

8th Annual Report

2001-2002

Annual
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SOFFIA SOFTWARE LIMITED



Soffia Software Limited

Board of Directors:

R. Venkata Subramanai	-	Chairman
K. Ashok Natarajan	-	Director & C.O.O.
R. Rengharajan	-	Director
Vimal Kumar Khanna	-	Director
G.R. Lakshmanan	-	Director & Legal Counsel.

Technical Advisors To The Board

Kannan Srinivasan
Ashish Pant
Anto Vincent

Auditors

M/S. Gopikumar Associates
Chartered Accountants, Chennai.

Legal Advisor

G.R. Lakshmanan

Bankers

Andhra Bank

Registered Office:

168, 'Soffia Towers', Eldams Road,
Teynampet, Chennai 600018.

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Soffia Software Limited

NOTICE

Notice is hereby given that the Eighth Annual General Meeting of the Shareholders of the Company will be held at 10.00 a.m. on Monday, the 16th December 2002 at the Russian Culture Centre Hall, 27, Kasthuri Ranga Road, Chennai - 600 018, to transact the following business:

1. To Consider and if though fit, pass, with or without modifications, the following resolution as an ordinary resolution.

RESOLVED that the Audited Balance Sheet of the Company as at 30th June 2002, together with the Profit and Loss Account for the year ended as on that date, the schedules, notes, the Directors' Report and Auditor's Report thereon, be and are hereby received, approved and adopted.

2. To Consider and if though fit, pass, with or without modifications, the following resolution as an ordinary resolution.

RESOLVED that Mr.R.Rengarajan, Director, retiring by rotation, be and is hereby reappointed as a Director of the company.

3. To Consider and if though fit, pass, with or without modifications, the following resolution as an ordinary resolution.

RESOLVED that M/s.Gopikumar Associates, Chartered Accountants, Chennai be and are hereby reappointed as the Auditors of the Company, to hold office till the conclusion of the next Annual General Meeting, on a remuneration to be fixed by the Board of Directors.

By Order of the Board
for SOFFIA SOFTWARE LIMITED

Place : Chennai.

Date : 15th November 2002

R.Venkata Subramani.
Chairman.

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his behalf and a proxy need not be a member. The instrument appointing a proxy should be deposited at the Registered Office of the Company, not later than 48 hours before the meeting.

2. The Register of Members and share transfer books will remain closed from Tuesday, the 10th of December 2002 to Monday, the 16th day of December 2002 (both days inclusive).

3. Members are requested to bring their copies of the Report and Accounts to the meeting. Please bring the attendance slip with you duly filled in and hand over the same at the entrance of the Meeting Hall.

4. Members are requested to notify any change in their addresses immediately.

5. Members desirous of getting any information about the accounts and operations of the company are requested to address their queries to the Company Secretary at least seven days in advance of the meeting so that the information required can be made available at the meeting.

Chairman's Message

It is indeed a great pleasure to communicate with you through these columns every year. The year under review was quite a delightful one with your company bagging several prestigious orders both in the domestic front as well in the exports front. Your company has been rated amongst the top 5 IT companies for the last two years consecutively by Data Quest. The order from the Income tax Department, Ministry of Finance, Government of India, is quite significant as it heralds a new era in the functioning of the Income tax Department in terms of really going digital. From the taxpayers' perspective it is quite a welcome move as the department now has its own National Web Site viz., www.incometaxindia.gov.in putting all the necessary information for the taxpayer under one site that enables an ardent taxpayer to get more organised and compliant in terms of the multifarious tax laws. From the department's perspective it is an harbinger of the several Information Technology initiatives to be taken soon ringing auspicious bells for the taxpayers in general and Soffia in particular.

Kudos to the Honourable Finance Minister who has constituted a high power committee under the Chairmanship of Dr. Vijay Kelkar to recommend significant tax reforms. At the time of writing this message, Dr. Kelkar has submitted his report, suggesting path breaking recommendations both pertaining to tax policy and tax administrative measures. We look forward to taking a more active part in the tax administrative reforms process that suggests more IT initiatives to be taken by the tax department in the years to come.

