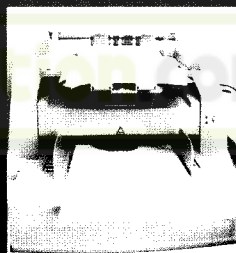


GOVERNANCE



16th ANNUAL REPORT 2005-06



Vakrangee Softwares Limited
ISO 9001-2000 Company



Vakrangee Softwares Limited
ISO 9001-2000 Company



Vakrangee House

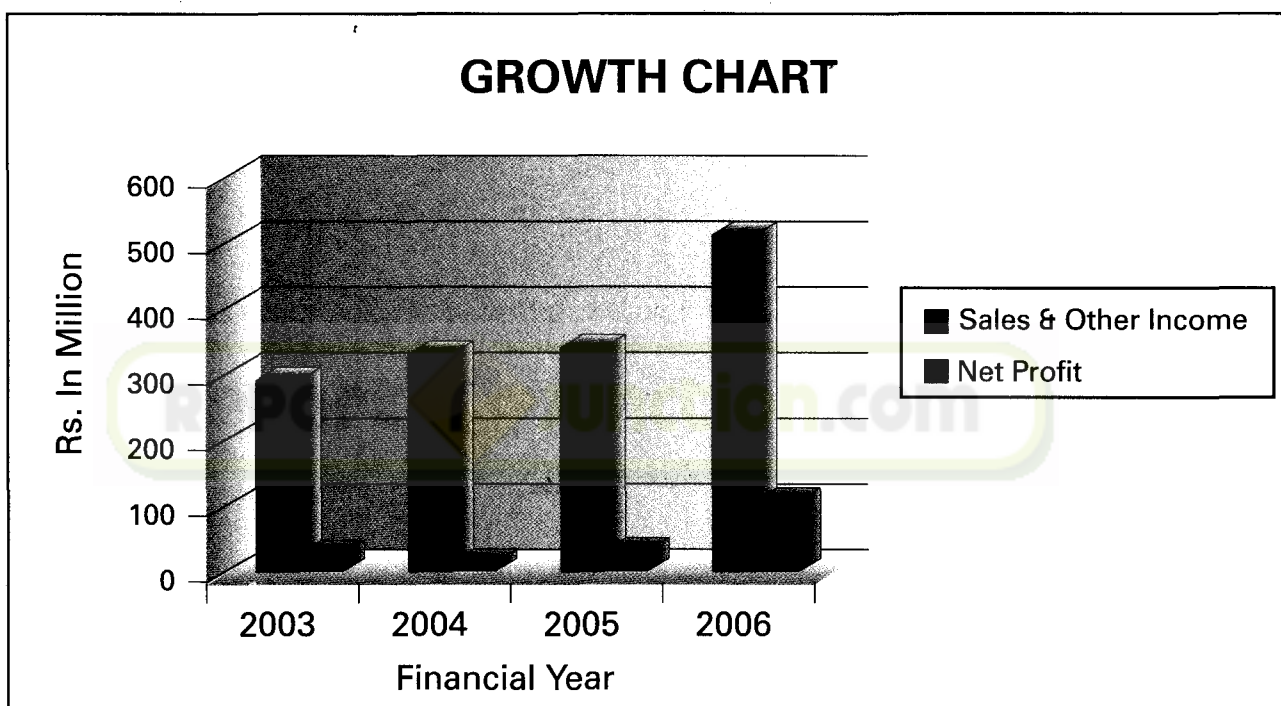
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VAKRANGEE SOFTWARES LIMITED**KEY INDICATORS**

	2005 - 2006	2004 - 2005
Book Values Per Share – Rs.	65.98	57.31
Earnings Per Share – Rs. (Basic & Diluted)	10.04	2.74
Cash Earning Per Share – Rs.	14.95	6.32
Debt: Equity fund	1:13	1:9
Current Assets: Current Liabilities	1:0.14	1:0.20



VAKRANGEE SOFTWARES LIMITED



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VAKRANGEE SOFTWARES LIMITED

BOARD OF DIRECTORS

Mr. Dinesh Nandwana

Mr. Pradip P. Shah

Dr. Nishikant Hayatnagarkar

Mr. Brij Kishor Gupta

Mr. Anil Patodia

Mr. Sunil Agarwal

Mr. K. L. Varma

Chairman & Managing Director

Additional Director

Whole Time Director

Director

Director

Director

Director

COMPANY SECRETARY

Mr. Nihar Ranjan Das

BANKERS

HDFC BANK LTD.

