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VMC Software Limited

18th ANNUAL REPORT 2001-2002

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BOARD OF DIRECTORS

Mr. Bamidipatti Shreekrishna	(Appointment on 15-1-02)
Mr. Sanjay V. Doshi	
Mr. Bhavesh N. Goradia	(Resigned on 8-7-02)
Miss. Alpa K. Sangvi	(Resigned on 8-7-02)
Mr. Kirit Kanakiya	
Mr. Raja Roy Choudhari	(Appointment on 8-7-02)

AUDITORS

RAJU & PRASAD
Chartered Accountant
Peninsula House, 1st Floor,
235, Dr. D. N. Road, Fort, Mumbai - 1

BANKERS

Global Trust Bank
UTI Bank Ltd.
Punjab National Bank

REGISTRARS & TRANSFER AGENTS

SHAREX (INDIA) PVT. LTD.
Luthra Industrial Premises (Unit No. 1)
Andheri - Kurla Road, Safed Pool,
Andheri (East), Mumbai - 400 072.

REGISTERED OFFICE

K-203, 2nd Floor,
International Infotech Park,
Vashi Railway Station Complex,
Vashi, Navi Mumbai - 400 705.

E-MAIL ADDRESS

info@vmcsoft.com

WEBSITE

www.vmcsoft.com

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NOTICE

Notice is hereby given that the Eighteenth Annual General meeting of the Members of VMC SOFTWARE LIMITED will be held on Wednesday, 14th August, 2002 at 11.00 A.M. at K-203, 2nd floor, International Infotech Park, Vashi Railway Station Complex, Vashi, Navi Mumbai – 400 705 to transact the following business:-

1. To receive, consider & adopt the Audited Balance Sheet as at 31st March 2002,Profit & Loss account for the year ended on that date & the reports of Directors & Auditors thereon.
2. To appoint a director in place of Kirit R. Kanakiya, who retires by rotation & being eligible offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting & fix their remuneration.

Special business

4. To consider & if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution.

   "RESOLVED THAT in accordance with the provision of Section 260 read with Articles of Association of the Company, Mr. Bamidipatti Shreekrishna in respect of whom a notice Under Section 257 of the Companies Act, 1956, has been received, be & is hereby appointed as a Director of the company, who shall be liable to retire by rotation ".

5. To consider & if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution

   "RESOLVED THAT in accordance with the provision of Section 260 read with Articles of Association of the Company, Mr. Raja Ray Choudhary in respect of whom a notice Under Section 257 of the Companies Act, 1956, has been received, be & is hereby appointed as a Director of the company, who shall be liable to retire by rotation ".

6. To consider and, if thought fit, to pass with or without modifications, the following Resolution as a Special Resolution:-

   "RESOLVED THAT in accordance with the provisions of section 81(1A) of the Companies Act, 1956 and other enabling provisions of the Memorandum and Articles of the Association of the Company and subject to the relevant

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approvals, sanctions, consents, and permissions in accordance with SEBI guidelines for Preferential Issue, subject also to such terms, conditions and modifications as may be prescribed/imposed while granting such approvals, sanctions, permissions and/or sanctions and agreed to by the Board of Directors of the Company(hereinafter refer to as the "Board"), the consent authority and approval of the Company be and it is hereby accorded to the Board to issue, offer and allot to (1) 2,00,000 number of Fully Convertible Debentures of Rs.150/- each, convertible into equity shares of Rs.10/- each fully paid up, in parts, as per schedule given below to M/s Soni Infosys Limited, 6, Rustom Builing, 29, Veer nariman road, Fort, Mumbai – 400 023 (2) 2,00,000 number of Fully Convertible Debentures of Rs.150/- each, convertible into equity shares of Rs.10/- each fully paid up, in parts, as per schedule given below to M/s Earmest Fintrade & Investment Private Limited, 2/10, Bhagwati Appartment, S. V. Road Malad (W), Mumbai - 400 064.

In accordance with SEBI guidelines on preferential issue and subject to approval from SEBI."

PART A

Within three months of allotment One Fully Convertible Debentures to be converted into One Equity Shares of Rs.10/- each fully paid up at a premium of Rs.20/- per share or price as per SEBI preferential issue guidelines whichever is higher.

PART B

In between three to fifteen months of allotment balance Fully Convertible Debentures converted into Equity shares at such price including premium as the Board may decide at a later date and subject to SEBI Guidelines on Preferential Issue.

RESOLVED FURTHER THAT Rs.15/- per Fully Convertible Debenture be called as application money immediately, payable within 15 days and balance amount payable as and when the conversion takes place of the Fully Convertible Debentures into equity shares.

RESOLVED FURTHER THAT the application money so called of Rs.15/- per Fully Convertible Debenture will be allocated as under:

- PART A Rs.5/- per FCD out of which Rs.3/- will be on account of share premium
- PART B Rs.10/- per FCD."

