



ARTEFACT SOFTWARE & FINANCE LIMITED
17th Annual Report 2004-2005



NOTICE TO SHAREHOLDERS

Notice is hereby given that the Seventeenth Annual General Meeting of the members of the company will be held on Thursday 29th day of September 2005 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 2005 and Profit and Loss Account for the year ended on that date along with Auditor's Report and Directors' Report thereon.
2. To re-appoint auditors of the company being eligible offers themselves for re-appointment, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remuneration.

AS SPECIAL BUSINESS :

3. To consider and if thought fit to pass with or without modifications the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Ashok Mehta , 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".

Date : 30.07.2005

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



EXPLANATORY STATEMENT :

Item No. 3 :

Mr Ashok Mehta was appointed as an Additional Director on the Board on 31st January, 2005 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 Ashok Mehta 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. 3 is placed before the members for their consideration and approval.

Mr Ashok Mehta is interested in the resolution as it concerns his appointment. None of the other Directors are interested in the above resolution.

The directors recommend the adoption of resolution by members.

Date : 30.07.2005

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 IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE CORPORATE OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- 2) Members/Proxies should bring the Attendance slip duly filled in for attending the meeting.
- 3) The members are requested to notify any change of address with Pin Code number to the Registered office of the Company.
- 4) Register of Members / Transfer Books shall remain closed from 15th September 2005 to 29th September 2005 [both days inclusive].



ARTEFACT SOFTWARE & FINANCE LIMITED

DIRECTORS

Mr. Manoj B. Shah, Managing Director

Mr. Pankaj B. Shah

Maj Gen (Retd.) B. K. Mehta

Mr. Ashok Mehta

Mr Girish R Dhabalia

AUDITORS

Naresh Patadia & Co.

Chartered Accountants

Opp. Ram Mandir, Tilak Road,

Mahal, Nagpur - 440 002

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BANKERS

Central Bank of India, Nagpur

Canara Bank, Nagpur

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.



DIRECTORS REPORT

Your directors have pleasure in presenting their 17th Annual Report and Audited Statement of Accounts for the year ended 31st March 2005 on the business and operations of the Company.

FINANCIAL RESULTS :-

	(Rs. in Lacs)	
Particulars	2004-2005	2003-2004
Gross Income	815.14	799.34
Non Cash Charges	9.68	22.64
Profit Before Tax	38.31	34.19
Provision for Taxation	9.52	9.75
Net Profit	28.79	25.25
(Including excess tax written back)		
Profit brought forward from previous year	254.32	229.07
Profit available for disposal	283.11	254.32
Profit carried to Balance sheet	283.11	254.32

DIVIDEND :-

Your Directors do not recommend any dividend for the year ended 31st March 2005, as they would like to reserve the profits for future expansions and operations of the company.

OVERVIEW :-

The increasing emphasis on infrastructure development of the country has led to an increase in the gross income of the Company from Rs. 7.99 crores in the previous year to Rs. 8.15 crores in the current year. Your directors anticipate substantial jump in revenue in the current financial year in view of the fresh orders received during the year under review.

PLANS FOR CURRENT YEAR :-

The Company has been awarded certain large and prestigious consultancy contracts for major infrastructure projects. The total project cost of these projects exceeds Rs 2000 crores. With the award of these projects, the Company enters into a sunrise sector of consultancy in Aviation and Urban Development. Certain prestigious projects awarded recently include the following :

- ⇒ Project Consultancy for planning, design and supervision of International Passenger Terminal Building for Trivandrum International Airport by Airport Authority of India, costing more than Rs 137 crores,
- ⇒ Town Planning and Town Development Schemes for Urban Regeneration for Korba and Durg cities, in the State of Chattisgarh,



