to be effective, must be duly executed and lodged with the company at its Registered Office not less than 48 hours before the commencement of the meeting.

BOOK POST  
UNDER CERTIFICATE OF POSTING



Plot No. 8-2-472/B/2,  
Road # 1, Banjara Hills  
Hyderabad - 500 034  
Ph. : +91-40-23351571 / 6572  
Fax : +91-40-23356573  
Internet : [www.sagarsoft.com](http://www.sagarsoft.com)