



DIRECTOR'S REPORT - 2018

Dear Member,

Your Board is pleased to present the 33rd Annual Report of Cranes Software International Limited (CSIL), along with the audited financial statements for the fiscal year 31st March, 2018.

Macro - Economic Scenario

India's economy continues to show good signs of GDP growth and the business environment appears positive, than ever before, with a string of initiatives taken up by Central Government, with respect to ease of doing business, which is expected to help the Company directly, in expanding its market within the country and abroad.

Consolidated / standalone financial performance

The consolidated annual revenue from operations has registered a decrease of about 24% compared with the previous year and the Company has posted loss from operations before tax of Rs. 864.43 million as compared to Rs. 1252.77 million in the previous year.

The standalone annual revenue from operations has registered a steep increase by about 188% compared with the previous year, mainly on account of settlement of loans during the year. The loss for the period before tax stands at Rs. 820.19 million as compared with Rs. 1076.70 million in the previous year.

Financial highlights (Consolidated & Standalone)

(Rs. in Crore)

Particulars	Consolidated		Standalone	
	2017-18	2016-17	2017-18	2016-17
Total revenue	263.38	348.00	84.40	29.30
Total expenses	351.62	473.41	166.50	136.92
Profit / (Loss) before extraordinary items & tax	(88.23)	(125.42)	(82.02)	(107.62)
Exceptional Items	-	(0.14)	-	0.05
Profit / (Loss) before tax	(88.23)	(125.28)	(82.02)	(107.67)
Tax expense	(9.98)	(35.56)	(6.82)	(35.17)
Profit / (Loss) for the period	(78.25)	(89.71)	(75.20)	(72.50)

NEW INITIATIVES AND CORPORATE ACTION

In the year under review, the Company has enhanced its position in the areas of Business Intelligence, Engineering Services and Vocational Training. The Company continues to improve operational effectiveness, optimize costs and increase market reach across all businesses. These initiatives have positively impacted the current year business revenues and improved operating margins, especially in our overseas subsidiaries.

DIVIDEND

Your directors do not recommend any dividend in the absence of distributable surplus.

RESERVES

Your directors do not recommend any transfers to reserves.

SHARE CAPITAL

There is no change in the authorized or paid-up equity share capital of the Company, for the period under report.

LISTING/DELISTING

The equity shares of the Company are listed at BSE Limited ("BSE").



The equity shares of the Company were also listed on National Stock Exchange of India Limited (“NSE”) but suspended from trading on NSE.

Pursuant to approval of the Board of Directors at its meeting held on July 10, 2018, the Company had filed application for voluntary delisting of Company’s equity shares from the NSE on July 19, 2018 in terms of regulation 6 and 7 of the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (“SEBI Delisting Regulations”) which was approved by NSE vide its circular no. NSE/LIST/55769 dated July 31, 2018 pursuant to which NSE has withdrawn (delisted) the admission to dealing in securities of the Company w.e.f. August 8, 2018.

The Equity Shares of the Company will continue to remain listed on BSE having nationwide terminals and the shareholders of the Company shall continue to avail the benefits of listing and trading on BSE.

MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING FINANCIAL POSITION OF THE COMPANY, WHICH HAVE OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR AND THE DATE OF THE REPORT

While the Company avoided being shut down to the detriment of its stakeholders by getting life-saving, emergency loans from an angel investor in reliance upon the Cubeware, ETA and DSG foreign subsidiaries as pledged collateral, Cranes’ deep financial crisis lead to inability to settle these loans and the unavoidable pledge-based transfer of these subsidiaries’ shares, as reflected in the Balance Sheets reported by your Company.

CHANGE IN THE NATURE OF BUSINESS, IF ANY

There is no reportable change in the nature of business of the Company during the financial year ended 31st March, 2018.

PARTICULARS OF LOANS, GUARANTEE & INVESTMENT

Details of loans, guarantees and investments under the provisions of section 186 are given in notes to financial statements.

CORPORATE GOVERNANCE

Your Company is committed to adoption of good corporate governance practices and compliance with the same, in accordance, with listing agreement guidelines, prescribed by SEBI. Your Company is reviewing the present guidelines and will take steps to become fully compliant, shortly. The Company is dedicated to ensuring proper qualification and competence of its Directors and Management; certain actions and rectifications in this area are currently sub-judice and will be adequately reported upon proper resolution. The report on corporate governance as stipulated by SEBI forms part of the annual report and the Independent Company Secretary certificate of compliance is attached to this report as per Annexure – I & II.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

In terms of the provisions of regulation 34(2) of the SEBI (Listing and disclosure requirements) Regulations, the management discussion and analysis report is set out separately and forms an integral part of this report as per Annexure – III.

SUBSIDIARIES, JOINT VENTURES & ASSOCIATES

Current Subsidiaries, Joint venture & Associates have been listed in Annexure-IV (part III). Any substantial or material business related changes that have taken place in the subsidiary companies during the year is reflected in the Balance Sheet reported by your company and discussed in a Management Discussion and Analysis report in a Annexure-III.

