

## Directors' Report

To  
The Members

Your Directors have great pleasure in presenting the Eleventh Annual Report on the business and operations of the Company for the financial year ended 31<sup>st</sup> March 2010.

### FINANCIAL RESULTS

(Rupees in Lakhs)

Financial Results	For the financial year ended 31 <sup>st</sup> March			
	Consolidated		Standalone	
	2010	2009	2010	2009
Income from Operations	<b>38446.69</b>	29458.56	<b>24074.54</b>	18514.07
Other Income	<b>(360.85)</b>	401.50	<b>(360.85)</b>	401.50
Total Income	<b>38085.84</b>	29860.06	<b>23713.69</b>	18915.57
Operating expenditure	<b>32403.80</b>	25407.09	<b>21015.78</b>	15259.20
Gross Profit before Interest, Depreciation & Tax	<b>5682.04</b>	4452.97	<b>2697.91</b>	3656.37
Less: Interest	<b>1133.75</b>	681.01	<b>1030.70</b>	616.71
Depreciation	<b>480.70</b>	462.03	<b>331.24</b>	329.34
Provision for Tax	<b>774.22</b>	599.77	<b>262.63</b>	426.09
Profit after Tax	<b>3293.37</b>	2710.16	<b>1073.34</b>	2284.23
Less: Provision for Deferred Tax Liability	<b>24.96</b>	11.44	<b>24.96</b>	11.44
Profit after Deferred Tax	<b>3268.41</b>	2698.72	<b>1048.38</b>	2272.79
Net Profit for the year	<b>3268.41</b>	2698.72	<b>1048.38</b>	2272.79
Balance Brought forward from the previous year	<b>6879.46</b>	4255.10	<b>5248.09</b>	3049.65
Profit available for appropriations	<b>10147.87</b>	6953.82	<b>6296.47</b>	5322.44
Provision for proposed Dividend	<b>254.24</b>	63.56	<b>254.24</b>	63.56
Tax on Dividends	<b>43.21</b>	10.80	<b>43.21</b>	10.80
Transferred to General Reserve	<b>63.56</b>	0.00	<b>63.56</b>	0.00
Profit Carried to Balance Sheet	<b>9786.86</b>	6879.46	<b>5935.46</b>	5248.08

### DIVIDEND

Your Directors take pleasure in recommending a dividend of Re. 1 per Equity share (10%) on face value of Rs. 10/- per share for the approval of the members for the financial year ended 31<sup>st</sup> March 2010. The dividend, if declared as above, would involve an outflow of Rs. 2,54,23,667/- towards dividend and Rs. 43,20,752/- towards dividend tax, resulting in a total outflow of Rs. 2,97,44,419/- .

### TRANSFER TO RESERVES

The Company proposes to transfer Rs. 63,55,917/- to the General Reserve out of the amount available for appropriations and an amount of Rs. 97,86,86,237/- is proposed to be retained in the Consolidated Profit & Loss Account.

The Company proposes to transfer Rs. 63,55,917/- to the General Reserve out of the amount available for

appropriations and an amount of Rs. 59,35,46,580/- is proposed to be retained in the Standalone Profit & Loss Account.

### **OPERATIONAL RESULTS & BUSINESS**

FY 2009-10 showed a strong performance compared to the previous year with skillful financial management in the face of challenging economic conditions. During the year under review, the standalone total income was Rs. 23713.69 lakhs as against Rs. 18915.57 lakhs in the previous year. The consolidated total income was Rs. 38085.84 lakhs as against Rs.29860.06 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**

Your Company has three subsidiaries namely Techorbit Inc, Global IT Inc situated in USA and LGS Global FZE 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.47/573/2010-CL-III, Dtd.18.06.2010. 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, Cyberabad, Madhapur, Hyderabad, A.P. The SEZ Unit commenced its operations from April 08, 2010.

### **The Equity Shares of the Company are listed in Madras Stock Exchange with effect from 13<sup>th</sup> September, 2010.**

### **FIXED DEPOSITS**

The Company has not accepted any fixed deposits from the public for the financial year ended March 31, 2010.

### **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 Director's 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.

# Directors' Report

## DIRECTORS

Mr. Pradeep Kumar Dev Vyricherla, Director, retires by rotation and being eligible offers himself for re-appointment. Mr. G. Ramesh had submitted the resignation to the directorship of the company with effect from April 16, 2010 and the same was accepted by the Board. Your Board placed on record its appreciation to the outgoing Director for the valuable services rendered during his tenure on the Board of the Company.

## GROUP FOR INTER-SE TRANSFER OF SHARES

Pursuant to an intimation from the promoters, the names of the promoters and entities comprising 'group' as defined under the Monopolies and Restrictive Trade Practices (MRTP) Act, 1969 (and any enactment or re-enactment thereof) for the purpose of the SEBI(Substantial Acquisition of Shares and Takeovers) Regulations, 1997, include:

Venkateswara Rao Kadiyala	Sirisha Yarlagadda
Venkata Subba Rao Karusala	Sridevi Potu
Fiora Enterprises Ltd	Probus Capital Ltd
Mundi Enterprise Ltd	Fingrowth Co. Ltd

## 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.

## LISTING OF SHARES & ANNUAL LISTING FEE

The Securities of the Company are listed at Bombay Stock

Exchange Limited (BSE) and Madras Stock Exchange Limited (MSE). The Listing fee for BSE and MSE has been paid and there are no outstanding dues. Your company has filed listing application along with necessary documents and also paid Initial Listing Fees and Annual Listing Fees for listing of its shares at National Stock Exchange of India Limited (NSE). Your company is waiting for listing approval from NSE.

## DISCLOSURE ON COMPANY'S EMPLOYEES STOCK OPTIONS

During the year under review no scheme is in force, hence no information / disclosures are being made under SEBI (ESOS / ESPS) Guidelines 1999. However, the ESOP Trust namely LGSL Foundation is having 783509-shares as on March 31<sup>st</sup>, 2010 after successfully implementation of various Employees Stock Option Schemes in earlier years.

## 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:

- Implementation of viable energy audit proposals.
- Installation of automatic power factor controllers to save maximum demand charges and energy.
- Training front-end operational persons on the opportunities and importance of energy conservation.
- Automation of air conditioners is taken up in all locations.
- 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 set up 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)	1,17,11,08,279/-
B) Foreign Exchange outgo	
(i) for Capital Expenditure	Nil
(ii) for Traveling	40,60,934/-
(iii) for Others	1,22,12,81,734/-

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Board of Directors hereby state that:

- (a) in preparation of annual accounts containing financial statements for the financial year ended 31<sup>st</sup> March, 2010 the applicable accounting standards have been followed.
- (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 AND APPRECIATIONS**

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 : 11.11.2010

## Directors' Report

### 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, 2010

Employee Name	Designation / Nature of Duties	Qualification	Age (years)	Joining Date	Experience (years)	Gross Remuneration (Rs.)	Previous Employment -Designation
Mr. Satheesh Balusu	Head - ERP	B. E.	40	18.06.2007	18	25,50,000	IGATE-Group Project Manager

- (a) 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.
- (b) 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
- (c) Remuneration includes Salary, allowances, Provident Fund, perquisites as per Income Tax Rules and other benefits, if any, as per Company Rules.
- (d) The nature of employment of above employees is permanent.
- (e) Conditions of employment are contractual/governed by the Company's Rules.
- (f) None of the above mentioned employee(s) 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 : 11.11.2010