

## Directors' Report

To  
The Members

Your Directors have great pleasure in presenting the Tenth Annual Report on the business and operations of the Company for the financial year ended 31<sup>st</sup> March, 2009.

## FINANCIAL RESULTS

(Rupees in Lakhs)

Financial Results	For the financial year ended 31st March			
	Consolidated		Standalone	
	2009	2008	2009	2008
Income from Operations	<b>29458.56</b>	27728.63	<b>18514.07</b>	13652.22
Other Income	<b>401.50</b>	14.15	<b>401.50</b>	14.15
Total Income	<b>29860.06</b>	27742.78	<b>18915.57</b>	13666.37
Operating expenditure	<b>25407.09</b>	23707.79	<b>15259.20</b>	10593.13
Gross Profit before Interest, Depreciation & Tax	<b>4452.97</b>	4034.99	<b>3656.37</b>	3073.24
Less: Interest	<b>681.01</b>	106.71	<b>616.71</b>	68.51
Depreciation	<b>462.03</b>	199.18	<b>329.34</b>	186.92
Provision for Tax	<b>599.77</b>	286.44	<b>426.09</b>	286.44
Profit after Tax	<b>2710.16</b>	3442.66	<b>2284.23</b>	2531.37
Less: Provision for Deferred Tax Liability	<b>11.44</b>	11.93	<b>11.44</b>	11.93
Profit after Deferred Tax	<b>2698.72</b>	3430.73	<b>2272.79</b>	2519.44
Net Profit for the year	<b>2698.72</b>	3430.73	<b>2272.79</b>	2519.44
Balance Brought forward from the previous year	<b>4255.10</b>	1185.35	<b>3049.65</b>	891.19
Profit available for appropriations	<b>6953.82</b>	4616.08	<b>5322.44</b>	3410.63
Provision for proposed Dividend	<b>63.56</b>	254.22	<b>63.56</b>	254.22
Tax on Dividends	<b>10.80</b>	43.20	<b>10.80</b>	43.20
Transferred to General Reserve	<b>0.00</b>	63.56	<b>0.00</b>	63.56
Profit Carried to Balance Sheet	<b>6879.46</b>	4255.10	<b>5248.08</b>	3049.65

## DIVIDEND

Your Directors have recommended a dividend of Re.0.25/-paise per Equity share (2.5%) on face value of Rs.10/- per share for the financial year ended 31st March, 2009. The dividend, if declared as above, would involve an outflow of Rs.6,355,917 towards dividend and Rs.1,080,188 towards dividend tax, resulting in a total outflow of Rs.7,436,105.

## SHARE CAPITAL

During the year, your company received Allotment money arrears for an aggregate amount of Rs.17,000/- from respective shareholders. After the payment of arrears the paid up Equity share capital of the company is Rs.25,42,36,670/- divided into 25423667 equity shares of Rs.10/- each.

## OPERATIONAL RESULTS & BUSINESS

In spite of severe financial crisis and recession in the global market which had a direct bearing on company's business, your company could withstand the turbulences and maintained better performance and working in progressive direction. During the year under review, the standalone total income was Rs.18915.57 lakhs as against Rs. 13666.37 lakhs in the previous year. The consolidated total income was Rs.29860.06 lakhs as against Rs.27742.78 lakhs in previous year.

Your Company caters to its clients through a network of global presence by its established offices and a relentless effort is on the leash for bringing out constant improvements.

## SUBSIDIARIES

You Company has three subsidiaries namely Techorbit Inc, Global IT Inc situated in USA and LGS Global FZE. LGS Global FZE was incorporated on 7th January, 2009 in United Arab Emirates.

There has been no material change in the nature of the business of the subsidiaries.

As required under the Listing Agreement with the Stock Exchanges, Consolidated Financial Statements have been prepared and included in this Annual Report.

