

## REPORT ON CORPORATE GOVERNANCE

### *Company's Philosophy on Code of Governance:*

The basic philosophy of corporate governance of the company is to achieve business excellence and enhance shareholder value keeping in view the interest of all stake-holders. The company stands by transparency in all its dealings and strict regulatory compliance.

### I. BOARD OF DIRECTORS

**A** *The Board of Directors of the Company shall have an optimum combination of executive and non-executive directors with not less than fifty percent of the Board of Directors comprising of non-executive directors. In case the Company has an executive chairman, at least half of the Board should comprise of independent directors.*

The details of the Directors on the Board of the Company for the year 2001-2002 are given below:

Name	Category	Designation	Number of membership in Boards of other public Companies
Sri L. Rajagopal	Non-Executive Director	Chairman	9
Sri Suresh Chukkapalli	Non-Executive Director	Vice Chairman	4
Sri L. Madhusudhan Rao	Non-executive Director	Director	10
Sri M.N. Nambiar	Non-Executive Director	Director	1
Sri V.K. Srinivasan	Non-Executive Director	Director	NIL
Dr Prasada Rao VDM Ravella	Non-Executive Director	Director	2
Dr Kilaru Hanumantha Rao	Non-Executive Director	Director	NIL
Sri Alyque Padamsee *	Non-Executive Director	Director	NIL
Sri P.V. Subrahmanyam **	Non-Executive Director	Director & CEO	NIL

\* resigned from the Board with effect from 27-07-2001

\*\* resigned from the Board with effect from 15-06-2001

**B.** *All pecuniary relationship or transactions of the non-executive directors vis-a-vis the Company should be disclosed in the Annual Report.*

None of the non-executive directors have any pecuniary relationship or transaction with the Company.



## II. AUDIT COMMITTEE

A qualified and independent Audit Committee shall be set up having a minimum of three independent non-executive directors as members. The role of the Audit Committee shall include the following:

- *Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.*
- *Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for repayment for any other services.*
- *Receiving with management the annual financial statements before submission to the Board.*

The Audit Committee of the Board of Directors reviews, acts and reports to the Board of Directors with respect to various auditing and accounting matters, including the recommendation for appointment of our independent auditors, the scope of the annual audits, fees to be paid to the independent auditors, the performance of our independent auditors and our accounting practices.

The Audit Committee comprises of the following three non-executive directors. The Audit Committee reviews the audited quarterly and yearly financial results with the Management before being submitted to the Board for its consideration and approval.

Sri Suresh Chukkapalli	-	Member
Sri M.N. Nambiar	-	Member
Dr Prasada Rao VDM Ravella	-	Member

Name	No. of Meetings held during the year	Number of Meetings attended during the year
Sri Suresh Chukkapalli	4	4
Sri M.N. Nambiar	4	3
Dr Prasada Rao VDM Ravella	4	1

## III. REMUNERATION OF DIRECTORS

- A. The remuneration of the non-executive directors shall be decided by the Board of Directors.**

No remuneration was paid to the non-executive directors during the year 2001-2002.

- B. Appropriate disclosures on the remuneration of directors have to be made in the section on the corporate governance of the annual report.**

A remuneration committee was constituted with three non-executive directors viz., Sri V.K. Srinivasan, Sri M.N. Nambiar and Sri L. Madhusudhan Rao, as Members.

## IV. BOARD PROCEDURE

- A. The Board of Directors of a Company shall meet at least four times a year, with a maximum time gap of four months between any two meetings.**

7 Board Meetings were held during the year 2001-2002. The dates on which the meetings were held are as follows:

20-04-2001, 15-06-2001, 28-06-2001, 27-07-2001, 29-10-2001, 21-12-2001 and 28-01-2002.



Agenda papers along with explanatory statements were circulated to the Directors in advance for each of these meetings. All relevant information, as recommended by the SEBI Committee on Corporate Governance as well as items required under Clause 49 of the Listing Agreement were placed before the Board from time to time.

The details of Board meetings held during 2001-02 and attendance record of each of the Directors are given below:

Name	Number of meetings attended
Sri L. Rajagopal	6
Sri Suresh Chukkapalli	7
Sri L. Madhusudhan Rao	6
Sri M.N. Nambiar	6
Sri V.K. Srinivasan	6
Dr Prasada Rao VDM Ravella	1
Dr Kilaru Hanumantha Rao	NIL
Sri Alyque Padamsee *	NIL
Sri P.V. Subrahmanyam **	1

\* resigned from the Board with effect from 27-07-2001

\*\* resigned from the Board with effect from 15-06-2001

**B. Company further agrees that a director shall not be a member in more than 10 committees or act as chairman of more than five committees across all companies in which he is a director.**

None of the Directors of our Company was member in more than 10 committees nor acted as chairman

of more than five committees across all companies in which they were directors. Details of Board membership positions occupied by the Directors, across all companies, have been given at the beginning of the section.