AUDITORS

S. K. PATODIA & ASSOCIATES

Chartered Accountants

MUMBAI – 400 072, INDIA

SOLICITORS

HARESH MEHTA & CO.

Fort, Mumbai – 400 023.

INDIA.

REGISTERED OFFICE

“VAKRANGEE HOUSE”

Plot No 66/A, Marol Co-op Industrial Estate,

Off: M. V. Road, Marol, Andheri (East),

MUMBAI – 400 059, INDIA

SHARE TRANSFER AGENT

(For Electronic & Physical Mode)

Bigshare Services Pvt. Ltd.

E-2, Ansa Industrial Estate,

Saki-Vihar Road, Sakinaka,

Andheri (E), Mumbai – 400072

WEB SITE

www.vakrangeesoftware.com

E-MAIL

info@vakrangee.in

VAKRANGEE SOFTWARES LIMITED

DINESH NANDWANA
Chairman & Managing Director

Dear Shareholders,

I am pleased to ink this communiqué to you along with annual accounts for the year ended 31st March 2006 and share with you some of growing aspects of Indian economy affecting the fortune of the software industry in general and growth path of the Company in particular.

During the year under review, the Company has achieved a growth of 50.21% in turnover over the previous year being increased to Rs.5115.01 Lacs from Rs.3403.03 Lacs making the book value of share to Rs.65.98 against Rs.57.31 at the end of previous year. I believe that this growth is just the beginning on fast track growth path of the Company.

VSL has aggressively strengthened its portfolio by realizing meaningful opportunities across the country. Since inception VSL has generated major revenue from Election related projects but the approval of National e-Governance has thrown open the doors of unlimited scope and tremendous opportunities to grow.

With the introduction of Right to Information Act, 2005 it has become necessary for all Government Departments and other public authorities to keep entire data and documents (old and new) and information into digital form so as to provide desired information to every citizen instantly. Government of India made special provisions in the Finance Bill and the budget allocation towards e-Governance projects are unlimited. VSL is one of the major players in providing scanning and digitization work and is in the process of creating huge infrastructure by setting up business development center at Mumbai, Delhi, Lucknow, Chennai and Bangalore. The existing facility, technology and the creation of future infrastructure will help the Company to get large projects from Govt. and Semi Govt organizations, local bodies, TATA Consultancy Services Ltd, CMC Ltd., Godrej & Boyce Manufacturing Co. Ltd and other private organizations. e-Governance is gaining momentum with every passing moment in India. The convergence of technology and adoption of technology by government has removed the vertical limits for VSL wherein the Government plans to outsource the work. The near future would mark the beginning of a success and growth in the digitization industry, which would know no bounds.

Government of India launched the MCA-21 project to enable companies to file returns electronically and digitization of the former records wherein VSL is proud to be part of this project. This work was received by VSL from TATA Consultancy Services Ltd. / CMC Ltd. in Technical Association with Godrej & Boyce Manufacturing Co. Ltd.

VSL continues its upward movement on the graph of success since it has already dropped the roots in the digitization fields by accepting project from TATA Consultancy, CMC Ltd., Godrej etc. VSL has also succeeded in procuring the Digital Ration Card project of Solapur district, which may spread out across Maharashtra and many other states. VSL has added one more feather to its crown by procuring the Election Photo Identity Cards project from Maharashtra Government for a handsome number of 20 districts, the size of the entire project may go upto Rs. 32 Crores.

VSL has also got the Digitization work of Ghaziabad Tehsil Land Revenue records from UP Electronics Corporation Limited, which may soon sweep the entire U.P. State.

Report



VAKRANGEE SOFTWARES LIMITED

VSL has also got the work from Ghaziabad Development Authority for digitization of Property and Land records. There are 70 authorities like this in UP state alone.

