



ARTEFACT SOFTWARE & FINANCE LIMITED
15th Annual Report 2002-2003



ARTEFACT SOFTWARE & FINANCE LIMITED

DIRECTORS

Mr. Manoj B. Shah, Managing Director

Mr. Pankaj B. Shah

Maj Gen B. K. Mehta (Retd.)

Mr. Anil K. Verma

AUDITORS

Zafar S. Daud

Chartered Accountant

3rd Floor, Smruti Cinema Building,

Sadar, Nagpur - 440 001.

BANKERS

Central Bank of India, Main Branch,

Nagpur - 440 001.

REGISTERED OFFICE

429, Joshi Wadi, Opp. Kurvey's High School,

Dr. Munje Road, Sitabuldi, Nagpur- 440 012.

CORPORATE OFFICE

1st Floor, Bhiwapurkar Chambers, Opp. Yeshwant Stadium,

Dhantoli, Nagpur - 440 012.



NOTICE TO SHAREHOLDERS

Notice is hereby given that the Fifteenth Annual general Meeting of the members of the company will be held on Saturday, the 27th day of September 2003 at 11.00 a.m. at 1st Floor, Bhiwapurkar Chambers, Opp. Yeshwant Stadium, Dhantoli, Nagpur- 440 012, to transact the following business:

AS ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as at 31st March 2003 and Profit and loss Account for the year ended on that date along with Auditor's Report and Directors' Report thereon.
2. To appoint a Director in place of Shri B. K. Mehta, who is liable to retire by rotation and being eligible offers himself for re-appointment.
3. To appoint new Auditors of the company, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, in place of the retiring Auditors and fixing of their remuneration.

AS SPECIAL BUSINESS :

4. To consider and if thought fit to pass the following resolution as an Ordinary Resolution :
"RESOLVED THAT Mr. Anil Verma, who was appointed as an Additional Director of the Company by the Board of Directors and who ceases to hold office under Section 260 of the Companies Act, 1956, and in respect of whom the company has received a notice in writing as required under Section 257 of the Companies Act, 1956 proposing his candidature for the office of director, be and is hereby appointed as a Director of the Company liable to retire by rotation".
5. To consider and if thought fit to pass the following resolution as an Ordinary Resolution :
"RESOLVED THAT subject to the provisions contained in Schedule XIII to the Companies Act, 1956 and other applicable provisions of the Companies Act, 1956, sanction be and is hereby accorded to the Company to increase the remuneration payable to Mr. Manoj B. Shah, Managing Director to Rs. 60,000/- per month with effect from 1st April 2003".



6. To consider and if thought fit to pass the following resolution as a Special Resolution :

"RESOLVED THAT, with the extensive networking of Mumbai stock Exchange and pursuant to Guideline 6 of SEBI Guidelines on delisting and subject to other regulations issued by SEBI, sanction be and is hereby accorded to the Company to delist its securities from Delhi Stock Exchange and Ahmedabad Stock Exchange and hereby authorise the Board to complete all other formalities required in this regard".

Date : 28.07.2003

BY ORDER OF THE BOARD

Registered Office :

429, Joshi Wadi, Opp.Kurvey's High School,
Dr. Munje Road, Sitabuldi, Nagpur

MANOJ B. SHAH
MANAGING DIRECTOR

NOTES

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THAT THE PROXY NEED NOT BE A MEMBER. THE PROXIES INORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- 2) Explanatory Statement as required under Section 173(2) in respect of item nos. 4, 5 & 6 above is annexed herewith.
- 3) Members/Proxies should bring the Attendance slip duly filled in for attending the meeting.
- 4) The members are requested to notify any change of Address with Pin Code number to the Registered office of the company.
- 5) Register of Members / Transfer Books shall remain closed from 12th September 2003 to 27th September 2003 [both days inclusive].
- 6) The company has received a notice under Section 225 of the Act from a member proposing M/s Naresh Patadia & Co., Chartered Accountants, as the Auditors of the Company in the place of the retiring auditors.