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NOTES:-

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE VALID MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE COMMENCEMENT OF THE MEETING.
2. The explanatory statement pursuant to section 173(2) of Companies Act, 1956 in respect of Item No.4, 5 & 6 of the Notice is annexed.
3. The register of members & shares transfer books will remain closed from **7th August, 2002 to 14th August 2002** (both days inclusive) for the purpose of the Annual General Meeting of the Company.
4. The members are requested to notify the change in address to the Company's Registrar & Transfer Agents i.e Sharex (India) Pvt Ltd at Luthra Industrial Premises ,Unit No.1,Andheri Kurla Road ,Safed pool ,Andheri(East) Mumbai-400 072.

By Order of the Board

Mr. Bamidipatti Shreekrishna

Place : Navi Mumbai

Date : 08/07/2002

Director

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Annexure to the notice

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 4

At the meeting of the Board of Directors of the Company held on 15-01-2002 Mr. Bamidipatti Shreekrishna, was appointed as an Additional Director, pursuant to Section 260 of the Companies Act ,1956 read with Articles 82(1) of the Articles of Association of the Company. Mr. Bamidipatti Shreekrishna holds office up to the date of the forthcoming Annual General Meeting .A notice in writing has been received from a shareholder of the Company, pursuant to Section 257 of the Companies Act ,1956 signifying his intention to propose Mr. Bamidipatti Shreekrishna as candidate for the office of Director along with a deposit of Rs.500 which shall be refunded to him if Mr. Bamidipatti Shreekrishna is elected as Director.

None of the Director, except Mr. Bamidipatti Shreekrishna is concerned or interested in the resolution.

ITEM NO. 5

At the meeting of the Board of Directors of the Company held on 08-07-2002 Mr. Raja Roy Choudhary, was appointed as an Additional Director , pursuant to Section 260 of the Companies Act ,1956 read with Articles 82(1) of the Articles of Association of the Company. Mr. Raja Roy Choudhary holds office up to the date of the forthcoming Annual General Meeting .A notice in writing has been received from a shareholder of the Company, pursuant to Section 257 of the Companies Act ,1956 signifying his intention to propose Mr. Raja Roy Choudhary as candidate for the office of Director along with a deposit of Rs.500 which shall be refunded to him if Mr. Raja Roy Choudhary is elected as Director.

None of the Director, except Mr. Raja Roy Choudhary is concerned or interested in the resolution.

ITEM NO. 6

The company is working on a new business of ITES services and in context to that there will be need of fresh funds.Keeping the same in view the company is approaching to the strategic investors/business associates for the private placement of convertible debentures/ shares on preferential basis. M/s Soni Infosys Ltd. Land M/s. Earnest Fintrade & Investment Private Limited has shown its interest and is willing to invest in the fully convertible debenture of the company to the extent of 2,00,000 fully convertible debenture @ 150/ per convertible debenture as per terms mentioned in the resolution.

There shall be no change in the Board of Directors as a result of the preferential allotment.

The voting rights pre and post preferential allotment materially does not change.

There shall be no change in control of the company.

None of the Directors are concerned or interested in the resolution.

By Order of the Board

Mr. Bamidipatti Shreekrishna

Place : Navi Mumbai
Date : 08/07/2002

Director

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DIRECTORS REPORT

To
The Members ,

Your Director have pleasure in presenting the Eighteenth Annual Report together with the audited accounts for the year ended March 31,2002.

1. FINACIAL RESULTS

	For the year ended 31st March ,2002 (Rs. In Lacs)	For the year ended 31st March ,2001 (Rs. In lacs)
Profit before Depreciation & Tax	160.96	243.12
Depreciation	21.49	26.16
Profit for the year (Before Tax)	139.47	216.96
Less:-Provision for tax	Nil	3.57
Add/Less:-Prior Period item	0.72	(2.74)
Profit after tax	140.19	216.13

2. BUSINESS OPERATIONS

Your company's performance has also been southward in line with the general recessionary trend particularly in US .At the same time the Board is pleased to inform you that your Company's profit were not down significantly as may be noted by you from the above figures.

Your Company's Board is of the opinion that the Company should diversify into the growing segment like IT enabled services which covers Call Centers, Business Process Outsourcing (BPO) and Retail Software Vertical, etc. and steps are being taken in this direction.

The main shareholder Total Network Solution Ltd sold to Juvenile Capfin Private Limited 17.16% of equity shares. Due to this, Juvenile Capfin Private Limited made open offer in April,2002 to acquire up to 20% of the equity capital from the minority shareholders under the SEBI (Takeover) Regulations .

3. DIVIDEND

In order to conserve resources ,no dividend is recommended.

4. DEPOSITS

The Company did not accept any deposits from the year under review.

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5. PERSONNEL

None of the employees of the Company come under the provision of Section 217(2A) of the Companies Act ,1956,read with Companies (Particulars of Employees) Rules,1975.

6. DIRECTORS

Mr. Bamidipatti Shreekrishna was appointed as an additional Director of the Company with effect from 15th January 2002 Pursuant of the Article 82(1) of Association of the company.