These were just a few projects to be named but soon this approach would be extended to all departments of the Government of India and State Governments etc. The business size of e-Governance related project is enormous.

One of the policies followed at VSL is continuous improvement by perfecting new techniques in both exploration and development that competitors have overlooked or underestimated.

The Company has made investments into Vakrangee Electronics Pvt. Ltd., a Company into electronics business and developing Electronic Election Machine (EEM) with latest technology for effective election across the world.

VSL not only focuses on the growth of the Company with respect to the number of projects and revenue but also focuses on its in-house technology, human resource, investors, which are no less than assets for the Company. VSL believes that no Company succeeds without innovating technology, healthy work culture and satisfied investors.

There are bundles of opportunities taking shape for the Company. We at VSL are ready to shoulder every responsibility to ensure that we capture the opportunities to its best possible level and keep the environment to further fuel growth and create value for all shareholders.

Before I conclude, I take this opportunity to thank all of you for your continued support and confidence. I would also like to thank our customers, business associates, bankers, dedicated Vakrangee work force for their contribution and support.

With due regards.

DINESH NANDWANA
CHAIRMAN & MANAGING DIRECTOR

May 09, 2006

VAKRANGEE SOFTWARES LIMITED



BUSINESS OPERATIONS & FUTURE OUTLOOK

e-Governance

Indian Government and various government departments are moving to e-Governance rapidly to make their governance more meaningful and to give instant access of related data and information to the Indian citizens and other users. In view of the huge number of ministries, departments, offices in India at center & state level and other authorities, e-Governance has emerged as huge opportunity for the IT industry in general and for Vakrangee in particular. Vakrangee being expert in handling the large database since last 12 years will be far ahead of others in race of capturing the opportunity.

Major thrust given to e-Governance projects by the Finance Minister in the recent budget

Excerpts from the budget speech:

"The National e-Governance Plan will be approved shortly, and 25 projects, in mission mode, will be launched in 2006-07. Among them is Project MCA-21 to enable companies to file returns electronically and a project for setting up common service centers and assigning unique ID to BPL families. It is Government's intention to bring a number of services online, in a web-based mode, including applications under the Right to Information Act, applications for house sites, ration cards, transfers of teachers, inclusion in the electoral roll, filing of police complaint, and issue of birth/death certificates and copies of land records."

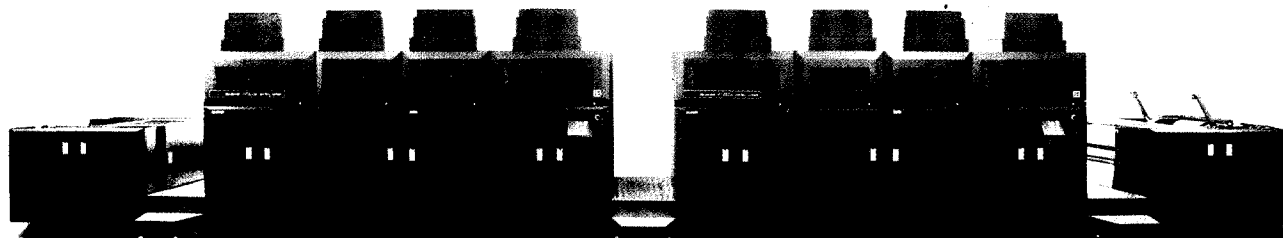
With increasing allocations of central and state governments under the e-Governance project, the expertise and infrastructure of the Company will help the Company to procure business from Government, Semi Government departments, local bodies, various authorities & other private organizations. The Company has received digitization work of Registrar of Companies in technical association with Godrej & Boyce Manufacturing Co. Ltd. through CMC Limited (a TATA Enterprise) and has successfully completed the assignment for 8 locations across India. The Company has also received a contract from TATA Consultancy Services Ltd. for Public Facilitation Office (PFO) for Registrar of Companies under MCA-21 projects for 20 major cities across India. The Company has directly received a pilot project from U.P. Electronics Corporation Ltd., a nodal agency of Government of U.P. State for digitization of Land Revenue Records. The success of this pilot project may result in business procurement from other parts of U.P. State and other Indian states also.