## STATEMENT UNDER SECTION 212 OF THE COMPANIES ACT, 1956

As per Section 212 of the Companies Act, 1956, we are required to attach the directors' report, balance sheet, and

profit and loss account of the subsidiaries. The Ministry of Corporate Affairs (MCA), Government of India has granted exemption from complying with Section 212 vide its approval letter No.47/203/2009-CL-III, Dtd.16.03.2009. In compliance with the terms of the exemption we have presented summary of financial information through statements for each subsidiary. Summary financial information includes Share Capital, Reserves & Surplus, Total Assets, Total Liabilities, our holding in the subsidiary, details of Investment, turnover, Profit before taxation, provision for taxation, Profit after taxation etc.. Accordingly, the annual report does not contain the financial statements of these subsidiaries. The Annual Accounts of the Subsidiary Companies and the related detailed information will be made available to the Holding and Subsidiary Companies' investors seeking such information at any point of time. The Annual Accounts of the Subsidiary Companies will also be kept for inspection by any investor at the Registered Office of the Company and that of Subsidiary Companies concerned.

## A statement pursuant to Section 212 of the Companies Act, 1956 related to Subsidiary Companies given elsewhere in this Annual Report.

## CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Accounting Standards AS-21 on Consolidated Financial Statements, the Audited Consolidated Financial Statements are included in this Annual Report.

## CHANGES & DEVELOPMENTS DURING THE YEAR AND THEREAFTER

Your Company has obtained approval to set up a unit in Special Economic Zone (SEZ) at Sundew Properties Private Limited (formerly K Raheja IT Park (Hyderabad) Private Limited), Mindspace, Cyberbad, Madhapur, Hyderabad, A.P.

The SEZ Unit operations are expected to commence in January 2010.

## QUALITY INITIATIVES, CERTIFICATIONS

The Company values its customers and focuses on ensuring high quality delivery of services to them. Your Company Strategic Global Sourcing Group consists of senior professionals and has been established to identify, secure and manage new, large, and long-term client engagements.

Enabling Quality and Improving Processes (EQUIP) is a framework that facilitates the integration of the Company's

extensive consulting experience that is deeply rooted in solution implementations, methodologies and delivery tools.

#### **CMMI:**

The Company complies with CMMI framework and is appraised at CMMI ML 3. This year the company has undertaken CMMI ML 5 activities and expected to go up to higher maturity levels of the CMMI pyramid in future.

Benchmarking the services and processes against globally recognized quality standards, the Company has achieved the following:

#### **ISO 9001-2008:**

The company always keeps itself abreast with periodic upgrades for independent software process and quality assurance review and audit activities and has moved up from ISO 9001-2000 to ISO 9001-2008.

#### **ISO 27001 - 2005:**

Attained ISO 27001 - 2005 certificate for information security management compliance (ISMS) which certifies the Company as able organization to comply with clients' data security requirements.

#### **Certifications and Partnerships**

- ✓ The Company achieved the Microsoft Gold partnership status Certificate for its Data Management Solutions Competency which recognizes the commitment, expertise and superiority using Microsoft products and services.
- ✓ During the year, the Company has also attained partnership from IBM and Sun Microsystems to deliver enhanced quality services to our global clientele.
- ✓ Your company continues to foster our strategic partnerships with SAP, Oracle, software AG and other major vendors.

#### **FIXED DEPOSITS**

The Company has not accepted any fixed deposits from the public for the financial year ended March 31, 2009.

#### **HUMAN RESOURCES**

Your company recognizes the importance of human resources as it forms the backbone for its success. Your company strongly believes in nurturing and encouraging human resources. The prime focus of the company is to

enhance the professional value of its employees and create win-win situations for both the organization and its employees. Your company continues to adopt best HR practices to recruit and retain talented employees. Your company is confident of reaping the best from its talent pool and sharing the benefits with its employees on an equitable basis in the years to come.

#### **PARTICULARS OF EMPLOYEES**

Particulars of employees as required under section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 as amended, forms part of this report given as annexure to the Directors' Report.

#### **AUDITORS**

M/s. P. Murali & Co., Chartered Accountants, Auditors of the Company will retire at the conclusion of the Annual General Meeting and are eligible for re-appointment. They have conveyed their willingness to accept re-appointment and confirmed their eligibility under Section 224(1-B) of the Companies Act, 1956.