## V. MANAGEMENT

**A. Management discussion and analysis report shall form part of the Annual Report to the shareholders**

### IT SCENARIO

The economic downturn sweeping across the globe and a slowdown in IT purchases, both at the international and domestic industry levels, has been the reason for the slower growth during 2001-02.

In spite of the downturn in the US economy and all apprehensions, the Indian IT industry has done well and stood the test of time as well as competition from various countries.

Apart from the high growth export segment, the domestic software market also continued on its growth path, albeit gradually. The domestic software and services market registered revenues of Rs. 9,891 crore during 2000-01, up from Rs. 7,138 crore in the previous year. For the year 2001-02, the domestic software sector is estimated to gross Rs. 11,634 crore (US\$ 2,449 million).

### ANALYSIS

The analysis was done keeping in mind the Company's past expertise and the areas where it can penetrate easily and areas having the maximum Software Development Life Cycle.

Other areas of strategies include the offshore development model, which has a definite potential and Companies like (GE, Bank of America, Target, and American Express) are going offshore for



development and maintain their software. It has been found that almost two out of five Fortune 500 companies currently outsource some of their software requirements to India. The reason is simple: this approach saves time and money.

#### **PERCEIVED THREATS**

Though the Company has ISO 9001 certification, it is yet to get SEI CMM certification. The same is becoming a major bottleneck while bidding for tenders etc. To overcome this, the Company is planning to go for the certification.

The Company has been executing short and medium term projects. This requires adjustments on the part of technical and marketing teams to suit the requirements of different clients. Hence, the execution on time of these projects puts a strain on the technical and marketing teams.

#### **STRATEGIES OF THE COMPANY**

In the present scenario, the Company's US office is continuously providing the business from various clients on long-term contract basis. With the knowledge and wherewithal at the disposal of the Company and the Company's past experience with its Fortune 500 clients, it is now equipped to tap the large business opportunity overseas.

The Company is also focusing its business strategies based on the success stories over the last few decades globally and model it on Business through Channel partners, strategic alliances in key technical / domain areas, provision of end-to-end solutions, focus on niche products or services in the identified verticals and promotion of similar technologies.

Despite the slowing down of the IT sector during 2001-02, the software industry is expected to beef up overall growth during this period. IT outsourcing will increase as companies recognize the need to focus on core competencies. In this aspect, the

Company is putting concerted efforts both in India and in US office, which has contributed considerably in the past year to the improved performance despite the adverse industry conditions.

Already a number of systems integrators in India are capitalizing on this emerging market. The Company too is trying to position itself in this segment either directly venturing into it or through alliances. A number of large, multi-year outsourcing contracts, valued at millions of dollars have been signed up by leading System Integrators in the country. The Company has already tied up with some of the front line companies and industry giants in the US.

- B. Disclosures must be made by the management to the Board relating to all material financial and commercial transactions, where they have personal interest, that may have a potential conflict with the interest of the Company at large.**

During 2001-02, no transactions of material nature had been entered into by the Company with the Management or their relatives that may have a potential conflict with interests of the Company.

#### **VI. SHAREHOLDERS**

- A In the case of appointment of a new director or re-appointment of a director, the shareholders must be provided with the following information :**

- **a brief resume of the director**
- **nature of his expertise in specific functional areas**
- **names of companies in which the person also holds the directorship and the membership of committees of the Board**

The notice for the Annual General Meeting complied with this requirement.



- B. A Board committee under the chairmanship of a non-executive director shall be formed to specifically look into the redressing of shareholders' and complaints like transfer of shares, non receipt of balance sheet, non receipt of declared dividends, etc. This committee shall be designated as 'shareholders/investors grievance committee'.**

The administrative and Shareholders/Investors Grievance Committee administered the following:

- a. redress shareholder and investor's complaints etc. relating to transfer of shares, non receipt of balance sheet, non receipt of declared dividends
- b. consolidate and sub-divide share certificates
- c. approve transmission and issue of duplicate/ fresh share certificate

The composition of the Shareholders/ Investors Grievances Committee is as follows :

Sri L. Madhusudhan Rao - Member

Sri Suresh Chukkapalli - Member

- C. The Board of the Company shall delegate the power of share transfer to an officer or a committee or to the registrar and share transfer agents so as to expedite the process of share transfers.**

The Board has delegated the power of share transfer to Registrar and Share Transfer Agents who processes share transfers.

