



INNOSOFT

TECHNOLOGIES LIMITED

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For Innosoft Technologies Ltd.

Authorized Signatory

10th Annual Report
2003 - 2004

Shri.Prasad VSS Garapati	--	Chairman & Managing Director
Smt K.Saraswathi	--	Executive Director
Smt Lakshmi VVV Garapati	--	Director
Shri.Randal A Czerenda	--	Director
Shri.Siva Rama Prasad Ch.	--	Director
Shri.Venkaiah Doniparthi	--	Director
Smt Purna Chalasani	--	Director
Smt Savithri Devi G	--	Director

BANKERS:

Punjab National Bank,
Basheerbagh Branch,
Basheerbagh,
Hyderabad.

AUDITORS:

Boppudi & Associates,
301, Sai Ram Suman Residency,
1-1-541, Gandhinagar,
HYDERABAD - 500 080.

REGISTERED OFFICE:

Plot No: 41, I.D.A. Mallapur,
HYDERABAD - 500 076.

CORPORATE OFFICE:

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

SHARE TRANSFER AGENTS

M/s. XL Softech Systems Ltd.
3, Sagar Society, Road No: 2
Hyderabad - 500 034

CORPORATE LAW CONSULTANT:

Mr. J.Srinivasa Murthy
Practicing Company Secretary

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NOTICE

NOTICE is hereby given that the 10th 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 Thursday the 30th September 2004 at 10.30 A.M. to transact the following business:

1. ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended 31st March 2004 together with the Report's of the Directors and Auditors thereon.
2. To appoint a Director in place of Sri Ashok Vuppala, who retires by rotation, but expressed his unwillingness to continue as Director on his re-appointment at this meeting and further resolved that the said vacancy be not filled up".
3. To appoint a Director in place of Smt Savithri Devi G, 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.

To consider, and if thought fit, to pass the following Resolution with or without modification(s) the following resolutions as ordinary resolution.

5. RESOLVED THAT pursuant to the provisions of section 198,269,310,311 read with schedule XIII and any other applicable provisions if any of the Companies Act 1956 subject to the modification(s) or enactment's thereof, consent of the members of the company be and is hereby accorded to the appointment of Sri Prasad VSS Garapati as Chairman & Managing Director of the company for a period of 5 years w.e.f.1st May 2004 on the following terms and conditions.

- a) Basic Salary : Rs. 50000/- per month
- b) In addition to salary, Sri Prasad VSS Garapati shall be entitled to following perquisites.

Housing : The expenditure by the company on hiring unfurnished accommodation will be subject to a limit of fifty percent of the salary over and above ten percent payable by the appointee. In case accommodation is not provided by the Company, he shall be entitled to House Rent Allowance subject to the ceiling of 50% of the monthly salary.

Medical Reimbursement : For self and family subject to the condition that the cost to the company shall not exceed one month's salary in a year or three month's salary in a block of three years.

Leave Travel Assistance : For self and family every year incurred in accordance with the rules of the Company restricted to one month salary.

Club Fees : Fees of Clubs, subject to a maximum of two clubs, excluding admission and life membership fees.

Personal Accident Insurance : Premium not to exceed Rs.1000/- per annum

Car : Car with driver for use on Company's business.

Telephone : Telephone facility at residence.

Leave : Encashment of leave with full pay as per the rules of the Company.

The following perquisites will not be included in the computation of ceiling on remuneration as stated above.

- i. Benefits under the Provident Fund Scheme of the Company in accordance with the Company's rules and regulations in force from time to time.
 - ii. Benefits under the Company's Pension/Superannuation Fund Scheme in accordance with the Company's practice, rules, and regulations in force from time to time to the extent of the items mentioned in (a) and (b) herein are not taxable under the Income Tax Act.
 - iii. Gratuity payable in accordance with the approved fund which does not exceed one-half month's salary for each completed year of service.
6. RESOLVED THAT pursuant to the provisions of section 198,269,310,311 read with schedule XIII and any other applicable provisions of any of the Companies Act 1956 subject to the modification(s) or enactment's thereof, consent of the members of the company be and is hereby accorded to the appointment of Smt K Saraswathi as Executive Director of the company for a period of 5 years w.e.f.1st May 2004 on the following terms and conditions.
- a) Basic Salary: Rs. 15000/- per month
 - b) In addition to salary, Smt K. Saraswathi shall be entitled to following perquisites:
 - i. Re-imbursement of conveyance expenses for official duties not to exceed Rs. 4000/- per month.
 - ii. Re-imbursement of medical expenses for self and family not to exceed Rs. 2000/- per annum.
 - iii. Telephone facility at residence.
 - iv. Leave Travel Assistance not to exceed Rs. 5000/- per annum.