The Auditors' Report to the shareholders does not contain any qualification or adverse remarks which require any clarification or explanation.

#### **CHANGE OF NAME TO LGS GLOBAL LIMITED**

Consequent on the change of name from Lanco Global Systems Limited to LGS Global Limited, as approved by the members at Ninth Annual General Meeting, fresh Certificate of Incorporation has been issued by Registrar of Companies, Andhra Pradesh vide dated 5<sup>th</sup> November, 2008. The said certificate of incorporation along with Memorandum & Articles of Association are available for inspection by members.

#### **DIRECTORS**

Mr. G. Ramesh, Director, retires by rotation and being eligible offers himself for re-appointment. Mr. Anand Swaroop Y, Mr. Tejesh Kumar Kodali and Mr. Asokan Ganapathy have submitted their resignations to the directorship of the company with effect from 01.09.2008, 29.04.2009 and 27.10.2009 respectively and same were accepted by the Board. Your Board placed on record its appreciation to the outgoing Directors for their valuable services rendered during their tenure on the Board of the Company.

#### **"GROUP" FOR INTER-SE TRANSFER OF SHARES**

As required under Clause 3 (1) (e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares

and takeovers) Regulations, 1997, persons constituting "Group" (within the meaning as defined in the Monopolies and Restrictive Trade Practices Act, 1969) for the purpose of availing exemption from applicability of the provisions of Regulation 10 to 12 of the aforesaid SEBI Regulations are given as annexure to the Directors' Report.

### REPORT ON CORPORATE GOVERNANCE

In line with the recommendation of the Securities Exchange Board of India (SEBI) on Corporate Governance, your company had constituted the Board with optimum combination of Executive and Non Executive and independent and Non independent Directors. Your Company also constituted various committees to comply with the provisions of the Corporate Governance under the Listing Agreement of the Stock Exchanges.

The Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of this Annual Report.

The requisite Certificate from the Auditors M/s. P.Murali & Co., Chartered Accountants, confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49, is attached to this Report.

### MANAGEMENT DISCUSSION & ANALYSIS

Management Discussion and Analysis Report (MDA) of the Company forms part of this Annual Report.

### DECLARATION ON CODE OF CONDUCT

Pursuant to provisions of Clause 49 (I) (D) (ii) of the Listing Agreement, a Declaration declaring that all the members of the Board and the Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct of the Company, is forming part of the Corporate Governance Report attached herewith.

### DISCLOSURE ON ESOS - 2005

Your company has Employee Stock Option Scheme (ESOS)-2005. First tranche of options vested and exercised by the eligible employees in April, 2006 and the Second tranche of options vested and exercised by the eligible employees in April, 2007. The third and final tranche of options vested and exercised by the eligible employees in April, 2008. The required information relating to the Employees Stock Option Scheme pursuant to Clause 12 of the SEBI (ESOS / ESOS ) Guidelines 1999 is enclosed as Annexure.

### LISTING OF SHARES & ANNUAL LISTING FEE

The Securities of the Company are listed at Bombay Stock Exchange Limited (BSE). The Listing fee for BSE has been

paid and there are no outstanding dues. Your company has filed application along with necessary documents for listing of its shares at National Stock Exchange of India Limited (NSE). Your company is waiting for listing approval from NSE.

### CASH FLOW STATEMENT PURSUANT TO CLAUSE 32

The Cash Flow Statement pursuant to Clause 32 of the Listing Agreement entered into with Stock Exchange(s) is appended to this Annual Report.

### CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

The particulars, as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, are as following:

#### (i) Details of Conservation of Energy

The operations of your company do not consume high levels of energy. The Company uses electric energy for its equipment such as computer terminals, air conditioners, lighting and utilities in the work premises. Adequate measures have been taken to conserve energy by using energy-efficient computers and equipment with the latest technologies. As an ongoing process, the following measures are undertaken to conserve energy:

- (a) Implementation of viable energy audit proposals.
- (b) Installation of automatic power factor controllers to save maximum demand charges and energy.
- (c) Training front-end operational persons on the opportunities and importance of energy conservation.
- (d) Automation of air conditioners is taken up in all locations.
- (e) Precision temperature controllers are installed in all locations.
- (f) Awareness and training sessions for maintenance personnel were conducted by experts.
- (g) Optimum usage of air-conditioning equipment is made within the office space.
- (h) Efforts are on to provide for intelligent lighting, automatic lighting system based on sensors for optimum use of power.