## VII. COMPLIANCE

A certification shall be obtained from the auditors of the Company regarding compliance of conditions of corporate governance as stipulated and the same sent to the shareholders along with the directors' report which is sent annually to all the shareholders of the Company.

The certificate obtained from our Statutory Auditors M/s Mogili Sridhar & Co., Chartered Accountants appears in the Annual Report.

## VIII. GENERAL MEETINGS

### **Details on Annual General Meetings (AGM) :**

#### **1.1. Location and time, where last AGMs held:**

Year	Location	Date	Time
1999-00	Registered Office of the Company at 141, Avenue # 8, L.V.Prasad Marg, Banjara Hills, Hyderabad.	July 19, 2000	11.30 A.M.
2000-01	Hotel Green Park, Greenlands, Begumpet, Hyderabad.	September 28, 2001	3.00 P.M.



1.2. Whether special resolutions were put through postal ballot last year ? No.

Generally, all the resolutions in the AGM are passed through show of hands.

**Attendance at AGMs and EGMs during the last financial year:**

No EGMs were held during the last financial year.

Name	AGM during the last financial year
Sri L. Rajagopal	No
Sri Suresh Chukkapalli	Yes
Sri L. Madhusudhan Rao	Yes
Sri M.N. Nambiar	Yes
Sri V.K. Srinivasan	Yes
Dr Prasada Rao VDM Ravella	No
Dr Kilaru Hanumantha Rao	No
Sri Alyque Padamsee *	—
Sri P.V. Subrahmanyam **	—

\* resigned from the Board with effect from 27-07-2001

\*\* resigned from the Board with effect from 15-06-2001

**IX. GENERAL SHAREHOLDERS INFORMATION**

The following information would be useful to our shareholders :

Sl.No.	Information	
1.	Annual General Meeting – Date and Time – Venue	September 27, 2002 at 4.00 P. M. K.L.N. Prasad Auditorium, The Federation of Andhra Pradesh Chambers of Commerce and Industry, Federation House, 11-6-841, Red Hills, P.B.14, Hyderabad-500 004.
2.	Financial Calender – Financial reporting for the quarter ended June 30, 2002 – Financial reporting for the half year ending September 30, 2002 – Financial reporting for the quarter ending December 31, 2002 – Financial reporting for the year ending March 31, 2003 – Annual General Meeting for the year ending March 31, 2003	(Tentative schedule) Before end July, 2002  Before end October, 2002  Before end January, 2003  Before end April, 2003  Before end September, 2003



3.	Book Closure Date (both days inclusive)	25-09-2002 to 27-09-2002
4.	Dividend Payment Date	Not Applicable
5.	Listing on Stock Exchanges at :	Hyderabad, Mumbai and Ahmedabad. The Company has paid the listing fee for the period ending 31st March, 2003
6.	Stock Code:	Stock Code - HSE -LAGLOB Scrip Code No.6426 Stock Code - BSE - LANGLSY Scrip Code No.532368 Stock Code - ASE - LANCOGLO Scrip Code No.32161
7.	Demat ISIN Number - for NSDL & CDSL	INE 425B 01019.

**8. Stock Market Data :**

Month	The Hyderabad Stock Exchange Limited		The Stock Exchange, Mumbai	
	High	Low	High	Low
April '1	11.00	9.00	11.90	10.85
May '01	14.00	9.00	14.60	9.70
June '01	16.25	14.25	17.25	14.00
July '01	19.00	16.00	19.00	14.20
Aug '01	20.45	15.65	20.00	15.00
Sept '01	20.00	17.75	19.70	16.80
Oct '01	19.00	16.25	19.00	16.00
Nov '01	18.75	16.00	19.25	15.00
Dec '01	32.75	18.25	34.90	18.35
Jan '02	30.00	24.00	30.00	17.00
Feb '02	24.00	20.00	22.90	15.45
Mar '02	No quotations, hence no rates		21.60	14.50

Note: During the year, the shares of the Company were not traded in Ahmedabad Stock Exchange. Hence, the monthly high & low stock quotations in respect of the same are not furnished.