EXPLANATORY STATEMENT :

Item No. 4 :

Mr. Anil Verma was appointed as an Additional director on the Board on 28th April 2003 by the Board of Directors of the Company. According to the provisions of Section 260 of the Companies Act, 1956, he holds office as director only up to the date of the ensuing Annual General Meeting. As required by Section 257 of the Act, a notice has been received from a member signifying his intention to propose appointment of Mr. Anil Verma as a Director along with a Deposit of Rs.500/-. The Board considers it advisable that the company should avail itself of his services.

Hence the above resolution as placed in item no. 4 is placed before the members for their consideration and approval.

Mr. Anil Verma is interested in the resolution as it concerns his appointment. None of the other Directors is interested in the above resolution.

Item No. 5 :

The Remuneration payable to Mr. Manoj B. Shah, the Managing Director of the Company was approved by the shareholders at the Twelfth Annual General Meeting held on 29th September 2000. Your Board of Directors, considering the increase in operations of the company, thought it fit to increase his remuneration from Rs. 15,000/- per month to Rs. 60,000/- per month with effect from 1st April 2003. The details of the remuneration and perquisites payable shall be as follows :

1. The revised remuneration shall be payable to Mr. Manoj B. Shah, Managing Director from 1st April 2003 to 31st October 2004.
2. The monthly remuneration perquisites and other allowances payable to him during the above mentioned period shall be as follows :
 - a. Salary : Rs. 40000/-
 - b. Perquisites : Perquisites shall be allowed in addition to salary, following perquisites shall be given:

Category A :

- (i) Housing :
 - a. The Expenditure incurred by the Company on hiring furnished accommodation up to 25% of Salary
 - b. In case no accommodation is provided by the Company, the Managing Director shall be entitled to house rent allowance subject to the ceiling laid down in (a) above.

Explanation : The expenditure incurred by the Company on gas, electricity, water and furnishing shall however be subject to a ceiling of 10% of the salary of the Managing Director

- (ii) Club Fees : Fees of clubs subject to a maximum of Rs. 6,000/-

Category B :

- (iii) Contribution to Provident Fund & superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these, either single or put together are not taxable under the Income Tax Act, 1961.



- (iv) Gratuity payable shall not exceed half a month's salary for each completed year of service.

The above-mentioned quantum is well within the limits provided in Schedule XIII to the Companies Act, 1956. Hence, such increase does not require the approval of the Central Government.

According to Part III of Schedule XIII, any revision in remuneration in accordance with the provisions of the said Schedule requires the approval of Shareholders in general meeting.

Hence, the above resolution is placed before the members for their consideration and approval.

The Resolution and the Explanatory Statement in this regard as detailed above shall be treated as an abstract for the purpose of Section 302 of the Companies Act, 1956.

Mr. Manoj B. Shah is interested in the above resolution as it concerns his remuneration and Mr. Pankaj B. Shah, one of the Directors of the Company is also interested in the resolution, being a relative of Mr. Manoj B. Shah. None of the other directors is interested in the above resolution.

Item No. 6 :

At present, the company's shares are listed in 3 Stock Exchanges, viz., Mumbai Stock Exchange, Delhi Stock Exchange and Ahmedabad Stock Exchange. The Board of Directors of your company now feels that the company's shares may be delisted from the Delhi Stock Exchange and Ahmedabad Stock Exchange as the shares are not traded much in those stock exchanges. And the directors also feel that if the shares are delisted then all compliances as per the Listing Agreement with the said Stock exchanges could be dispensed with.

And moreover, the Board feels that with extensive networking of the Regional Stock Exchange, Mumbai, investors can have access to online dealings with the Company's securities across the Country.

As per the recent Guidelines issued by SEBI on Delisting, Guideline 6 of the said guidelines provides that any voluntary delisting by the company requires the approval of the shareholders in general meeting by way of a Special Resolution.

Hence, the above resolution is placed before the members for their consideration and approval.

None of the directors is interested in the above resolution.

Inspection of Documents :

A copy of listing agreement with the Stock Exchanges, notice received from a member proposing M/s Naresh Patadia & Co. as Auditors of the Company and the Agreement, incorporating the modification with respect to the terms of remuneration, entered into by the Company with Mr. Manoj B. Shah, Managing Director are available for inspection by members at the Registered office of the company, between 11.00 a.m. and 2.00 p.m. on any working day of the company.