## (ii) Research & Development and Technology Absorption

The Company's Research & Development investment would primarily focus on Solutions Research and Vertical Focus Research.

Solutions Research would identify new ideas which would enable business process improvement for customers and would be aligned with the business strategy and growth opportunities of the organization.

Vertical Focus would primarily deal with building Centers of Excellence (CoE) around verticals such as financial services, Life sciences, pharmacy, energy, retail and process / discrete manufacturing. The Company would also setup Research & Development facilities around tools supporting some of the COTS solutions and in the BI space. Specialized process oriented tools to enhance business process performance are ready for deployment. The Company would be developing products for B2B and SaaS.

The Company plans to be a player in niche technologies and lays emphasis in staying current in the new technologies. A significant budget would be set aside for building competencies in the new technologies and also building solutions in the migration space, particularly in the open source solutions.

## (iii) Foreign Exchange Earnings and outgo

Export Plans and Activities relating to exports - Application Management services, Application development, Tool set development, Product development and support activities have been the primary source of revenues to the offshore delivery center and would be the focus for the future with the aid of Value added tools.

Initiatives taken to increase exports - Demonstrating the benefits to the existing client base on the offshore model in terms of Cost savings, 24/7 support, Maturity in delivery processes through CMMI and ISO, State of the art infrastructure, Competency and knowledge base.

Development of new export markets for products and services Europe and Middle East have been the markets that are being developed through our partners.

Rs.

A) Foreign Exchange Earnings(Received)	75,17,91,009/-
B) Foreign Exchange outgo	
(i) for Capital Expenditure	8,09,000/-
(ii) for Traveling	18,47,674/-
(iii) for Others	83,75,17,035/-

## DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors hereby confirm:

- in preparation of annual accounts containing financial statements for the financial year ended 31st March, 2009 the applicable accounting standards have been followed.
- the accounting policies are consistently followed and your Directors have applied them to give a true and fair view of the state of affairs of the Company and the profit/loss for that period.
- the Directors have 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.
- annual accounts have been prepared on a going concern basis.

## ACKNOWLEDGEMENTS

Your Directors seize this opportunity to thank the esteemed Shareholders, Financial Institutions, Banks, Customers, Suppliers and Regulatory and Government Authorities for their continued support to the Company. Further, the Directors wish to place on record their appreciation to all employees of the Company for their hard work, dedication and commitment.

For and on behalf of the Board of Directors

**LGS GLOBAL LIMITED**

**Venkata Subba Rao Karusala**  
Managing Director

**Venkateswara Rao Kadiyala**  
Joint Managing Director

Place : Hyderabad  
Date : 18.11.2009



## Directors' Report

### Annexure to the Directors' Report

#### Details of Stock options Pursuant to SEBI Guidelines on Stock Options

Description		
a.	Options granted during the year	NIL
b.	The pricing formula	The options issued by the Employee Stock Option Trust were at Par Value
c.	Options vested during F.Y 2008-09	53,760
d.	Options exercised during F.Y. 2008-09	53,760
e.	The total number of shares arising as a result of exercise of options	53,760
f.	Options lapsed during the F.Y. 2008-09	NIL
g.	Variation of terms of options	NIL
h.	Money realized by exercise of options	Rs.5,37,600
i.	Total number of options in force as on 31-03-2009	NIL
j.	Employee wise details of options granted to	
	(i) Senior managerial personnel	NIL
	(ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	NIL
	(iii) Identified employees who were granted option, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	NIL
k.	Diluted earnings per share(EPS) pursuant to issue of shares on exercise of option calculated in accordance with (Accounting Standard (AS) 20 Earning per share)	Rs. 8.94 The ESOP scheme is administered through ESOP Trust, so there is no impact on EPS
l.	Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed	The ESOP scheme is administered through ESOP Trust so there is no impact on the profits and EPS
m.	Weighted average exercise prices and weighted average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock	N.A
n.	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted average information (1) risk-free interest rate (2) expected life (3) expected volatility (4) expected dividends, and (5) the price of the underlying share in market at the time of option grant.	N.A