INNOSOFT TECHNOLOGIES LIMITED

FURTHER RESOLVED THAT the Executive Director shall be under the direction and supervision of the Managing Director.

By order of the Board
For **INNOSOFT TECHNOLOGIES LIMITED**

Sd/-

PRASAD VSS GARAPATI
Chairman & Managing Director

Place: Hyderabad

Date: 09.08.2004

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 2004 to 30th September 2004 (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
5. M/s. XL Softech Systems Ltd, 3, Sagar Society, Road No : 2, Banjara Hill, Hyderabad -500 034 Phone No : 040 - 23545913/14/15 Fax No : 23553214 have been appointed as the Company's new Registrar and Share Transfer Agent for the Physical segment of the shares and also the Registrar for dematerialized shares.
6. **Members are requested to notify immediately any change of address to their Depository Participants (DPs) in respect of their holdings in electronic form and to M/s. XL Softech Systems Ltd., Unit: Innosoft Technologies Limited in the above address in respect of their physical share folios, if any.**

EXPLANATORY STATEMENT

(Pursuant to the provisions of section 173(2) of the Companies Act, 1956)

ITEM 5:

Sri Prasad VSS Garapati was appointed as Chairman & Managing Director of the company at the Board Meeting held on 30th April 2004, as the existing term will expire on 30th June 2004. As per the provisions of the Companies Act, the appointment of the Managing Director has to be approved by the members of the company at the general meeting.

Hence the Directors recommend the resolution for your approval.

None of the Director is interested/concerned in the resolution except Sri Prasad VSS Garapati, Smt. G. Savithri Devi and Smt. Lakshini VV Garapati.

ITEM 6:

Smt K Saraswathi was appointed as Executive Director of the company at the Board Meeting held on 30th April 2004 as the existing term will expire on 30th June 2004. As per the provisions of the Companies Act, the appointment of the Whole time Director has to be approved by the members of the company at the general meeting.

Hence the Directors recommend the resolution for your approval.

None of the Director is interested/concerned in the resolution except Smt. K Saraswathi.

DIRECTORS' REPORT

To
The Members

Your Directors have pleasure in presenting the 10th Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2004.

PERFORMANCE / FINANCIAL RESULTS OF THE COMPANY

(Amount in Rs. Lakhs)

Particulars		2003-2004	2002-2003
Income from Operations	--	604.49	569.89
Profit before interest, depreciation and tax	--	111.79	58.05
Interest	--	27.01	8.83
Depreciation	--	40.84	36.35
Provision for Taxation	--	0.80	0.00
Profit after tax & depreciation	--	34.86	7.64

SUBSIDIARY DETAILS:

Innosoft Technologies Inc., USA a wholly owned subsidiary of the company during the year made a turnover of USD 75637 and loss of USD 21759 for the year ended 31st December 2003. The results of Innosoft Technologies Inc., 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.19.14 lakhs and profit after tax of Rs.0.53 lakhs for the year ended 31st March 2004. 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:

Smt Savithri Devi G retires by rotation and being eligible offers herself for re-appointment. Sri Ashok Vuppala retires by rotation and he expressed his unwillingness to continue as Director on his re-appointment.

INNOSOFT TECHNOLOGIES LIMITED**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 2003-2004, they are self-explanatory and the company is making efforts to comply the same. With regard the loans and advances the company is taking steps to recover the money at the earliest and we are confident of recovery at the earliest.

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) No technology either indigenous or Foreign is involved.

c) **Foreign Exchange Earnings and Outgo:**

During the year under review your Company has earned Foreign Exchange to the extent of Rs.102.89 Lakhs towards export of software. The corresponding Foreign Exchange outgo during the year was Rs.1.67 Lakhs resulting in a net foreign exchange earning of Rs.101.22 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.

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 2004-05 to 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 (2 AA) 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.

INNOSOFT TECHNOLOGIES LIMITED

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 its 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 31.03.2004, 57.90 % 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
Chairman & Managing Director

Place: Hyderabad

Date: 09.08.2004