EXTRACT OF ANNUAL RETURN

As required under the provisions of section 92(3) of the Companies Act, 2013 read with the Companies (Management and administration) Rules, 2014, an extract of the Annual Return of your Company in prescribed form MGT-9, for the fiscal year ended 31st March, 2018 is annexed to and forms part of this report as per Annexure – IV.

RELATED PARTY TRANSACTIONS

During the year under report, your Company has entered into related party transactions, which were on arm’s length basis and in the ordinary course of business. Certain material transactions as defined under section 188



of the Companies Act, 2013 read with the companies (Meetings of Board and its powers) Rules, 2014 are reported. All these transactions were previously approved by the audit committee and are being reviewed on a regular basis. Your Company will shortly propose the policy on related party transactions for approval by the Board. Further, details of contracts and arrangements with related parties for the fiscal year ended 31st March, 2018 are provided under note no. 40 to the audited financial statements.

RISK MANAGEMENT

Your directors have entrusted the risk management functions to the audit and remuneration committee as the number of directors on the Board is five only. Your Company will take steps to expand its Board, if advised and found warranted, in the future.

PARTICULARS OF EMPLOYEES

The ratio of the median remuneration of the employees to the remuneration of the each of the whole-time directors is 1: 4.5

The percentage increase in remuneration paid to each of the whole-time directors in this financial year is NIL, due to no profits and no surplus funds.

Disclosures pertaining to remuneration and other details as required under section 197(12) of the act read with companies (appointment and remuneration of managerial personnel) Rules, 2014 are attached to this report as per Annexure - V.

INTERNAL FINANCIAL CONTROL & ADEQUACY

Your Company has in place adequate internal control systems commensurate with the size of its operations to ensure sound management of operations, safe keeping of its assets including in tangible assets and utilization of resources. However, further steps as may be advised will be implemented, if found, necessary.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under clause (c) of sub-section (3) of section 134 of Companies Act, 2013, directors, to the best of their knowledge and belief, state that:-

- in preparation of the Annual Accounts, the applicable accounting standards have been duly followed along with proper explanation relating to material departures.
- the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and are prudent, so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period.
- the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the company and preventing and detecting fraud and other irregularities.
- the directors had prepared the annual accounts on a going concern basis.
- the directors had laid down internal financial controls to be followed by the Company and that they are adequate and were operating effectively.
- the directors devised proper systems to ensure compliance with the provisions of all applicable loss and that such systems were adequate and operating effectively.

DETAILS OF DIRECTORS / KEY MANAGERIAL PERSONNEL

The current composition of the Board is noted below. The Company is dedicated to ensuring proper qualification and competence of its Directors and Management; certain actions and rectifications in this area are currently sub-judice and will be adequately reported upon proper resolution.

PROMOTER GROUP (EXECUTIVE WHOLE-TIME DIRECTORS)

Asif Khader

Mukkaram Jan – Resigned as on 30th May, 2018

Mueed Khader



NON- EXECUTIVE DIRECTORS:

Richard Gall

Dr. Peter Ryser

Mrs. Akthar Begum

In terms of the provisions of section 203 of the Companies Act, 2013, Mr. Asif Khader, Managing Director, Mr. Mueed Khader, Whole-time Director and Mr. P. Phaneendra, Company Secretary are the key managerial personnel of your Company.

DECLARATION BY INDEPENDENT DIRECTORS

The independent directors have submitted disclosures that they fulfill all stipulated requirements as per section 149(6) of the Companies Act, 2013.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Even though the operations of your Company are not energy-intensive, adequate measures have been taken to reduce energy consumption by using efficient equipment. Since it is a software Company, primarily dealing with scientific and engineering software products and product related projects, energy cost forms a very small part of total cost and its impact on total cost is not material.

(a) Research & Development Activities

The Management of your Company has been committed to building a strong R&D culture from day one and has set clear R&D goals. In order to achieve these goals, the Company has focused on furthering the efficacies of R&D activities as well as building synergies among multiple-impact technologies.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The provisions of section 135 of the act read with companies (corporate social responsibility policy) Rules, 2014 are not applicable to the Company and therefore no report is attached under this head.

Meetings of the Board

During the year under report, your Board of Directors met on the following dates:

During the quarter ended 30 th June, 2017	30 th May, 2017
During the quarter ended 30 th September, 2017	14 th September, 2017
During the quarter ended 31 st December, 2017	14 th December, 2017
During the quarter ended 31 st March, 2018	14 th February, 2018

Composition of the audit committee

The Company has constituted an audit and remuneration committee consisting of three member directors in each committee. The committee meets regularly to review its functions.