For and on behalf of the Board of Directors

**LGS GLOBAL LIMITED**

**Venkata Subba Rao Karusala**  
Managing Director

**Venkateswara Rao Kadiyala**  
Joint Managing Director

Place : Hyderabad  
Date : 18.11.2009

## Annexure to the Directors' Report

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and forming part of the directors report for the year ended March 31, 2009

Employee Name	Designation / Nature of Duties	Qualification	Age (years)	Joining Date	Experience (years)	Gross Remuneration (Rs.)	Previous Employment -Designation
Mr. Tejesh Kumar Kodali*	Chairman	M.B.A, FAGE	38	27.03.2008	15	36,17,520	–
Mr. Venkateswara Rao Kadiyala*	Co-Chairman	M.C.A.	38	27.03.2008	15	36,17,520	–
Mr. Venkata Subba Rao Karusala*	Vice Chairman & Managing Director	M.Tech, FIE	41	27.03.2008	17	36,17,520	–
Mr. Anand Swaroop Yadagiri*	Director & CEO	B.Tech PGDBM	43	09.05.2007	22	15,72,000	Executive Vice - President of Indu Group & COO
Mr. Srinivasa Rao Yepuri	Vice President (F&A)	M.Com F.C.A.	47	14.06.2001	23	29,84,250	Lanco Kalahasti Castings-Deputy General Manager
Mr. Rakesh Kumar Potluri	Vice President (Technology Services & Delivery)	M.Tech	52	21.04.2005	25	25,67,504	Virtusa-Senior Project Manager
Mr. Sateesh Kumar Balusu	Head - ERP	B E	39	18.06.2007	17	29,62,500	IGATE-Group Project Manager

\* Remuneration paid for the part of the year.

- The Department of Company Affairs has amended the Companies (Particulars of Employees) Rules, 1975 to the effect that particulars of employees of companies engaged in the information technology sector posted and working outside India, not being directors or their relatives, drawing more than Rs. 24 Lakh per financial year or Rs. 2 Lakh per month, as the case may be, need not be included in the statement. Accordingly, the statement included in this report does not contain the particulars of employees who are posted and working outside India.
- Particulars regarding the employees drawing salary in excess of that drawn by Managing Director or Whole time director and holding, either himself or along with spouse and dependent children, not less than two percent of the equity shares of the Company - Nil
- Remuneration includes Salary, allowances, Provident Fund, perquisites as per Income Tax Rules and other benefits, if any, as per Company Rules.
- The nature of employment of above employees is permanent.
- Conditions of employment are contractual/governed by the Company's Rules.
- None of the above mentioned employees are related to each other or related to any Director of the Company.

For and on behalf of the Board of Directors  
**LGS GLOBAL LIMITED**

**Venkata Subba Rao Karusala**  
Managing Director

**Venkateswara Rao Kadiyala**  
Joint Managing Director

Place : Hyderabad  
Date : 18.11.2009



### Annexure to the Directors' Report

The following is the list of persons constituting "Group" (within in the meaning as defined in the Monopolies and Restrictive Trade Practices Act, 1969 (MRTP) or any enactment thereof) for the purpose of availing exemption from applicability of the provisions of Regulations 10 to 12 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ('the said Regulations') as provided in clause 3(1)(e)(i) of the said Regulations.

1. K. Venkateswara Rao
2. K. Venkata Subba Rao
3. Y. Sirisha
4. P. Sridevi
5. Fiora Enterprises Ltd
6. Mundi Enterprise Ltd
7. Probus Capital Ltd
8. Fingrowth Co. Ltd

For and on behalf of the Board of Directors  
**LGS GLOBAL LIMITED**

**Venkata Subba Rao Karusala**  
Managing Director

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Joint Managing Director

Place : Hyderabad  
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