

To  
The Members

Your Directors have great pleasure in presenting the Ninth Annual Report on the business and operations of the Company together with the Audited Accounts for the year ended 31<sup>st</sup> March, 2008.

## 1. FINANCIAL RESULTS

(Rupees in Lakhs)

Financial Results	For the year ended March 31st			
	Consolidated		Standalone	
	2008	2007	2008	2007
Income from Operations	27728.63	7807.61	13652.22	4538.94
Other Income	14.15	17.63	14.15	17.62
Total Income	27742.78	7825.24	13666.37	4556.56
Operating expenditure	23707.79	6656.21	10593.13	3723.90
Gross Profit before Interest, Depreciation & Tax	4034.99	1169.03	3073.24	832.66
<b>Less:</b> Interest	106.71	60.54	68.51	53.99
Depreciation	199.18	231.04	186.92	195.38
Provision for Tax	286.44	21.24	286.44	21.24
<b>Profit after Tax</b>	<b>3442.66</b>	<b>856.21</b>	<b>2531.37</b>	<b>562.05</b>
<b>Less:</b> Provision for Deferred Tax Liability	11.93	5.58	11.93	5.58
Profit after Deferred Tax	3430.73	850.63	2519.44	556.47
Net Profit for the year	3430.73	850.63	2519.44	556.47
Balance Brought forward from the previous year	1185.35	334.72	891.19	334.72
Profit available for appropriations	4616.08	1185.35	3410.63	891.19
Provision for proposed Dividend	254.22	–	254.22	–
Tax on Dividends	43.20	–	43.20	–
Transferred to General Reserve	63.56	–	63.56	–
Profit Carried to Balance Sheet	4255.10	1185.35	3049.65	891.19

## 2. Dividend

In view of the Company's profitable performance, the Directors are pleased to recommend for approval of the Members a Final Dividend of 10% on paid up share capital of the Company (i.e., Re.1/- per equity share of Rs.10/- each) for the financial year 2007-08. The final dividend, if declared as above, would involve an outflow of Rs. 2,54,21,967/- towards dividend and Rs. 43,20,463/- towards dividend tax, resulting in a total outflow of Rs. 2,97,42,430/-.

## 3. Transfer to reserves

The Company proposes to transfer Rs. 63,55,492/- to the General Reserve out of the amount available for appropriations and an amount of Rs. 42,55,09,601/- is proposed to be retained in the Consolidated Profit & Loss Account.

The Company proposes to transfer Rs. 63,55,492/- to the General Reserve out of the amount available for appropriations and an amount of Rs. 30,49,65,377/- is proposed to be retained in the Standalone Profit & Loss Account.

## 4. Operational results & business

Your Company achieved profitable growth compared to earlier years. For the year ended 31<sup>st</sup> March, 2008, the company earned a total income of Rs. 13666.37 lakhs an increase of 199.93% over previous year Rs. 4556.56 lakhs. As per consolidated accounts the total income was Rs. 27742.78 lakhs, an increase of 254.53% over the previous year Rs. 7825.24 Lakhs

The net profit of the Company for the year is Rs. 2519.44 Lakhs (18.44% of total income) as compared to Rs. 556.47 Lakhs (12.21% of total income). As per the Consolidated accounts the net profit for the year was Rs. 3430.73 Lakhs (12.37% total income) as compared to Rs. 850.63 Lakhs (10.87% total income) in 2006-07.

The Company caters to its clients through Global presence by its established offices at its US offices situated in the States of New Jersey, Virginia, Georgia and Texas, UK office situated at London and Head Office at Hyderabad, Andhra Pradesh, India.

## 5. Subsidiaries

The Company has two subsidiaries namely **Techorbit Inc** and **Global IT Inc** situated in the state of Texas, USA.

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 the Consolidated Financial Statements have been prepared and included in this Annual Report.

## 6. 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. We believe that the Consolidated Financial Statements present a more comprehensive picture rather than the standalone financial statements of Lanco Global Systems Limited and each of its subsidiaries. We, therefore, applied to the Government of India for an exemption from such attachment as we present the audited consolidated financial statements in the annual report. The Ministry of Corporate Affairs (MCA), Government of India has granted exemption from complying with Section 212 vide its approval letter No.47/311/2008-CL-III, Dt. 21.05.2008. 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 has been given elsewhere in this Annual Report.**

## 7. Changes & Developments during the year and thereafter

Members are aware that during the year, the Public Announcement was given by Acquirers namely Mr. Tejesh Kumar K, Mr. Venkateswara Rao K, Mr. Venkata Subba Rao K, along with Persons Acting in Concert (PAC). Thereafter, consequent to completion of takeover formalities the shares of the erstwhile promoters were transferred to Acquirers and the Board was reconstituted with the appointment of



Acquirers & others as Directors and resignation of erstwhile promoter directors.

The Equity shares issued to the Shareholders of erstwhile Lanco Global Systems Inc (LGS) pursuant to the scheme of Amalgamation of the Company were listed on BSE and these shares are tradable with effect from 27<sup>th</sup> June, 2008. However, these shares are under lock in for one year and three years as per the conditions stipulated in the in-principle approval letter for listing by Bombay Stock Exchange Limited (BSE). These shares have been admitted for dematerialization by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

#### 8. Fixed deposits

The Company has not accepted any public deposits and, as such, no amount on account of principal or interest on public deposits was outstanding on the date of the Balance sheet.