Date : 28.07.2003

BY ORDER OF THE BOARD

Registered Office :

429, Joshi Wadi, Opp. Kurvey's High School,
Dr. Munje Road, Sitabuldi, Nagpur

MANOJ B. SHAH
MANAGING DIRECTOR



DIRECTORS REPORT

Your directors have pleasure in presenting their 15th Annual Report and Audited Statement of Accounts for the year ended 31st March 2003 on the business and operations of the Company.

FINANCIAL RESULTS :-

Particulars	(Rs. in Lacs)	
	2002-2003	2001-2002
Gross Income	686.97	393.00
Non Cash Charges	34.42	65.77
Profit Before Tax	33.48	24.34
Provision for Taxation	12.10	9.40
Net Profit	21.38	14.94
Profit brought forward from previous year	206.97	192.03
Profit available for disposal	229.07	206.97
Profit carried to Balance sheet	229.07	206.97

DIVIDEND :-

Your Directors do not recommend any dividend for the year ended 31st March 2003 as they would like to reserve the profits for future expansions and operations of the company.

OVERVIEW :-

There was an increase in the gross income of the company. In the Previous year the company had a gross income of Rs. 3.93 Crores, but during the year under report, the gross income is Rs. 6.87 Crores. And the profit before tax is Rs. 33.48 lacs during the year under review, against Rs. 24.34 lacs during the previous financial year. Your directors anticipate the same trend of increase in the revenue even in the current financial year, 2003-2004.

PLANS FOR CURRENT YEAR :-

The company has considerably consolidated its position in its division of Infrastructure and Project Management Consultancy. The company has substantial orders in hand. The company feels that the efforts of the previous years have started yielding results and has achieved steady growth in gross income.

Your company is also adopting procedures in line with requirements for ISO 9001 certification which may help the company in future and the management hopes to achieve ISO Certification in near future.

DIRECTORS :

Mr. Anil Verma, who was appointed as an Additional Director on the Board, will cease to be a director of the company at this ensuing Annual General Meeting. A notice as required under Section 257 of the Act has been received from a member, proposing his appointment as a Director of the company. Hence the company proposes to regularise his appointment in this Annual General Meeting.

**AUDITOR :**

Shri Zafar S Daud, auditor of the company holds office until the conclusion of the ensuing Annual General Meeting. Due to his personal commitments and reasons, he has submitted his resignation. Therefore, the Directors on receipt of a Special notice as specified under section 190 as contemplated under section 225 of the Companies Act, 1956 recommend M/s Naresh Patadia & Co., Chartered Accountants, Nagpur as Auditors of the company. The resolution for his appointment will be placed before the shareholders in the ensuing Annual General Meeting, for their consideration and approval.

The company has also received a written undertaking that, if appointed, his appointment would be within the prescribed limits provided under Section 224 (1-B) of the Companies Act, 1956.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956. The Directors to their best of knowledge and belief, confirm that :

- ✓ In the preparation of the Profit and Loss Account for the Financial Year ended 31st March 2003 and the Balance Sheet as at that date [hereinafter referred to as the "Financial Statements"] applicable accounting standards have been followed;
- ✓ Appropriate accounting policies have been selected and applied consistently and such judgements and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit of the company for that period;
- ✓ Proper and sufficient care has been taken 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. To ensure this, the company has established internal control systems, consistent with its size and nature of operations. In weighing the assurance provided by any such system of internal controls, inherent limitations should be recognised. These systems are reviewed and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurance of compliance with these systems. The Audit Committee meets at the regular intervals to review the internal audit function;
- ✓ The financial statements have been prepared on a going concern basis.

PERSONNEL :-

The company has paid remuneration to couple of employees exceeding Rs. 2 Lacs per month, who were employed only for part of the financial year.