We are presently in the midst of the fifth major industrial revolution that has occurred in the last three hundred years or so. This IT revolution may not be as fundamental as the other major revolutions like electricity, steam or railways. Nevertheless the impact of the current IT revolution in the global economy is radical. Computer penetration has reached 50% levels only recently and that too in the US and certain European countries. The real impact of IT revolution would be felt by the entire global economy once it reaches around 50% levels in major economies of the world. Going by the estimates of leading research organizations, the real economical impact of IT revolution has only touched the tip of the iceberg. The ultimate benefits are undoubtedly going to be realised by the ultimate consumers, thereby improving the standard of living. The speculative bubble witnessed in the stock markets is nothing uncommon as it always happens during major industrial revolution.

Innovation will continue to impact business and will be a major factor that distinguishes the winners from the also-rans. In the US, more than half its economic growth is from industries that did not exist even a decade ago. For India, the IT revolution has opened up great opportunities for rapid industrial growth. We at Soffia are not leaving any stone unturned to tap the huge potential of IT business opportunities that lie ahead in India as much as abroad, quite innovatively especially capitalising on the vast domain expertise of our team members.

R. Venkata Subramani
Chairman

Director and COO's Message

They say the only thing constant is change and its perhaps never been truer than in today's IT market, where success depends largely on a company's ability to transform its vision and the business model that makes it a reality. Our strategic business case is based on our commitment to help customers to improve business performance, ensure service reliability, exploit information assets and to improve customer service.

Soffia last year has been able to deliver a lot of value addition to customers notably large multi national and manufacturing companies. We have been able to add value by appropriate IT solutions through our solutions framework, implementation, services and partners. Over the last two years financial institutions all over the world have awakened to the potential presented by Information Technology. IT is now permeating every conceivable aspect of their business and it is often the tool of choice for improving product effectiveness, customer satisfaction and increasing market share. We at Soffia have been able to develop and implement a major Human Resource Management System for a PSU bank consisting of 12,000 employees and repeat business from companies like Royal Sun Alliance for their motor vehicle insurance, travel cover note and claims processing.

We have been successful in the adoption of Microsoft DNA Architecture, which Web enables, three-tier solution that address key banking challenges of data and application integration in HR. Our banking clients benefit from our Human Resource Management Solutions that allows interoperability, scalability and security while the entire platform is 'Internet - enabled'. I strongly feel that our HRMS product for banking industry would provide the competitive advantage to the company as it is one of the unique solutions developed for banking industry.

We have developed skills in the areas of enterprise applications and services specially designed to meet the needs of mid-sized manufacturers. We have been able to develop and deploy customised integrated packages for large auto-electrical companies using Microsoft products. These offerings have been developed by a completely dedicated ERP team consisting of functional experts, domain people, senior developers and implementers and provide access in client-server architecture to the business application areas viz., engineering, procurement, customer service, inventory, production & finance.

Soffia also for the first time developed an internet portal with Redhat Linux and Oracle 9i. The platform has been designed using JSP pages with a very advanced technology for firewall, clustering, PKI server and security. The technology and application is very unique and make Soffia one of the pioneers in the areas of integrated portal development.

Soffia continued its supremacy in products and we have deployed a number of resources to enhance the products features. We have been able to develop a Fixed Asset Management Software for a leading FMCG company and this was completely web enabled. Our payroll continued to be one of the most patronized products and we secured several new accounts like Ciba - Geigy, Sanmar Engineering, Gujarat Heavy Chemicals and all major IT & service companies. We continue to be the dominant players in the Income tax segment and have been able to develop the National Website, Bulk Return Processing software, TDS software, MIS performance monitoring software for CBDT. The technology deployed is unique and all these products have tremendous future potential for BPO and back office operations.

We took major initiatives in software engineering and processes within the company last year and this will yield better results in the coming year and also towards achieving better quality. Soffia retained its ISO certification and is marching towards CMM Level 4 in year 2003.

Our people have been the prime strength of Soffia and various training programs have been organised with the ultimate goal to help individuals to grow and be more successful in their jobs.

K. Ashok Natarajan
Director & COO

DIRECTORS' REPORT

Your Directors have great pleasure in presenting the Eighth Annual Report of the Company and the Audited Financial Statements for the year ended 30th June 2002.

