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VirtualSoft
The e-wings of information



Most Software Companies end-up taxiing a long time, and/or lose their way. The turbulence and storms of the global business & political environment.

make it difficult to chart and achieve a proper flight path. Technology changes every month... Promising market segments and customers appear, and then pale into recession. Sustainable value creation business models-like flight paths-are difficult to implement and improve upon.

Innovation, Agility and Perseverance are required to weather such storms. Despite such Adverse conditions, in the Rich Media & Enterprise Broadband Solutions Space, VirtualSoft has successfully managed to re-invent and re-engineer itself by developing and launching a World-Class Enterprise Communication Software Platform, vReach™ and a set of consulting, content development systems integration, and managed service environment(mse) solution packs. It is well resourced and allied to deliver its value potential...

VIRTUALSOFT SYSTEMS LTD

ANNUAL REPORT 2001-02

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BOARD OF DIRECTORS	Mr. Gokul Tandan	Managing Director
	Mr. Rajendra V. Kulkarni	Wholetime Director
	Maj. Gen. A. L. Suri (Retd.)	Director
	Mr. Ashok K. Anand	Director
	Ms. Ritu Tandan	Director
	Mr. Suresh Rajpal	Director
COMPANY SECRETARY	Ms. Vinita Kakkar	
BANKERS	Central Bank of India Jeevan Tara Building Parliament Street New Delhi-110 001.	
	Standard Chartered Grindlays Bank B-68, Greater Kailash-I New Delhi-110 048.	
STATUTORY AUDITORS	I.M. Puri & Co. Chartered Accountants C-30, Chirag Enclave New Delhi-110 048	
INTERNAL AUDITORS	Sundeep Mohindru & Associates. Chartered Accountants F-83, East of Kailash New Delhi-110 065	
REGISTERED OFFICE	S-101, Panchsheel Park, New Delhi-110 017	

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Notice

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Eleventhh Annual General Meeting of the Members of the Company will be held on Monday, September 30, 2002 at 9:00 a.m. at AMBER BANQUETS, B-1/636, Main Najafgarh Road, Janakpuri, New Delhi-110 058 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2002 and the Profit & Loss Account for the year ended as on that date and the Reports of Auditors and Directors' thereon.

2. To re-appoint Mr. Suresh Rajpal, Director who retires by rotation and being eligible, has offered himself for re-appointment.

3. To re-appoint Maj. Gen. A.L.Suri, (Retd), Director, who retires by rotation and is eligible for re-appointment.

4. To appoint M/s. I. M. Puri & Co., Chartered Accountants as Auditors of the Company who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modifications the following resolution as an ordinary resolution:

   "RESOLVED THAT in accordance with the provisions of sections 269, 309 and other applicable provisions of the Companies Act 1956, if any, the company hereby approves the term of appointment of Mr. Rajendra V. Kulkarni, who was appointed by the Board of Directors of the company,as a Wholetime Director with effect from July 1, 2002, for a period of 3 years up to June 30, 2005.

Registered Office:
S-101, Panchsheel Park,
New Delhi-110 017.
Dated : August 13, 2002

By order of the Board of Directors

Vinita Kakkar
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

   The instrument of proxy should, however, be deposited at the Registered Office of the company, not less than 48 hours before the meeting.

2. An explanatory statement pursuant to section 173 of the Companies Act 1956, in respect of the items under special business is annexed hereto.

3. The Register of members and Share Transfer Books of the Company will remain closed from Friday, September 27, 2002, to Monday,September 30,2002, (both days inclusive.)

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT 1956.

Item No.5.

In the meeting of Board of Directors of the company held on July 26,2002, resignation of Mr. Rajendra V. Kulkarni, Joint Managing Director, w.e.f. July 1,2002, was placed before the Board.

The Board decided to reappoint him as a wholetime Director of the company with effect from July 1,2002, for a period of three years upto June 30,2005, without any remuneration and subject to the approval of the members in the ensuing Annual General Meeting of the company.

Registered Office:
S-101, Panchsheel Park,
New Delhi-110 017.
Dated : August 13, 2002

By order of the Board of Directors

Vinita Kakkar
Company Secretary

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Directors' Report

Dear Shareholders,

Your Directors take pleasure in presenting for your consideration and approval the Eleventh Annual Report of your Company for the financial year ended March 31, 2002.