#### 9. 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, is enclosed as Annexure-I.

#### 10. 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.

#### 11. Change of name proposal

Your Company got popularized with its abbreviated letters "LGS" in the business world. It was also proposed by the new Board to change the name of the company as LGS Global Limited to keep the track of identity in the business world. The name availability has been confirmed by Registrar of Companies. However, in accordance with the provisions of Section 21 of the Companies Act, 1956, members approval is required by way of Special Resolution to change the name of the company. Therefore, the Board recommended the Resolution for member's approval in the ensuing Annual General Meeting.

#### 12. Directors

Dr. Prasada Rao VDM Ravella, Director, retires by rotation and being eligible has offered himself for re-appointment.

#### Appointments:-

During the year, Mr. Tejesh Kumar Kodali, Mr. Venkateswara Rao Kadiyala, Mr. Venkata Subba Rao Karusala, Mr. Pradeep Kumar Dev V and Mr. Asokan Ganapathy have been inducted as Additional Directors of your company w.e.f. 27<sup>th</sup> March, 2008. Both Mr. Pradeep Kumar Dev V and Mr. Asokan Ganapathy are Independent Non Executive Directors. As per the provisions of Section 260 of the Companies Act, 1956, these five Directors hold office up to the date of the ensuing Annual General Meeting of the Company only. The Company has received notices under Section 257 of the Companies Act, 1956 along with the requisite deposit, in respect of the above persons, proposing their candidature for the office of Director of the Company. Resolutions seeking approval of the Members for the appointment of Mr. Tejesh Kumar Kodali, Mr. Venkateswara Rao Kadiyala, Mr. Venkata Subba Rao Karusala, Mr. Pradeep Kumar Dev V and Mr. Asokan Ganapathy as Directors of the Company have been incorporated in the Notice of the ensuing Annual General Meeting along with the brief details about them.

#### Resignations:-

During the year Mr. Madhusudhan Rao L, Mr. Bhaskara Rao G and Mr. M N Nambiar have submitted their resignations w.e.f 27<sup>th</sup> March, 2008. Mr. P G K Murthy has also resigned as Director w.e.f. 28<sup>th</sup> April, 2008. Mr. Y Harish Chandra Prasad and Mr. Nagarjuna Valluripalli have resigned to their Directorships as on 23<sup>rd</sup> October, 2007 and 20<sup>th</sup> June, 2007 respectively. Your board expresses its sincere appreciation and gratitude to all the outgoing Directors for their valuable assistance and advice tendered by them during the tenure of their association with the Board and the Company.

#### 13. Corporate Governance and Management Discussion & Analysis

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

Separate reports on Corporate Governance and Management Discussion & Analysis are being provided as part of Annual Report.



## 14. 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.

## 15. Disclosure on Company's Employees Stock Option Scheme 2005

Your Company has ESOS 2005 and it is in force as on 31<sup>st</sup> March, 2008. First tranche of options vested and exercised by the eligible employees in the April, 2006 and the Second tranche of options vested and exercised by the eligible employees in the April, 2007. 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-II.

## 16. Listing of Shares

The Securities of the Company are listed at Bombay Stock Exchange Limited (BSE) and The Hyderabad Stock Exchange Limited (HSE). The Listing fees for these Stock Exchanges have been paid and there were no outstanding dues. The recognition granted to The Hyderabad Stock Exchange Limited (HSE) had been withdrawn by Securities and Exchange Board of India (SEBI). Your company is in proposal to list its shares at National Stock Exchange of India Limited (NSE).

## 17. 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 follows:

### (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 will be made 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.

	In Rs.
Foreign Exchange Earnings(Received)	19,12,17,319
Foreign Exchange outgo	
for Capital Goods	1,04,15,518
for Traveling	33,20,118
For Others	8,52,57,908

- (b) 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.
- (c) 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.
- (d) annual accounts have been prepared on a going concern basis.

**ACKNOWLEDGEMENTS**

Your Directors would like to express their grateful appreciation for the assistance and cooperation received from the Banks, the Government Authorities and Shareholders during the year under review. Your Directors wish to place on record their sense of appreciation for the sincere services of all employees of the Company.

for and on behalf of the Board of Directors  
**LANCO GLOBAL SYSTEMS LIMITED**

**Tejesh Kumar Kodali**  
 Chairman

Place : Hyderabad  
 Date : 25.08.2008

**18. Directors' Responsibility Statement**

Your Directors hereby confirm:

- (a) in preparation of annual accounts containing financial statements for the year ended 31<sup>st</sup> March, 2008 the applicable accounting standards have been followed.

## Annexure-I

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 31<sup>st</sup> March, 2008

Employee Name	Designation	Qualification	Age	Joining Date	Experience (years)	Gross Remuneration (Rs.)	Previous Employment -Designation
<b>Anand Swaroop Yadagiri</b>	Director & CEO	B.Tech PGDBM	42	09.05.2007	21	34,90,849	Indu Group- Executive Vice President & COO
<b>Srinivasa Rao Yepuri</b>	Vice President (F&A)	M.Com., F.C.A.	46	14.06.2001	22	32,97,800	Lanco Kalahasti Castings- Deputy General Manager
<b>Rakesh Kumar Potluri</b>	Vice President (Technology Services & Delivery)	M.Tech	51	21.04.2005	24	25,87,504	Virtusa- Senior Project Manager
<b>Sateesh Kumar Balusu</b>	Head - ERP	B E	38	18.06.2007	16	23,51,833	IGATE- Group Project Manager

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.





## Annexure - II

### 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 2007-08	48,480
D	Options exercised during F.Y. 2007-08	44,355
E	The total number of shares arising as a result of exercise of options	44,355
F	Options lapsed during the F.Y. 2007-08	12900
G	Variation of terms of options	NIL
H	Money realized by exercise of options	Rs. 4,43,550
I	Total number of options in force as on 31-03-2008	53,760
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. 9.91 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	N.A

