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# **MANGALYA SOFT-TECH LTD.**

## ***13th Annual Report***

**2004 - 2005**

### **• BOARD OF DIRECTORS •**

**SHRI MANSUKHBHAI J. SHAH** *Chairman*  
**SHRI DILIPBHAI M. SHAH** *Managing Director*  
**SMT. MANJULABEN M. SHAH**  
**SHRI VINODBHAI C. SHAH**  
**SHRI KIRTIBHAI M. SHAH**

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### **• 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 : 27543839, 27542109  
FAX : 27544273

MANGALAYA SOFT-TECH LIMITED

*Dilip M. Shah*

Managing Director/Chairman



# MANGALYA SOFT-TECH LTD.

## DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting this Thirteenth Annual Report together with the Audited Accounts for the year ended on 31st March, 2005.

### 1. FINANCIAL RESULTS :

The Highlights of Financial results

|                                  | 31/3/2005 | (Rs. in Lacs)<br>31/3/2004 |
|----------------------------------|-----------|----------------------------|
| Software Income                  | 3.83      | 36.12                      |
| Other Income                     | 5.62      | 6.23                       |
| Profit Before Depreciation & Tax | (-) 0.87  | 4.45                       |
| Depreciation                     | 6.44      | 6.43                       |
| Profit / (Loss) Before Tax       | (-) 7.31  | (1.98)                     |
| Provision for Taxation           | 0.00      | 0.00                       |
| Profit / (Loss) After Tax        | (-) 7.31  | (1.98)                     |

### 2. DIRECTORS :

Mr. V. C. Shah and Mr. K. 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 :

- (i) that in the preparation of the annual accounts for the financial year ended 31st March 2005, the applicable accounting standards have been followed along with proper explanation relating to material departures ;
- (ii) that the directors have selected such accounting policies and applied them consistently and made judgements 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 or loss of the Company for the year under review ;
- (iii) that the directors have 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 ;
- (iv) that the directors have prepared the accounts for the financial year ended 31st March, 2005 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 : 28/06/2005

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

**DILIP M. SHAH**  
Managing Director

**MANGALYA SOFT-TECH LTD.****31/3/2005****ANNEXURE TO DIRECTORS' REPORT****CORPORATE GOVERNANCE :****COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE.**

The Company follows the theme of changing in tune with times to continue the race without any major hurdle and attempts to cover all aspects of reporting in transparent and fair manner keeping the basic principles of good corporate governance.

**I. BOARD OF DIRECTORS :**

The Board of Directors consists of five 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           |
| Mrs. M. M. Shah   | Present                    | Nil                            | Non Executive & Independent         |
| Mr. K. M. Shah    | Present                    | Nil                            | Non Executive & Independent         |
| Mr. V. C. Shah    | Present                    | Nil                            | Non Executive & Independent         |

The Board of the Company met 8 times during the last financial year on the following dates :

24th April 2004, 28th June 2004, 28th July 2004, 20th Sept. 2004, 28th Oct. 2004, 27th Dec. 2004, 27th Jan 2005, 22nd March 2005.

The Company placed before the Board the performance of the Business and various other information, including those specified under Annexure I of the listing Agreement from time to time.

**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. K. 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 internal 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  | 16/6/2004, 26/7/2004, 24/10/2004, 20/1/2005, 22/3/2005. |
| Mr K. M. Shah   | 16/6/2004, 26/7/2004, 24/10/2004, 20/1/2004, 22/3/2005. |
| Mrs. M. M. Shah | 16/6/2004, 26/7/2004, 24/10/2004, 20/1/2005, 22/3/2005. |

### 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 consistant 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.

**MANGALYA SOFT-TECH LTD.****(e) Risks and concerns :**

In software industry the main risk is virus through e-mails and internet sights, so the system must be so amended that the every e-mails and sights of internet must be scanned and then only allow the user to use it.

Further there is a risk of supply of chip systems in the market, It is the endeavour of the company to minimize such risk by being a consistent programming of quality softwares so as to create a niche market for its products.

**(f) Internal control systems and their adequacy :**

The company has adequate internal control systems and necessary check and balance are introduced/strengthened so as to ensure :

- 1) that its assets are safeguarded,
  - 2) that transactions are authorised, recorded and reported properly; and
  - 3) that the accounting records are properly maintained and its financial statements are reliable.
- From time to time, the internal audit system and reports are reviewed by Audit Committee.

**(g) Discussion on Financial performance with respect to operational performance :**

Due to all over slackness in the software market and the adverse factors, the company has made loss during the year, however due to government positive policies towards computerisation, expects good performance in future years.

**(h) Material developments in Human resources/Industrial Relations front, including number of people employed :**

Effort of all Human resources of the company is on imparting continuous training to improve the field management practices.

**V SHAREHOLDERS :****Appointment/Re-appointment of Directors :**

The following directors retire by rotation and are eligible for reappointment. A brief resume together with the other directorship of the directors being re-appointed is given below.

**Mr. V. C. Shah** has gained thirty years experience in his own business. The Board of Directors consider that the company would be benefited by Shri V. C. Shah and recommended the acceptance of resolution. None of the directors are interested in the resolution except Shri V. C. Shah the proposed appointee. He is not holding Directorship in any other Company.

**Mr. K. M. Shah** is B.E. Mechanical Engineer and has gained huge experience in his own business. He is very particular and sharp minded personality. The Board of Directors consider that the Company would be benefited by Shri K. M. Shah and recommended the acceptance of resolution. None of the directors are interested in the resolution except Shri K. M. Shah the proposed appointee. He is not holding Directorship in any other Company.

**GENERAL SHAREHOLDER INFORMATION :****a) Listing on Stock Exchange and Stock Code.**

The Company's equity shares are listed on

1. The Stock Exchange Mumbai Stock Code : 530243

**b) Registrars and Transfer Agents (RTA), Share Transfer system.**

The Company has appointed PINNACLE SHARE REGISTRY PRIVATE LIMITED, Nr. Ashok Mill, Naroda Road, Ahmedabad-380025. having sebi Reg.No. INR-3787 Dt. 12-3-2003, for both physical and dematerialised share maintenance.

**c) Investor Grievance Committee**

The Board has constituted an "Investor Grievance Committee", which looks into shareholders and investors grievances. The following are the members of the committee.

| Name            | Designation |
|-----------------|-------------|
| Mrs. M. M. Shah | Chairman    |
| Mr. K. M. Shah  | Member      |
| Mr. D. M. Shah  | Member      |