

MANGALYA SOFT-TECH LTD.

11th Annual Report

2002 - 2003



True copy

MANGALAYA SOFT-TECH LIMITED

Dilip M. Shah--

Managing Director/Chairman



Registered Office :

302, "Samruddhi", Opp. Sakar-III, Near Income-Tax Circle,
Ashram Road, Ahmedabad-380 014.

PHONE : 7543839, 7542109 FAX : 7544273

MANGALYA SOFT-TECH LTD.



• BOARD OF DIRECTORS •

MANSUKHBHAI J. SHAH *Chairman*
DILIPBHAI M. SHAH *Managing Director*
ASHITBHAI M. SHAH
MANJULABEN M. SHAH

• AUDITORS •

SURENDRA KUMAR JAIN & CO.

Chartered Accountants,
201, Rajshree Avenue, 'A',
Behind Income Tax, Near Dinesh Hall,
Ahmedabad-380 009.

• REGISTERED OFFICE •

302, Samruddhi Opp. Sakar-III,
Near Income-Tax Circle, Ashram Road,
Ahmedabad-380 014.
PHONE : 7543839, 7542109
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MANGALYA SOFT-TECH LTD.

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting this Eleventh Annual Report together with the Audited Accounts for the year ended on 31st March, 2003.

1. FINANCIAL RESULTS :

The Highlights of Financial results

	(Rs. in Lacs)	
	31/3/2003	31/3/2002
Software Income	118.81	146.17
Other Income	6.16	13.64
Profit Before Depreciation & Tax	5.58	6.50
Depreciation	6.43	6.43
Profit / (Loss) Before Tax	(0.85)	0.07
Provision for Taxation	0.00	0.00
Profit / (Loss) After Tax	(0.85)	0.07

2. DIRECTORS :

Mrs. Manjulaben M. Shah & Mr. Dilip M. Shah, Directors of the Company retire by rotation and being eligible offer themselves for reappointment at the forthcoming Annual General Meeting.

3. DEPOSITS :

During the year under review the company has not accepted any deposits from the public.

4. PARTICULARS OF EMPLOYEES :

The Company does not have any employee covered under the provisions of Sec. 217(2A) of the Companies Act, 1956 read with the companies (particulars of employees) Rules, 1975.

5. CORPORATE GOVERNANCE AND MANAGEMENT ANALYSIS :

The corporate governance and Management Analysis Report of the company have been separately given in the Annexure to the Directors Report.

6. DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of 217(2AA) of Companies Act, 1956, with respect to Directors' Responsibility Statement, It is hereby confirmed :

- that in the preparation of the annual accounts for the financial year ended 31st March 2003, the applicable accounting standards had been followed along with proper explanation relating to material departures ;
- that the directors had selected such accounting policies and applied them consistently and made judgements and estimates that were 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 or loss of the Company for the year under review ;
- that the directors had taken proper and sufficient care 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 ;
- that the directors had prepared the accounts for the financial year ended 31st March, 2003 on a going concern basis.

7. AUDITORS :

M/s. Surendra Kumar Jain & Co. , Chartered Accountants, the company's statutory auditors retire at the conclusion of the ensuing Annual General Meeting. They have signified their willingness to accept reappointment and have further confirmed their eligibility under Sec. 224(1B) of the Companies Act, 1956. Members are requested to appoint Auditors for the Current Year and to fix their remuneration.

8. CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO :

A Conservation of Energy :

The nature of Company's operation involves low energy consumption. However wherever possible measures to conserve less energy have been introduced.

B Technology, Absorption, Adoption and Innovation :

The Company will develop sophisticated methods for absorbing, adopting and effectively developing new technologies.

C Research and Development :

In an industry, characterised by rapid advances and technological, your company will always be prepared for new challenges by laying strong on Research and Development. In the coming years the Research And Development team will continue to keep the pace with the latest technology.

D Foreign Exchange Earning and Outgo :

During the year under review the Foreign Exchange Earnings and the Foreign Exchange Outgo was Rs. NIL.

9. ACKNOWLEDGEMENTS :

Your Directors' would like to express their gratitude and thanks to the Bankers, Customers and Business Associates of the company for their Continuous support and cooperation.

10. APPRECIATION :

Your directors wish to place on record their sincere appreciation of the devoted and efficient services rendered by all employees which has enabled the Company to complete an excellent year.

