



INNOSOFT

TECHNOLOGIES LIMITED

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For INNOSOFT TECHNOLOGIES LIMITED

C. M. Kishore

Director

9th Annual Report
2002-2003

BOARD OF DIRECTORS

Shri.Prasad VSS Garapati	—	Chairman & Managing Director
Smt K.Saraswathi	—	Executive Director
Smt Lakshmi VVV Garapati	—	Director
Shri.Randall Czerenda	—	Director
Shri.Siva Rama Prasad Ch.	—	Director
Shri.Venkaiah Doniparthi	—	Director
Shri.Ashok Vuppala	—	Director
Smt. Purna Chalasani	—	Director
Smt. Savithri Devi G	—	Director

AUDITORS

M/s. BOPPUDI & ASSOCIATES.,
Chartered Accountants
301, Sai Ram Suman Residency
1-1-541, Gandhinagar
HYDERABAD - 500 080

BANKERS

State Bank of Hyderabad

REGISTERED OFFICE

Plot No: 41, IDA Mallapur
Hyderabad - 500 076

CORPORATE OFFICE:

First Floor, Damayanthi Chambers
Hill Fort Road, Adarsh Nagar
Hyderabad- 500 463

SHARE TRANSFER AGENTS

M/s. Sindhu Corporate Services Pvt. Ltd.
18A, East Marredpally
Secunderabad - 500 026

CORPORATE LAW CONSULTANT

Mr.J.Srinivasa Murthy.,
Practicing Company Secretary,
Secunderabad.

NOTICE

NOTICE is hereby given that the 9th Annual General Meeting of the Members of the Company will be held at the Registered Office of the Company at Plot No.41, IDA Mallapur, Hyderabad on Tuesday the 30th September 2003 at 11.00 A.M. to transact the following business:

I. ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended 31st March 2003 together with the Report's of the Directors and Auditors thereon.
2. To appoint a Director in place of Sri Ch. Siva Rama Prasad, who retires by rotation and being eligible offers himself for re-appointment."
3. To appoint a Director in place of Smt Purna Chalasani, who retires by rotation and being eligible offers herself for re-appointment."
4. To appoint M/s BOPPUDI & ASSOCIATES., Chartered Accountants, Hyderabad the retiring Auditors as Statutory Auditors to hold office from conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on a remuneration as may be decided by the Board.

By order of the Board
For INNOSOFT TECHNOLOGIES LIMITED

Sd/-

PRASAD VSS GARAPATI
Managing Director

Place: Hyderabad

Date: 19.08.2003

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote at the meeting instead of himself/ herself and the proxy need not be a member of the company. Proxies in order to be effective must be received at the Registered Office of the company not less than 48 hrs before the commencement of the meeting.
2. The Register of members and share transfer books of company shall remain closed from 23rd September 2003 to 30th September 2003 (both days inclusive).
3. Members are requested to notify any change in their addresses to the company immediately.
4. Members desirous of obtaining any information on the Annual Accounts of the company are requested to write to the company at least 7 working days before the date of the meeting to enable the company for compilation of the required information

INNOSOFT TECHNOLOGIES LIMITED**DIRECTORS' REPORT**

To
The Members

Your Directors have pleasure in presenting the 9th Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2003.

PERFORMANCE / FINANCIAL RESULTS OF THE COMPANY

(Amount in Lakhs)

		2002-2003	2001-2002
Income from Operations	—	569.89	287.12
Profit before interest, depreciation and tax	—	58.05	(34.81)
Interest	—	8.83	6.21
Depreciation	—	36.35	23.69
Provision for Taxation	—	0.00	0.00
Profit after tax & depreciation	—	12.87	(64.71)

SUBSIDIARY DETAILS:

Innosoft Technologies Ind., USA a wholly owned subsidiary of the company during the year made a turnover of USD 413440 and profit after tax of USD 1537 for the year ended 31st December 2002. The results of Innosoft Technologies Ind., are annexed to this report.