1. FINANCIAL RESULTS

	Particulars	(Rs. In Lakhs) Year Ended 31.03.2002	(Rs. In Lakhs) Year Ended 31.03.2001
1	Income		
	Net Sales/Income from operations		
	Export Income	0.00	42.56
	Domestic Income	**510.16**	129.90
2	Other Income	**1.49**	8.06
3	Expenditure:		
	Software Purchased	**429.72**	39.10
	Staff Cost	**48.39**	58.80
	Legal & Professional	**12.46**	16.58
	Hire/Rental Charges	**19.88**	26.17
	Communication Costs	**6.58**	9.14
	Bad Debts/Provision for doubtful Balances	**209.63**	30.00
	Other Costs	**33.64**	54.43
4	Interest	**7.79**	1.62
5	Depreciation	**21.69**	13.20
6	Profit/(Loss) before tax	**(278.12)**	(68.52)
7	Provision for Tax	**7.00**	-
8	Net Profit/(Loss)	**(278.12)**	(68.52)
9	Paid up Share Capital	**754.76**	754.76
	(Face Value of the share Rs. 10/-)		
10	Reserves & Surplus	**48.63**	28.63
	Excluding Profit & Loss Accumulated Balance of	**(448.49)**	(163.37)
11	Basic and diluted EPS for the year end	**(3.78)**	-
12	Aggregate of Non-Promoter Shareholding		
	- No. of Shares	**1,571,110**	1,211,110
	- % of Shareholding	**20.82%**	16.05%

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2. BUSINESS AND OPERATIONS OF THE COMPANY

(i) The global recession conditions that started during the year 2000-2001, only accentuated themselves after the tragic events of September 11, 2001. In light of this toughening & turbulent environment, especially in the US market, your company decided to substantially resize and refocus its operations towards, (a) Its software product / platform development and (b) marketing & systems integration activities in the IT field, directly and through Partner Organizations.

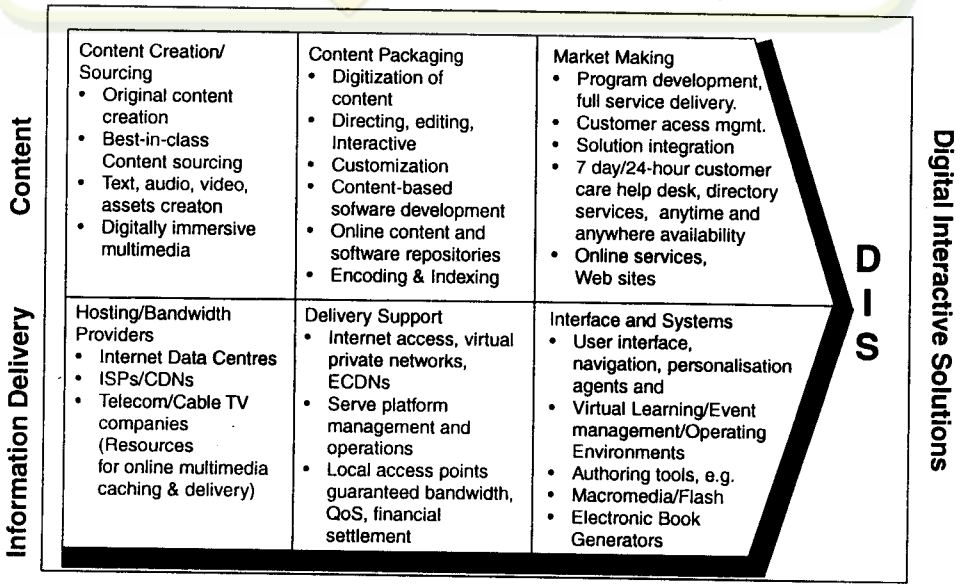
(ii) The company's roots are deep domain knowledge of rich media content creation and delivery. From this, based on efforts initiated in the last financial year, the company successfully developed and launched a comprehensive enterprise communication software product/ platform called vReach™. vReach received engineering and inter-operatability certification from IBM Labs in Bangalore, and went through a series of successful customer trials before two large Indian IT companies agreed to become vReach's Systems Integration and Marketing partners. Both agreed to invest and deploy vReach Solution Development Centers for their internal use and for taking to their larger customers. Another handful of equally well-known companies evinced firm interest to follow-suit. This augurs well for the coming years.

(iii) Your company has been converting its business methods, consulting processes, change management and enablement practices into technical solution development and customer service packs, which are now in an advanced stage of being made ready for the global market.