- ⇒ Design and supervision of 2000 Kms State & Rural Roads, in Chattisgarh State, project funded by ADB, costing Rs 450 crores,
- ⇒ Proof checking of designs and supervision of 425 Permanent Tenements in Mumbai, a part of 35,000 Households for Project Affected People of Mumbai Metropolitan Regional Development Authority (MMRDA),
- ⇒ Supervision consultancy awarded by Municipal Corporation of Greater Mumbai of Pedestrian Grade Separators (Lot-I) i.e. 6 subways in Mumbai under MUIP, funded by IBRD (World Bank), project costing Rs 80 Crores.
- ⇒ Design, procurement and construction supervision of 145 kms of State Highway in the State of Chhattisgarh, with a project cost of Rs 75.50 crores,
- ⇒ Preparation of DPR for 4/6 Laning of Pune-Sholapur - 170 kms on NH-9 on BOT basis under NHDP, with a project cost of approximately Rs 700 crores

The Company has contracted sufficient consultancy assignments to achieve a turnover growth of atleast 20% every year for next five years.

Further, the Company has been shortlisted and pre-qualified for many prestigious Highway projects by NHAI funded by ADB, World Bank, IBRD and other large privatization projects, the awards of such projects shall be finalised during the current financial year.

The plans in the current year include consolidation of the present working, expansion of Infrastructure, technology upgradation, improvement of hardware and software technology used, and skills upgradation of its manpower resources. This will have a positive impact on a long term perspective for the Company's working.

The Company has taken adequate steps to improve execution mechanism of the project assignments, resulting in over all efficiency and optimum utilization of Company's resources.

In line with this object, the Company has commenced implementation of approved procedures for achieving ISO 9001 certification, which is expected shortly. This will also help the Company to strongly put forward its efforts to make its presence felt in the global market.

To cater to the enhanced business opportunities and business levels, the Company has obtained approval for various funded and non-funded limits amounting to Rs 1825 lacs from Canara Bank, to ensure liquidity and security in the execution of the project consultancy assignments.

DIRECTORS :

Mr Ashok Mehta who was appointed as an Additional Director on the Board, will cease to be a director of the Company at the 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.

**AUDITORS :**

M/s Naresh Patadia & Co, Chartered Accountants, Auditor of the Company shall hold office until the conclusion of the ensuing Annual General Meeting and is recommended for reappointment. The Company has received letter from them, to the effect that their appointment, if made would be within the prescribed limits under section 224 (I-B) of the Companies Act, 1956. The resolution for their appointment will be placed before the shareholders in the ensuing Annual General Meeting, for their consideration and approval.

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 2005 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 regular intervals to review the internal audit function;
- ✓ The financial statements have been prepared on a going concern basis.

PERSONNEL :-

The Company has not paid any remuneration exceeding the limits under Section 217(2A) of the Companies Act, 1956

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

The Company has not earned or spent any Foreign Exchange during the year.

**DEPOSITS :-**

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

SHAREHOLDER'S VALUE ADDITION :-

The Company has accumulated Reserves of Rs 283.11 lacs representing a value of Rs 6.94 per share. The Company is undertaking a substantial upgradation of its infrastructure and technology resulting in enhanced capital expenditure. The reserves may be utilised by the Company in future for distribution to shareholders as dividend or for capitalisation purpose, also besides meeting the enhanced working capital and capital expenditure requirements.

STATUTORY DISCLOSURES :-

None of the Directors of the Company are disqualified to be appointed as Director under the provisions of section 274 (1)(g) of the Companies Act, 1956. The Directors have made necessary disclosures, as required under the various provisions of the Act and clause 49 of the Listing Agreement with the Stock Exchange.

CORPORATE GOVERNANCE :

Pursuant to clause 49 of the Listing Agreement with the Stock Exchange, Management Discussion & Analysis, Corporate Governance Report and Auditor's Certificate form a part of this Annual Report. The conditions stipulated in clause 49 of the Listing Agreement with the Stock Exchange for maintaining effective governance practices, have been complied with.

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.

AVAILABILITY OF INFORMATION ON THE EDIFAR SYSTEM :

The Company is in process of compliance with the provisions of Clause 51 of the Listing Agreement with the Stock Exchange which requires uploading of Annual Reports, Financial Statements & Shareholding details of the Company on the SEBI website. This will allow easy & fast access of data to the Public, Company, Banks, Government Authorities, Customers, Vendors and Shareholders.