Garapati Tele-Films Private Limited a wholly owned subsidiary of the company during the year made a turnover of Rs.42.70 lakhs and profit after tax of Rs.0.47 lakhs for the year ended 31st March 2003. The results of Garapati Tele-Films Private Limited are annexed to this report.

DIVIDEND:

As the company's profits are inadequate the Board does not recommend any dividend during the year under review.

DIRECTORS:

Sri Siva Rama Prasad Ch. and Smt Purna Chalasani retires by rotation and being eligible offers themselves for re-appointment.

AUDITORS:

M/s. BOPPUDI & ASSOCIATES, Chartered Accountants, Statutory Auditors of the company retire at the conclusion of the ensuing Annual General Meeting and being eligible offers themselves for re-appointment. The company has received a certificate from the Auditors to the effect that their appointment, if made will be in accordance with the provisions of Section 224(1B) of the Companies Act, 1956. The Board recommends their appointment.

AUDITOR'S OBSERVATIONS AND COMMENTS:

Regarding the Auditors observations and comments in their report for the FY 2002-2003, they are self-explanatory and the company is making efforts to comply the same.

PARTICULARS OF EMPLOYEES:

During the year under review, none of the employees were in receipt of remuneration in excess of the limits prescribed under the Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

Information required under Section 217(1)(e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988.

a) Conservation of Energy:

Proper Control points are set up at all levels to identify the wastage in Power & Fuel consumption and to take/initiate corrective steps.

b) Research and Development and Technology Absorption:

- I) Our Research & Development cell has been making continuous efforts to ensure the best quality standards.
- II) Indigenous Technology

c) Foreign Exchange Earnings and Outgo:

During the year under review your Company has earned Foreign Exchange to the extent of Rs.130.05 Lakhs from I.T. Enabled Services. The corresponding Foreign Exchange outgo during the year was Rs.2.47 Lakhs resulting in a net foreign exchange earning of Rs.127.58 Lakhs for the year.

DEPOSITS:

During the year under review, the company has not accepted deposits attracting the provisions of section 58A of the Companies Act 1956.

INNOSOFT TECHNOLOGIES LIMITED

COMPLIANCE OF LISTING AGREEMENT:

Presently the company's Equity shares are listed at Hyderabad Stock Exchange (HSE) and Mumbai Stock Exchange (BSE) and the company paid the Annual Listing Fees for the year 2003-04 to Mumbai Stock Exchange (BSE).

EMPLOYEE RELATIONS:

The relationship with the employees continues to be cordial. The Directors would like to place on record their appreciation of the services rendered by all the employees of the Company.

DIRECTORS RESPONSIBILITY STATEMENT, PURSUANT TO SECTION 217 (2AA) OF THE COMPANIES ACT:

In the preparation of the Annual Accounts, the Generally Accepted Accounting Principles have been followed. All the Accounting Standards as applicable to the Company have been followed. The Directors have selected accounting policies and applied them consistently and made judgments and estimates that are reasonable and 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 the period. Proper and sufficient care to maintain adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities. The Directors have prepared the Annual Accounts on a 'Going Concern Basis'.

CORPORATE GOVERNANCE:

The company apart from complying with the clause - 49 of the listing agreement with the stock exchanges, is also benchmarking against well-established corporate governance practices from time to time. The corporate governance section includes the certificate from the statutory auditors of the company for compliance with the clause 49 of the listing agreement with the stock exchanges.

Keeping in mind the emerging pivotal role of the independent Directors in bringing about good governance, the company continues its efforts to make better use of their services by providing them regular updates on the industry and business, inviting them for participation in the senior/middle level management.

HUMAN RESOURCE VALUATION:

Your company recognizes that the human resources are the most crucial factor for achieving sustained growth over the years. The management considers it's highly motivated and passion driven work force as its partner in the growth of the company.

CAPITAL MARKET DEVELOPMENTS:

The trading of the equity shares of the company on the stock exchanges is compulsory in dematerialized form. As on 31.03.2003, 43.83 % of its shares are in dematerialized form and are traded in various stock exchanges. The company from time to time reminded the shareholders/ investors holding shares in physical form to convert their shares to electronic form.