Management Discussion and Analysis Report:

FINANCIAL RESULTS:

PARTICULARS	(RS. LAKHS)	
	YEAR ENDED 30.06.2002	YEAR ENDED 30.06.2001
Sales	3664.37	4328.93
Total Expenditure	2845.02	2613.87
Interest	173.36	55.07
Gross Profit	645.99	1659.99
Depreciation	506.20	441.43
Provision for Taxation	31.00	27.50
Profit After Tax	108.79	1191.16
Paid up Equity Share Capital	400.01	400.01
Reserves (Excluding Revaluation Reserves)	2723.65	2867.94
Earnings Per Share (in Rs.)	2.72	29.78

Reserves and Surplus

The Reserves and Surplus after appropriation is Rs. 2723.65 Lakhs as on 30th June 2002 as against Rs. 2867.94 Lakhs as on 30th June 2001.

Financial Performance

Your Company has recorded a negative growth in its net profit of 90.87% with a Profit After Tax of Rs. 108.79 Lakhs for the year ended 30.06.2002 over Rs. 1191.16 lakhs recorded in the previous year. The total income from operations for the year-ended 30.06.2002 is Rs. 3664.37 representing a negative growth of 15.35% over the previous year Rs. 4328.93 Lakhs. The PBIDT of the Company for the year-ended 30.06.2002 has gone down by 52.23% to 819.35 Lakhs as against Rs. 1715.06 Lakhs recorded during the same period last year. The main reason for such a decline in the profitability is due to the fact that in respect of overseas business, the margins are under severe pressure. Out of the total revenues for the year ended 30.06.2002, exports constituted 82.95%.

The Financial statements have been prepared in compliance with the requirements of the Companies Act of 1956 and Generally Accepted Accounting Principles (GAAP) in India.

Soffia Software Limited

The management of Soffia Software Limited accepts responsibility for the integrity and objectivity of these financial statements, as well as for estimates and judgements used therein. Readers are cautioned that this section may contain forward-looking statements by the management that involves certain risks and uncertainties. This section should be read in conjunction with the Company's financial statements and the relevant notes attached thereto.

Dividend

Your directors have not recommended any dividend for the current year to conserve the resources available.

Internal control systems and their adequacy

The company has an adequate internal control system commensurate with the size and nature of the business. These systems are continually reviewed and monitored by the operations audit team of the company. It is supported by policies and procedures documents, trained manpower and good internal audit programme across all offices of the company.

SWOT Analysis of the company

1. Strengths:

ISO 9001 company and is marching towards achieving Capability Maturity Model Level 4 by next financial year.

2. Proven product range

Soffia's continuous R&D effort has resulted in path-breaking product solutions, which has large pool of satisfied customer base spread across the country. Some of the major products are listed below:

- * SOFIA
- * SofPay
- * Fassets
- * TdsSoft
- * eMPower

3. Proven project execution capability

Government Projects

- * Application projects for the - Income Tax Department.
- * Suvidha - Bulk Return Processing Software (BRPS) for Ministry of Finance, Government of India.

Manufacturing Industry

- * Enterprise Information System
- * Document Management and Project Tracking System
- * Integrated Production, Purchase and Inventory Control System
- * Financial Accounting and Invoicing Solution
- * Marketing and Sales Management
- * Land Management System
- * HR for Banks

4. Strong Internet and e-commerce domain

- * National Web Site for the Income Tax Department, Ministry of Finance, Government of India - www.incometaxindia.gov.in
- * Web based products for deployment in ASP model available for all products

5. Consultancy

- * Proven on site consulting model with excellent customer relationship abroad

6. Support

- * Proven product support for over 8 years
- * Products being constantly updated every year

7. Strong customer base

- * Customer base includes top engineering and multinational service companies and banks both in India and abroad

8. Technology

- | | |
|---------------------|---|
| * User Services | ASP, JSP, Java Servlets, WML, XML, .NET, Visual Basic |
| * Business Services | COM, CORBA, EJB, MTS |
| * Data Services | RDBMS, OLAP, Oracle 9i |
| * Media Services | Real Player, Windows Media Player |
| * Security | SSL, SET, PPTP |

9. Human Resources

- * 120 multi skilled employees

10. Knowledge Management

- * Software Engineering Process Group

Weakness

- * Consulting business in US has reduced considerably due to slow down of economy
- * Margins are under severe pressure due to the slow down