The Statement under Section 217(2A) of the Companies Act, 1956 is given herein below :

S. No.	Name of the employee	Designation	Gross Salary	Date of appointment	Date of leaving
1.	Mr. A. Thevrajah	Team Leader	Rs. 24,25,532	01.04.2002	15.11.2002
2.	Mr. Mahadev Subramaniam	Team Leader	Rs. 28,89,301	01.04.2002	27.12.2002

**ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:**

The company has not earned any Foreign Exchange during the year.

But the company has spent in Foreign Currency, equivalent value in INR is 16,32,656 towards travelling Expenditure and Remuneration of Expatriate Technical Personnel.

DEPOSITS :-

The company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and / or Rules framed thereunder.

CORPORATE GOVERNANCE :

Necessary measures have been taken to comply with the requirements of the listing agreement with the Stock exchanges where the company's shares are listed. The report on Corporate Governance is included as a part of Directors' Report.

A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance stipulated under Clause 49 of the Listing Agreement is attached to this Report.

ACKNOWLEDGEMENT :-

The Directors would like to express their grateful appreciation for the assistance and co-operation received from Auditors of the company banks, Government Authorities, customers, vendors and shareholders during the year under report. Your Directors also wish to place on record their deep sense of appreciation for the committed services of the Executives and Staff of the Company.

FOR AND ON BEHALF OF THE BOARD

Place : **Nagpur**

Date : **28th July, 2003**

MANOJ B. SHAH

MANAGING DIRECTOR

PANKAJ B. SHAH

DIRECTOR



MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE & SCENARIO :

INDIA has unshackled its economy. By opening up various sectors, a robust economic growth is witnessed even during critical period of Global recession with GDP growing at around 5% to 6%. This is a market shift in focus on service sector as against primary or secondary sector, to sustain future growth and to unleash the potential of the Country to be a global player.

The Company's present priorities in providing expert project management services is in the Highways & Township Sectors. Government of India has earmarked substantial funds exceeding Rs. 115000 Crores. for development of 14000 kms of National Highways & upgradation & inter-linking of Rural Roads across the country. Also, substantial urban infrastructures development is witnessed in recent past like urban transport, integrated road development programmes for the major cities, development of special economic zones, etc.

The industry outlook for NBFC has not improved in the past 1 year but may gradually improved in the past 1 year but may gradually improve with recent Government policy announcement of extending the Act on Securitization to NBFC sector also hither to available only to banks. It is also being contemplated to establish a nodal refinancing agency for NBFC in line with housing refinance company like HUDCO or agricultural refinance company like NABARD. However, the pace of implementation and benefits thereof to small and medium sized NBFC needs to be seen.

REVIEW OF ARTEFACT'S BUSINESS :

Your company has been beneficiary of this improved business investment climate where Indian Infrastructure Development is booming.

Artefact which is primarily engaged in providing specialised Project Consultancy Services in various infrastructure projects of roads, urban transport & development projects and Airports have substantially expanded its area of working & expertise during the year. It is associated today with prestigious National Highway Development Programme & Prime Ministers Rural Road Development Programme which is present Government's dream project. The company is providing consultancy services in these various segments with & in association of International Consultants of repute from United States, United Kingdom, Malaysia etc. with whom your Company has forged a collaboration and alliance. The company during the year has also been empanelled by various prestigious Government clients like National Highway Authority of India, Ministry of Road Transport & Highways & many more.

The services of the Company for all its ongoing projects have been appreciated by its client and satisfactory completion certificates are issued by the client for all the assignments completed. The company has a present order booking position for next 1½ years, at present level of operations. Your company anticipates substantial growth in its areas of operation in Infrastructure consultancy in coming year.

With the given conditions of Financial Markets, the company further anticipates to reduce its exposure & level of operation in financing activities unless the conducive environment with appropriate Government initiatives & regulations are put in place and a level playing field is established for NBFC's as far as cost of funds is concerned vis a vis Banks.

FUTURE OUTLOOK :

The company has a bright outlook for its future. An anticipated investment exceeding Rs. 2,00,000 Crores is envisaged in various segments in which the Company is providing its Consultancy services like Roads, Airports, Water Supply & Management, Urban Infrastructure Development. Major programmes envisaged are non - NHDP