ACKNOWLEDGEMENTS:

Yours Directors acknowledge with gratitude and wish to place on record their sincere thanks and appreciation for the co-operation received by the company from various Departments of Central/ State Government, Banks for their continued co-operation and the support extended during the year. Your Directors also wish to acknowledge the continued support and confidence reposed in the management by the Shareholders.

For and On behalf of the Board of Directors

Sd/-

PRASAD VSS GARAPATI
Managing Director

Place: Hyderabad

Date: 19.08.2003

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FORM - A

Form for Disclosure of particulars with respect to Conservation of Energy

	Current Year 2002-03	Previous Year 2001-2002
A. Power and Fuel Consumption :		
1. Electricity		
a) Purchased Units	776,588	556,108
Total Amount (Rs.in lacs)	36.27	26.39
Rate / Unit (Rs.)	4.67	4.75
b) Own Generation	—	—
2. Consumption per unit of Production :		
Production of Plastic Chairs (Nos.)	61,441	151213
Consumption per Chair	1.60	1.75
Production of Table & Kitchenware	12,47,059	—
Consumption per Unit of Production	0.54	—


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REPORT ON CORPORATE GOVERNANCE:

The era of good Corporate Governance came into existence with the insertion of Clause 49 of the listing agreement. The company is committed to maximize the shareholder value by adopting the principles of good corporate governance in line with the provisions stipulated in the listing agreement.

1. BOARD OF DIRECTORS:

The constitution of the Board is given below:

Director	Whole-time/ Independent	Number of outside Directorships held *	Number of memberships on Board Committees
Prasad VSS Garapati	Chairman & Managing Director	1	Nil
K.Saraswathi	Executive Director	1	Nil
Lakshmi VVV Garapati	Non- Independent	1	1
Savitri Devi G	Non- Independent	Nil	1
Siva Rama Prasad Ch.	Independent	Nil	2
Venkaiah Doniparthi	Independent	Nil	2
Randal A Czeranda	Independent	1	Nil
Purna Chalasani	Independent	Nil	Nil
Ashok Vuppla	Independent	Nil	Nil

- This excludes Directorships held in foreign companies, private companies and alternate Directorships.

- a) Name : Sri.Siva Rama Prasad Ch.
Age : 63 years
Qualifications : Associate Bachelors Degree
Other Directorships : Nil
- b) Name : Smt Purna Chalasani
Age : 55 years
Qualifications : Doctor
Other Directorships : Nil

2. AUDIT COMMITTEE:

The Audit committee of the Board met 4 (four) times during the year under review i.e. 30.04.02, 31.07.02, 31.10.02 & 31.01.03) meetings were held for approval of Un- Audited Financial Results and Audited Financial results of the company.

The constitution of the Committee and the attendance of each member of the Committee is given below:

Name of the Director	Designation	Whole time/ Independent	Committee meetings attended
Venkaiah Doniparthi	Director	Independent	4
Siva Rama Prasad	Director	Independent	Nil
Savitri Devi G	Director	Non- Independent	4

The meetings of Audit committee are also attended by the heads of finance and Statutory Auditor as Invitees. The un-audited financial results for each quarter are approved by the audit committee before passed on to the Board of Directors for approval and adoption.

Terms and reference of the Audit Committee include a review of;

- Financial reporting process
- Draft financial statements and auditor's report (before submission to the Board)
- Accounting policies and practices
- Internal controls and internal audit systems
- Risk management policies and practices
- Related party transactions
- Internal audit reports and adequacy of internal audit function

The role of the audit committee includes recommending the appointment and removal of the external auditor, discussion of the audit, plan, fixation of audit fee and also approval of payment of fees for any other services.

3. INVESTORS GRIEVANCE COMMITTEE:

The Board constituted an investors grievance committee which looks into shareholders and investors grievances. The following are the members of the committee:

Mrs Lakshmi VVV Garapati
Mr. Venkaiah Doniparthi
Mr. Siva Rama Prasad

Name & Designation of the Compliance officer : Mrs Lakshmi VVV Garapati
Director