HUMAN RESOURCES MANAGEMENT & INDUSTRIAL RELATIONS :

The Company has considered its employees as its greatest asset and the HR policies and strategies have been focused to convert employee potential into performance. Existing initiatives such as training for multi-skilling of workers, cross functional team based working, 'fugai' identification and elimination through new recruits during induction training, deputing managers for technical and behavioural leadership training programmes, conferences and workshops are continued with renewed thrust. The emphasis on employee empowerment helped in creating a base for raising manpower productivity and professional excellence.



The Company has a robust performance management system that encompasses processes for capability assessment, development, need identification, performance planning for each and every employee, performance monitoring and review, appraisal, reward and recognition. As a development tool, the process includes a 360 degree appraisal and feedback system. Thereby, the Company has created a reserve pool of capable personnel to bank upon for any requirement in the future.

SOCIAL RESPONSIBILITY :

The Company will continue to give adequate weightage on the fundamental policies such as,

"Equal Opportunities to employees, Financial Reporting & Records, Health, Safety & Environment, Ethical Conduct, Regulatory Compliance and Shareholders' Value". However, the Company is committed to reinforce its aim to become a good corporate citizen - not only by regulatory compliance, but also by actively contributing to the social improvement issues, like women's education, culture and quality of life and self-employment.

The Company had also contributed Rs 44000/- approx. towards Tsunami relief fund. The Company also proposes to undertake social audit in near future.

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 : **30.07.2005**

MANOJ B. SHAH

MANAGING DIRECTOR

PANKAJ B. SHAH

DIRECTOR



MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE & SCENARIO :

The Company has its Head Office at Nagpur which is the geographical center of India. The Company started its infrastructure services and project consultancy activities in the year 2000 and achieved a turnover of Rs 815 lakhs in the year 2004-05

In a developing country like India, continuous focus is on development of Infrastructure facilities to make it more competitive so as to attract global players. With this invitation the Central/ State Government have unleashed ambitious plans for development of Road & Air transport of the country. The Company is providing expert Project Management Services for such Infrastructure Development projects.

The industry outlook for NBFC has not improved in the past few years. Recent Government policy announcement of extending the Act on Securitization to NBFC sector also hitherto available only to banks has not been implemented. However, the pace of implementation and benefits thereof to small and medium sized NBFC needs to be reviewed and in this context your Board is of the opinion that it should gradually withdraw from the NBFC sector.

In times to come the Company anticipates to reduce its exposure & level of operation in financing activities

REVIEW OF ARTEFACT'S BUSINESS :

Artefact Projects has entered into collaborations with International Consultants from United States, United Kingdom, Malaysia etc. who are top players in their home countries as well as in the global market. Artefact with its collaborators is providing expert services for prestigious infrastructure development projects by organisations like National Highway Authority of India, Airport Authority of India, Mumbai Metropolitan Region Development Authority and many more.

The Company's services have been highly appreciated by its client thus enhancing the Company's corporate reputation in the global market. The Company has large Orders in hand for execution over a period of the next 4 years.

FUTURE OUTLOOK :

Project Management Consultancy envisages rendering of services for all stages of Project Development from initial conceptualization together with detailed engineering, contract management, to the construction supervision & the handing over of the project.

Large investment has been planned in various segments in which the Company is providing its Consultancy services like Roads, Airports, Water Supply & Management, Urban Infrastructure Development. Projects promoted by Central Government like NHDP (National Highway Development Programmes for Central Government upgradation of additional 10000 kms of National Highway upgradation of metro & non metro airports, establishment of special economic zones (SEZ's) and interlinking of inland river water are in progress.

Also under the National Highway Development Policy (NHDP) Phase V, the Ministry of Shipping, Road Transport and Highways has decided to widen the present 4-laned national highways (5000 Km approx.) to 6-lanes on build, operate and transfer (BOT) basis. All the projects included in NHDP Phase III to VII will now be taken under BOT basis. NHDP Phase III to VII, all of which are expected to be completed by 2007, are estimated to cost about Rs 1,72,000 crores.

During next four months, the Government is likely to award 28 National Highway projects worth Rs 10,000 crores to private corporates. Following the approvals given by the cabinet, these contracts will be awarded