Opportunities

- * Excellent customer base to be exploited both within India and abroad
- * Huge opportunities for project services in Banking, Finance, Services and Insurances (BFSI) segment especially in US and Europe
- * Large potential in maintenance, mainframe and production support which Soffia can tap with its inherent strength and customer base within India
- * Business Process Outsourcing especially in the areas of payroll and taxation exists in India, US and UK

Threats

- * Intense competition especially in Indian market
- * High cost of operation in US
- * Attrition rates of technical man power and project management people is quite high

Outlook

The Company is optimistic about the outlook of its business. As far as inorganic growth is concerned, we are evaluating opportunities to grow both in terms of size and reach. The board of directors have constituted a core committee comprising of Mr. R. Venkata Subramani and Mr. K. Ashok Natarajan, to explore the possibility of acquiring a company - whether domestic or foreign - in Software Industry. The Board also empowered the said committee to negotiate the terms of acquisition including the mode of settlement of consideration thereof subject to satisfactory completion of due diligence and other statutory compliances if any.

Software Services and Projects

Adaptability is the key to survival - if there is one industry, which bears testimony to this fact and brings reminders to the fore time and again, it could be none other than INFORMATION TECHNOLOGY. There have been different kinds of industrial revolutions in the world, but they have been interspersed with a time span, which gave breathing time for the industries and the stakeholders to get back their breath, before they could dive into another. However, IT industry can be categorised as only one of its kind, where revolutions happen everyday and "CHANGE" is the only "CONSTANT".

In a scenario, which mocks at the best of the planners and implementers, setting sail in rough seas is what typically we, the Soffians, did and we could take pride from the fact that we could achieve reasonable success. When the need of the hour was to adapt and change, in a hostile environment, where IT spending were deferred, it was quite tough for practitioners who were not in a position to think on their feet.

Think on our feet is what we did, when we saw that the private sector is waiting for falling prices, which were squeezing the already tight margins, it was important to shift focus without shifting from the core competence. Soffia saw a huge advantage in taking Information Technology to e-Governance, once the private sector turned its face from the industry. This, we could achieve easily, what with the domain expertise, which we have built over a period of seven hard years of toil. It was time to take advantage of the "Sweat" equity and the brand equity built over these years. With a package, which was the flagship product and from which the name of our company was derived and which has only become popular with every passing day, the domain expertise in the area of Income Tax accounting served us in the horror days.

Income Tax Department, Ministry of Finance, Government of India

A prestigious order from the Directorate of Income Tax (Systems) to develop the national website www.incometaxindia.gov.in, which was launched by the then Honourable Finance Minister, has been applauded by one and all for the ingenuity shown in the manner; the content was developed and deployed with an attractive and user friendly interface. All this in a short span of time, the encomiums that followed from the public, on the effectiveness of the site, motivated the Income Tax Department, Tamil Nadu region to place an order for the design and development of a regional site www.incometaxtn.gov.in.

We can boast of an implementation of the appropriate and suitable technologies for the aforesaid sites, which served the purpose of effective and efficient information dissemination to public. The content was quite a bit, it was the presentation of the content at a good download speed, which was a huge challenge. The user had to get information with the least number of mouse clicks and keystrokes. The popularity of the site after launch has proved that we have overcome the challenge successfully and have lived up to the expectations of the public and the Department.

The site is being hailed as one of the best informative sites with content on various Acts, Rules, Circulars and Notifications. Acts like Income Tax, Wealth Tax, Gift Tax, Expenditure Tax and Finance Acts, Rules including IT Settlement Commission rules, ITAT rules, Advancing rulings among others, Circulars categorised year wise, Notifications categorised based on Acts are available at the click of the mouse. All the forms have been rendered in a printable format.

Apart from the informative content, which is delivered at a good speed, the site also features Frequently Asked Questions and Jurisdiction Search which can enable a user to locate his jurisdiction. The entire site is customisable by the user, with the content, look and feel, personalisable on registration. The highlight of the site is the Search Engine, which summarises results in catalogues. To believe the rendering of the search results it is to be seen. There are downloads of Sampark - Return Preparation Software and Suvidha - Bulk Returns Preparation Software the latter being developed by your company. This package has been made available by the department as a freeware on the site developed by us, to enable bulk filing of returns by employers on behalf of the employees.