The Committee consists of the following Directors:

Mr. Richard Gall -	Chairman
Mr. Asif Khader -	Member
Dr. Peter Ryser -	Member

The Committee met four times during the year. The dates of the meetings with details of attendance of the directors is given below:



Name of the Director	30 th May, 2017	14 th September, 2017	14 th December, 2017	14 th February, 2018
Richard Gall	Yes	Yes	Yes	Yes
Asif Khader	Yes	Yes	Yes	Yes
Dr. Peter Ryser	Yes	Yes	Yes	Yes

REMUNERATION COMMITTEE

The committee consists of Mr. Richard Gall, Smt. Akthar Begum and Dr. Peter Ryser. The committee met on 14th September, 2017 to consider terms to the Whole-time Directors and Managing Director. All the committee members were present for the meeting and no changes were proposed to the terms of remuneration. The Company pays remuneration by way of salary, perquisites and allowances and a commission to the Whole-time Directors and Managing Director.

FOR NON-EXECUTIVE DIRECTORS:

No fixed remuneration is paid to the Non-executive Directors, they are paid commission as a percentage of the net profits, as decided by the Board but within the limits set under the provisions of the Section 198 of the Companies Act, 2013. The payment of commission was approved by the shareholders at the AGM held on September 11, 2006. The basis of determining the specific amount of commission payable to these directors is related to their attendance at meetings, contribution at meetings as perceived by the Board and the extent of consultations with them outside the meetings.

No commission was paid out to the Non-executive Directors for the year under review.

The Non Executive Directors do not hold any shares of the company in their names.

SHARE HOLDER GRIEVANCE COMMITTEE

The Company has a Shareholder Grievance Committee constituted as per Section 178 of the Companies Act, 2013 and as per requirements under Clause 49 of the Listing Agreement, to look into the grievances of investors. This Committee consists of Smt. Akthar Begum, Mr. Asif Khader and Mr. Mueed Khader. There were no unresolved grievances from the investors / shareholders as on March 31, 2018.

The Company has designated an email id exclusively for redressal of Investor Grievances, viz., investor.grievances@cranessoftware.com in compliance with clause 47(f) of the Listing Agreement for speedy redressal of investor grievances.

KEY MANAGERIAL PERSONNEL

In terms of the provisions of section 203 of the Companies Act, 2013, Mr. Asif Khader, Managing Director, Mr. Mueed Khader, Whole-time Director and Mr. P. Phaneendra, Company Secretary are the key managerial personnel of your Company.

STATUTORY AUDITORS

In terms of the provisions of section 139 of the Companies Act, 2013 read with the Companies (Audit and auditors) Rules, 2014, an audit firm can hold office as statutory auditor for two terms of five consecutive years i.e. for a maximum term of ten years. Such audit firm can be re-appointed after a "cooling-off" period of five years. In computing the period of ten years, the period for which the auditor has held office before the commencement of the Companies Act, 2013 i.e. before 1st April, 2014 is to be considered.

The present auditors M/s. Sethia Prabhada Hegde & Co, were appointed and ratified at the 32nd Annual General Meeting of your company to hold office for a period of 5 years i.e. till the conclusion of the 37th Annual General Meeting.

M/s. Sethia Prabhada Hegde & Co, Chartered Accountants, Bangalore, had given their consent to act as auditors and have submitted a certificate to the effect that their appointment, if made, would be in conformity with the provisions of section 139(1) of the act and that it will meet with the criteria prescribed under section 141 of the act.



AUDITORS QUALIFICATIONS AND BOARD'S REPLY

The statutory auditors have qualified their report on various matters pertaining to the Company and the Board has replied to these qualifications. A detailed list containing the audit qualifications and the Board's replies thereto have been provided as an annexure to this report, marked Annexure - VI.

SECRETARIAL AUDITOR AND BOARD'S REPLY TO SECRETARIAL AUDIT QUALIFICATIONS

Secretarial audit in prescribed Form MR-3 attached to this report marked Annexure - VII

FORMAL ANNUAL EVALUATION OF THE BOARD

The guidelines for evaluating and assessing the performance of the directors are being modified due to the expansion of the board. Generally, such assessment would include the decision making abilities of individual directors, strategic and value addition contributions at the meetings, charting your company's policy and growth and introducing risk management policies.

As per listing regulations, the directors have to carry out an annual performance evaluation of the Board, independent directors, whole-time and non-whole-time directors, committees of the Board and chairman of the Board. Necessary guidelines are being re-framed in this regard.

HEALTH, SAFETY AND ENVIRONMENT

Your Board is committed to highest standards of providing healthy environment for safety of its employees and your Board reviews the same from time to time.

DISCLOSURE UNDER SEXUAL HARASSMENT OF WOMEN AT WORK PLACE – PREVENTION PROHIBITION AND REDRESSAL ACT, 2013

During the year under report, your Company has not received any complaint under the captioned act.

VIGIL MECHANISM

In compliance with the provisions of section 177(10) of the Companies Act, 2013 and regulation 4(2)(d) of the SEBI (Listing and disclosure requirements) Regulations, your Company has created and established a vigil mechanism for the directors and employees to report concerns about unethical behavior, actual or suspected fraud or violation of company's code of conduct. Your Company has not received any concerns about unethical behavior of any type in the year under consideration.

By Order of the Board of Directors
For Cranes Software International Limited

Bengaluru
14th August, 2018

CS P Phaneendra
Company Secretary

LIST OF ANNEXURES

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