9. Registrars & Share Transfer Agents	Aarhi Consultants Pvt. Ltd., 1-2-285, Domalguda, Hyderabad - 500 029.
10. Share Transfer System	The shareholders are advised to contact the Registrar and Share Transfer Agents at their address for effecting transfer of shares both in physical and electronic form.

11. Details of queries/complaints received and resolved during the year 2001-2002 :

Nature of Complaint	Received	Resolved
Change of Address	7	7
Change of Bank details	3	3
Non receipt of Fully Paid stickers	11	11
Payment of Allotment Money	6	6
Non receipt of shares in Demat form	4	4
Name Correction	1	1
I/B for Duplicate share certificate	2	2
Total:	34	34

The complaints had been attended to within 7 days from the date of receipt of the complaint, as communicated by our Share Transfer Agents & Registrars, M/s Aarhi Consultants Pvt., Ltd.

12. Distribution of Shareholding as of March 31, 2002 :

Category	No. of Shareholders	Percentage	No. of shares	Percentage
Up to 5,000	1408	84.21	2,81,387	2.64
5,001 - 10,000	125	7.48	86,115	0.81
10,001 - 20,000	36	2.15	62,525	0.59
20,001 - 30,000	18	1.08	41,200	0.39
30,001 - 40,000	1	0.06	3,030	0.03
40,001 - 50,000	3	0.18	14,290	0.13
50,001 - 1,00,000	28	1.67	2,36,272	2.22
1,00,001 and above	53	3.17	99,32,181	93.19
<b>TOTAL</b>	<b>1672</b>	<b>100.00</b>	<b>1,06,57,000</b>	<b>100.00</b>



13. Categories of Shareholding as on March 31, 2002 :

Sl. No.	Category	No. of Shares held	% of shareholding
<b>A.</b>	<b>Promoter's holding</b>		
1.	Promoters		
	– Indian Promoters	663300	6.22
	– Foreign Promoters	4795650	45.00
2.	Persons acting in Concert Friends & Associates	1479500	13.89
	<b>Sub-Total</b>	<b>6938450</b>	<b>65.11</b>
<b>B.</b>	<b>Non-Promoters Holding</b>		
3.	Institutional Investors	NIL	NIL
4.	Others		
	– Private Corporate Bodies	98077	0.92
	– Indian Public	2328509	21.84
	– NRIs / OCBs	301314	2.83
	– Any other (please specify)	990650	9.30
	<b>Sub-Total</b>	<b>3718550</b>	<b>34.89</b>
	<b>Grand Total</b>	<b>10657000</b>	<b>100.00</b>





14.	Dematerialization of Shares and Liquidity	Since the Company has entered into an agreement with both the depositories namely NSDL and CDSL for dematerialization of its shares, the shareholders of the company have the choice to dematerialize their shares and keep them in dematerialized form with any depository participant.
15.	Outstanding convertible instruments	As of March 31, 2002, there are no outstanding convertible instruments.
16.	Members can contact us at our registered office and corporate office:	<p><u>Registered Office:</u> Lanco House, 141, Avenue # 8, L.V. Prasad Marg, Banjara Hills, Hyderabad - 500 034. Phone # 3540 697, 701 Fax # 3540699</p> <p><u>Corporate Office:</u> 8-3-993, Lanco Towers, Srinagar Colony, Hyderabad - 500 073. Phone # 6511161-63 Fax # 3755413</p>



## COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To  
The Members,  
Lanco Global Systems Limited,  
Hyderabad.

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to compliance condition of corporate governance of Lanco Global Systems Limited ("the company") for the year ended 31st March, 2002 as stipulated in clause 49 of the listing agreement of the said company with the Stock Exchanges.

The compliance of the conditions of the corporate governance is the responsibility of the management. Our examination, conducted in the manner described in the Guidance note on "Certification of Corporate governance" issued by the Institute of Chartered Accountants of India was limited to procedures and implementation thereof adopted by the company for ensuring compliance with the conditions of Corporate Governance. Our examination was neither an audit nor was it conducted to express an opinion on the financial statements of the company.

In our opinion and to the best of our information and explanations given to us and on the basis of our examination described above, the company has complied with the conditions of Corporate Governance as stipulated in clause 49 the above mentioned Listing Agreement.

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 **MOGILI SRIDHAR & CO.,**  
Chartered Accountants

Place : Hyderabad,  
Date : 23-08-2002.

**P. MURALI MOHANA RAO**  
Partner