

Letter to the Shareholder



From the CEO's Desk

Dear Shareholder,

Greetings!

It gives me immense pleasure to present the achievements of your Company for the financial year 2007-08.

I am very happy to report that we posted a 40% growth in revenues this year. Our revenue came in at Rs.236 Crores, versus last year's revenue of Rs.169 Crores. Our operating profit increased by 45% year-on-year to reach Rs.25.20 Crores versus last year's figure of Rs.17.40 Crores. Profit after tax increased by a phenomenal 94% year-on-year to touch Rs.15.47 Crores, versus last year's figure of Rs.7.97 Crores.

Acknowledging our significant profits, the Board of Directors have recommended a dividend of 10% for the financial year ended March 31, 2008. This is marginally higher by 2.5% as compared to the previous year. The total outflow on account of dividend and allied distribution tax is Rs.1.45 Crores.

We managed to clock a higher margin despite the challenging currency environment.

This is testimony to the durability of our business model. Although the impact of global economic uncertainties may constrain our growth in the near term, we see significant growth opportunities in the medium and long term.

Streamlining our Business Units

In order to map our specialized offerings better with the market opportunities, we have streamlined our business units into Three pillars viz Calsoft labs (Product Engineering and technology solutions), Enterprise solutions and Strategic investments. Our subsidiary companies where we do not have 100% holding have been moved under Strategic Investments.

There are several noteworthy things about our growth that we should be proud of:

Key Strategic Acquisitions:

i) Aspire Communications: In July 2007, we acquired 51% equity in Aspire Communication Pvt. Ltd, India and its subsidiary Aspire Peripherals Pvt. Ltd and acquired majority stake in Aspire Soft, USA. The acquisition would help us further augment our Product Engineering Services in the Embedded space.

ii) International Innovations Inc.: In February 2008 we acquired 100% equity stake in International Innovations Inc. USA. International Innovations is a technology consulting company specializing in Enterprise Information Management Solutions. The acquisition would help us augment our Enterprise Solutions Division.

iii) Acquisition of balance 49% stake in Inatech Infosolutions Pvt. Ltd: We acquired the balance 49% in Inatech Infosolutions Private Limited, and made it a wholly owned subsidiary of Calsoft.

New Accounts

In 2007-08, we added 25 marquee customers including Juniper Networks, Texas Instruments, Motorola/Symbol, Plastic Logic, Domino, Hugh Symons Group and Phones4U. Our existing high profile customers such as Nortel Networks, EMC, Kronos and AP Moller Maersk continue to increase the quantum of repeat business.

Human Resources

In 2007-08, we added 158 new members to the Calsoft family to take our total strength to 973. This figure is set to grow in the coming year.

Our competitive edge as a company draws upon the skills and confidence of these bright people. We are confident that our wealth of talented people will enable us to compete better and deliver the best to our customers, despite the challenging times.

Business Outlook

Today we address an enormous market that offers us the opportunity to extend our business to new geographies and industry verticals.

Our key growth engines are Next Generation Data Centre [NGDC] products for Calsoft Labs and Oracle

Applications for Enterprise Solutions.

The outlook for 2008-09 is very promising.

World-over, customers are seeking out more value for their investments. While in the domain of product engineering this has resulted in the search for specialized players who have a record for top class delivery, in the enterprise space, the demand is for system integrators who can derive maximum business value out of technology investments. Given our deep strength, intensive specialization, good track record of delivery and excellent customer references in both these areas, there are tremendous growth opportunities for us. We expect to grow around 35% this year through a combination of organic growth coupled with synergistic acquisitions. We are undertaking some key initiatives in the following areas to achieve our targets this year:

- Significant investment in sales and marketing to expand our market reach and awareness
- Enlarging the footprint in Europe and Asia – Geographical expansion
- Strengthening of existing alliances and partnerships and establishing new complimentary relationships

- Tightening up customer assurance processes through re-certification of quality standards and processes at all delivery centers
- Additional investment and attention in training and knowledge management
- Expansion of delivery infrastructure through an acquisition of a state-of-the art new campus that can accommodate over 2000 engineers in Chennai overall. It has been a satisfying journey, and satisfies our cherished desire to move into our own building.

I thank our investors, employees and all our stakeholders as we enter a new phase of our journey with determination and optimism.



S. (Sam) Santhosh

Managing Director