These offerings are being channellized through two synergistic practices across Content Development and Content/Information delivery to offer Digital Interactive Solution to large enterprises. (refer figure1, below) Depending upon client needs, end-to-end, fully Broadband Enabled Digital Interactive Solution (DIS) are available for e-business, business communications, internal and external supply chain management, e-learning, knowledge management and monetization, and human capital realignment.

Figure 1 :

VirtualSoft's Unique Business Model/Delivery Framework



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This unique capability has been achieved by taking our vReach Platform, our content development expertise and marrying it with the strengths of regional / global market leaders engaged in Software Services, IT and Broadband Internet / Communication Bandwidth Provisioning. These alliances are being developed, nurtured & co-managed by VirtualSoft's Partner Enablement Framework (PEF) program. This will enable us to take our offerings to a global market and accelerate our growth in the coming years.

(iv) The Company's main focus in the subsequent times would be to help Companies to slash costs and raise intellectual capital. This would become possible through a vReach enabled Customized Intranet Content Delivery Network (ICDN)- a private Corporate Channel of Broadband quality. On top of this , your company is pioneering the creation of an Enterprise Broadband Managed Service Environment (EBMSE), that enables large enterprises to derive the full benefits of the Company's unique Solution & Service Packs, viz:

(a) VirtualWorkshop (the online training system)

(b) VirtualCast (online, one to many, event management system).

(c) VirtualManager (the collaborative management system).

(d) VirtualClientell (the customer interaction system - for sales & support).

(e) VirtualVoice (the corporate communication system).

(f) VirtualImpact (Bandwidth Adaptive Internet solutions).

(g) VirtualContent (Rich media Content Creation).

Plus other solutions like Computer based presentations and Computer based training modules.

3. DIVIDEND

Your Directors do not recommend a Dividend.

4. AUDITORS

M/s. I. M. Puri & Co., Chartered Accountants, Auditors of the Company retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

5. DIRECTORS

Mr. Suresh Rajpal and Maj. Gen. A.L. Suri, (Retd.), retire by rotation at the ensuing Annual General Meeting of the Company and are eligible for reappointment.

Mr. Rajendra V. Kulkarni, who had resigned from the post of Joint Managing Director, w.e.f. July 1,2002, was appointed as the Wholetime Director w.e.f. July 1,2002, in the Board Meeting held on July 26,2002. for a period of 3 years, subject to the approval of the shareholders in their Annual General Meeting.

Ms. Sonya Suri, Executive Director, resigned from the Board w.e.f. July 1, 2002.

The tenure of Maj. Gen. A.L.Suri (Retd), as Vice Chairman of the company, expired on July 31,2002, but he still remains a Director of the company.

6. DEPOSITS

The Company has not accepted deposits from the public for the year under consideration.

7. SHIFTING OF REGISTERED OFFICE

The Registered Office of the Company has been shifted from A-246, Shivalik, Malviya Nagar, New Delhi-110 017 to S-101,Panchsheel Park, New Delhi-110017,with effect from May 1, 2002.

8. PARTICULARS OF EMPLOYEES

There is no employee of the Company who has received a remuneration in excess of such sum as prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

9. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO

(a) Details of Conservation of Energy

The Company uses electric energy for its equipment such as air-conditioners, computer terminals, lighting and utilities in the work premises.

All possible measures have been taken to conserve energy:

- By identifying potential areas for saving;
- By incorporating energy efficient equipment;
- By automation.

(b) Technology Absorption

Research & Development

Specific areas in which Research & Development work have been done in the Company- Intranet Content Delivery Network (ICDN) solution. This solution helps Companies slash costs and raise intellectual capital.

(c) Foreign Exchange Earnings

There have been no foreign exchange earnings during the year.

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10. DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors wish to state that:

(a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(b) that they had selected such 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 and loss of the Company for that period;

(c) that they 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;

(d) that they had prepared the annual accounts on a going concern basis.

11. ACKNOWLEDGEMENTS

Your Directors acknowledge with a deep sense of gratitude the continued support extended by investors, customers, business associates, bankers and vendors. Your Directors take this opportunity to thank the regulatory and governmental authorities.

For and on behalf of the Board of Directors

Place: New Delhi
Date : August 13, 2002

Gokul Tandan
Managing Director

R. V. Kulkarni
Wholetime Director

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