In accordance with Section 260 of the Companies Act ,1956 he retires at the conclusion of the Annual General Meeting . The Company has received a notice in writing under section 257 of the Companies Act, along with the requisite deposit proposing Mr. Bamidipatti Shreekrishna as a candidate for the office of Director of the company. Your Director recommends this appointment as a Director vide resolution No.4 of the notice of Eighteenth Annual General Meeting .

Mr. Kirit R. Kanakiya retires by rotation & being elegible offer himself for re-appiontment.

Mr. Dilip R.Kanakiya resigned on 15/01/2002 from directorship

7. AUDITORS

M/s.Raju & Prasad , Chartered Accountant retire at the conclusion of the Annual General Meeting . They have indicated their willingness to continue as Auditors if re-appointed. The Company has received a certificate from them stating that the appointment, if made , will be within the prescribed limits under section 224(1B) of the Companies Act , 1956. Members are requested to appoint Auditors & fix their remuneration.

8. DEPOSITORY SYSTEMS

Your Company has entered into an arrangement with National Securities Depository Limited (NSDL)& the Central Depository Services (India) Limited (CDSL) for dematerialization of your Company's Securities in accordance with the provisions of the Depositories Act, 1995,which are now fully operational & members may avail of such facilities. With this ,the Members have the option/ discretion to hold their Demat shares in the Company through the National Securities Depository Limited or the Central Depository Services (India) Limited.

9. CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, a Report on Corporate Governance is given as Annexure 'A' to this Report.

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10. DIRECTORS RESPONSIBILITY STATEMENT

As required under Section 217(2AA) which was introduced by the Companies (Amendment) Act ,2000 your Directors confirm that:-

i. In the preparation of the annual accounts , the applicable accounting standards have been followed.

ii. The Directors had selected such accounting policies & applied them consistently & made judgments & estimates that are reasonable & prudent so as to give a true & fair view of the state of affairs of the Company as on 31st March ,2002.

iii. The Directors have taken proper & sufficient care for the maintenance of adequate accounting records in accordance with the provision of the Companies Act , 1956 for safeguarding the assets of the Company & for preventing & detecting fraud & other irregularities.

iv. The Directors have prepared the annual accounts on a going concern basis.

11. CONSERVETION OF ENERGY,TECHNOLOGY ABSORPTION,&FOREIGN EXCHANGE EARNINGS & OUTGO under section 217(1)(e) of the companies (Disclosure of particulars in the Report of the Board of Directors) Rules,1988.

a) CONSERVATION OF ENERGY

The Company's operations involve low energy consumption. There are no major areas where any energy conservation measures can be taken .However efforts are being made to conserve & optimize the use of energy in regular operations.

b) TECHNOLOGY ABSORPTION

No technology has been developed, as the Company is yet to set-up its R & D facility. No Technology has been imported by way of foreign collaboration.

c) FOREIGN EXCHANGE EARNINGS & OUTGO

During the year the company has incurred expenses in foreign currency worth Rs.305.30 Lacs. The Foreign Exchange earned during the year is Rs.190.25 Lacs.

12. ACKNOWLEGDMENTS

Your Directors wish to place on records its appreciation of the employees, Banks, R & T, Stock Exchange authorities for their able guidance & support. Your directors thank all your customers for the confidence they have reposed in your company.

By Order of the Board

Mr. Bamidipatti Shreekrishna

Place : Navi Mumbai

Date : 08/07/2002

Director

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Annexure-A

Report on corporate Governance

Securities & Exchange Board of India (SEBI) has introduced the Corporate Governance code which has subsequently been incorporated in the Stock Exchange Listings Agreements & Also in the Companies Amendment Act 2000. For listed Companies, the dates of implementation of the Code are different. As per the Schedule of implementation mentioned in clause 49 of the Listing Agreements, Your Company has to fully implement the Corporate Governance Code before 1st April, 2003. Following are various issues on Corporate Governance Code.

1) Composition of Board of Directors (Board)

The Board of Directors consists of all non executive directors who are independent directors, expert in different disciplines of corporate working. The composition of the board along with details of their other directorship is as follows:

Name of the Director	Category of Director	No. of outside Directorship in Public Ltd. Companies.*
Sanjay V. Doshi	Non Executive (Independent)	01
Bhavesh N. Goradia	Non Executive (Independent)	-
Alpa K. Sanghavi	Non Executive (Independent)	-
Kirit R. Kanakiya	Non Executive (Independent)	02
Dilip R Kanakiya **	Non Executive (Independent)	-
Bamidipatti Shreekrishna ***	Non Executive (Independent)	01

* This excludes Directorship held in Private Companies.

** Resigned on 15th January ,2002

*** Appointed as an additional director w.e.f. 15th January,2002.

None of the directors hold directorship in more than 10 companies including that of VMC. None of the directors are member of any committees of any other outside Company. All the Six Directors are independent.

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