PLACE : AHMEDABAD

DATE : 27/06/2003

By Order of the Board of Directors
For, **MANGALYA SOFT-TECH LTD.**

DILIP M. SHAH
Managing Director

MANGALYA SOFT-TECH LTD.**31/3/2003****ANNEXURE TO DIRECTORS' REPORT****CORPORATE GOVERNANCE :**

Mangalaya's philosophy on corporate governance envisages the attainment of the highest level of transparency, accountability and equity, in all facts of its operations, and in all its interactions with its shareholders, employees, banks and the government. Mangalya believes that all its operations and actions must serve the underlying goal of enhancing overall shareholder value, over a sustained period of time.

I. BOARD OF DIRECTORS :

The Board of Directors consists of four directors. the composition and category of Directors are as under :

Name of Directors	Attendance at Previous AGM	No. of other directorship held	Executive/Non Executive Independent
Mr. M. J. Shah	Present	Nil	Executive
Mr. D. M. Shah	Present	Nil	Non Executive & Independent.
Mr. A. M. Shah	Absent	Nil	Non Executive & Independent
Mrs. M. M. Shah	Present	Nil	Non Executive & Independent

II. AUDIT COMMITTEE :

The Board of Directors of the Company has constituted an Audit Committee, comprising three independent & Non-Executive Directors viz. Mr. D. M. Shah Chairman of the committee (having financial, accounting and taxation knowledge), Mr. A. M. Shah and Smt. M. M. Shah. The constitution of Audit committee also meets with the requirements under Section 292A of the companies Act, 1956.

The terms of reference stipulated by the Board of Directors to the Audit Committee are, as contained in Clause 49 of the listing Agreement and Section 292A of the Companies Act, 1956, as follows :

- Observation of the company's financial reporting process and the disclosure of its financial information.
- Recommending the appointment of external auditors, fixation of audit fee and also approval for payment for any other services.
- Reviewing with management the Quarterly and annual financial statement before submission to the Board, focussing primarily on (i) any changes in accounting policies and practices, (ii) major accounting entries based on exercise of judgement by management, (iii) qualifications in draft audit report, (iv) significant adjustments arising out of audit, (v) the going concern assumption, (vi) compliance with accounting standards, (vii) compliance with Stock Exchange and legal requirements concerning financial statements and (viii) any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of company at large.



MANGALYA SOFT-TECH LTD.

- d. Reviewing with the management, external and interim auditors, the adequacy and compliance of internal control systems.
- e. Reviewing the adequacy of internal audit functions.
- f. Discussion with internal auditors any significant findings and follow up there on.
- g. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or an failure of internal control systems of a material nature and reporting the matter to the Board.
- h. Discussion with external auditors before the audit commences, nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- i. Reviewing the Company's financial and risk management policies.
- j. To look into the reasons for substantial defaults in the payment to the shareholders (in case of non payment of declared dividends) and creditors.

During the year, the Committee has met 5 times, as against the minimum requirement of 3 times. The Statutory Auditors of the Company were also present at the Audit Committee meetings,

Name of Member	Present Meeting Dates
Mr. D. M. Shah	23/4/2002, 8/6/2002, 30/9/2002, 29/11/2002, 03/3/2003.
Mr. A. M. Shah	23/4/2002, 8/6/2002, 30/9/2002, 29/11/2002, 03/3/2003.
Mr. M. M. Shah	23/4/2002, 8/6/2002, 30/9/2002, 29/11/2002, 03/3/2003.

III. REMUNERATION OF DIRECTORS :

1. No directors are taking any remuneration in any element viz. salary, benefits, bonuses, stock options, pension etc.
2. No Directors are taking fixed component and performance linked incentives, along with the performance criteria.
3. No Directors have entered into service contracts, notice period, severance fees with the company.
4. No Directors have given stock option or issued at a discount as well as the period over which accrued and over which exercisable.

IV. MANAGEMENT DISCUSSION AND ANALYSIS REPORT :

(a) Industry Structure and developments :

Software industry witnessed yet another year with stagnant production, increases in input costs and sluggish demand and lack of export opportunities.

(b) Opportunities and Threats :

Indian software market presents opportunity for quality software products,. The Management of software entities have to be sharply focused on cost control, improvement productivity and consistent manufacture of quality.

(c) Segmentwise or productwise performance :

There is only software segment so this clause is not applicable.

(d) Outlook :

The remuneration of programmers were rulling at very high levels due to lac of availability of quality programmers, Margins are under pressure and expected to improve only on reduction in the emoluments and remunerations. Recognising the export and employment potential of the industry the governments intends to improve its viability though reduction in financne costs.