The Company is in the process of creating huge infrastructure by setting up business delivery center & business development center to participate in e-Governance business at National Level in a big way.

PRINTING & ELECTION RELATED BUSINESS

The Company's election related business requires mass digital printing capacity to complete the election related work within the deadlines given by the election commission. The Company has recently placed an order for high speed colored digital printing system with Kodak Versamark, Inc., USA and will require investment of around Rs.15 crores to set up state-of-art printing unit to cater to the growing needs of Election Commission and other Government, Semi-Government and private organizations. The printing capacity of this machine is highest in the Asian Region and therefore will give added advantage to the Company.

The Company has also received an assignment from Election Commission, Maharashtra state unit for the preparation of Electoral Photo Identity Cards for 20 districts of Maharashtra state.





VAKRANGEE SOFTWARES LIMITED

SERVICE PROVIDER

The Company is equipped with the expertise of multilingual technology, infrastructure and manpower and undertaking contracts from Government and Semi-Government department for scanning, digitization, conversion of data and documents. The Company has successfully completed various prestigious projects like electoral data processing, conversion of ROC records & Land records of Ghaziabad Development Authority into digital form.

BUSINESS PROCESS OUTSOURCING

The Company has conducted detailed research in the BPO segment and with its massive and well-established infrastructure and manpower there is tremendous scope in the BPO segment. The Company has already started participating in various tenders for BPO projects by Government departments and actively demonstrating its capabilities and past performance to various overseas clients for tapping the growing BPO market.

STRATEGIC ALLIANCE WITH GODREJ & BOYCE MFG. CO. LTD.

The Company has in 2004 entered into Memorandum of Understanding (MOU) with Godrej & Boyce Mfg. Co. Ltd. for jointly executing election and related projects on national level. Nation-wide offices, availability of mass level infrastructure and the brand image of Godrej coupled with technical know-how and expertise of the Company will create a win-win situation for both in tapping large-scale election and related projects in various states.

MULTILINGUAL VERSATILE DOCUMENT MANAGEMENT SOFTWARE

The Company has developed Multilingual Versatile Document Management Software, which can be used in 13 regional languages. Through this software the Company has completed digitization of huge volume of land record of Ghaziabad development authority in Hindi, Revenue records of Ghaziabad Tahesil in Hindi and Ration Card for Food and Civil Supplies Department of Government of Maharashtra for Solapur District in Marathi. The Company has also completed digitization project of Indian patent office through C-DAC and HR Records for Quest Screening Services Pvt. Ltd. (a part of fortune 500 companies). This specialized multi language software will help the Company to get e-Governance projects from other states of the country.

HUMAN CAPITAL MANAGEMENT (HCM) SOFTWARE

The Company is in the advance stage of developing software, which will cover wider ambit of HR functions of Government, Semi- Government and private organizations. The software is under development after intensive system study of all rules and regulations for HR department of Govt. of India in two versions for use at various levels and is supported by our multilingual technology. It will have various modules of HR functions viz. Payroll, Establishment, Rulebook, System Administration, Employee Online, Vigilance, Income Tax, GPF accounting and reports. The software will be very user friendly and will operate without support of any other utility. The HCM software is under development and will undergo mass level testing before commercial launching.

SCHOOL ERP SOFTWARE

The Company is in the advance stage of developing a software which will cover comprehensive School Management Information System supported by our Multilingual technology, will enable the Company to implement curriculum, training as well as general administration in schools of various vernacular languages. The business processes that will be automated include General administration, Student administration and management, Staff management, Library management, Class management, Finance and Accounts, Stores and Purchase, Hostels and Infrastructure management. The business & technology niche of the software lies in easy accessibility of information through e-communication & voice recognition system. The software aided with strong MIS reports will help the top level of management with the information about utility of the amount spent on education and it will also help in optimizing use of funds deployed on the educational system at various levels.

ELECTRONIC ELECTION MACHINE (EEM)

The Company has made investment into Vakrangee Electronics Pvt. Ltd., which is developing a new improved Electronic Election Machine (EEM), which can be used by the Election Commissions, schools, colleges, clubs, unions, bar councils, societies, co-operative and corporate sectors and this investment will be beneficial in the years to come.